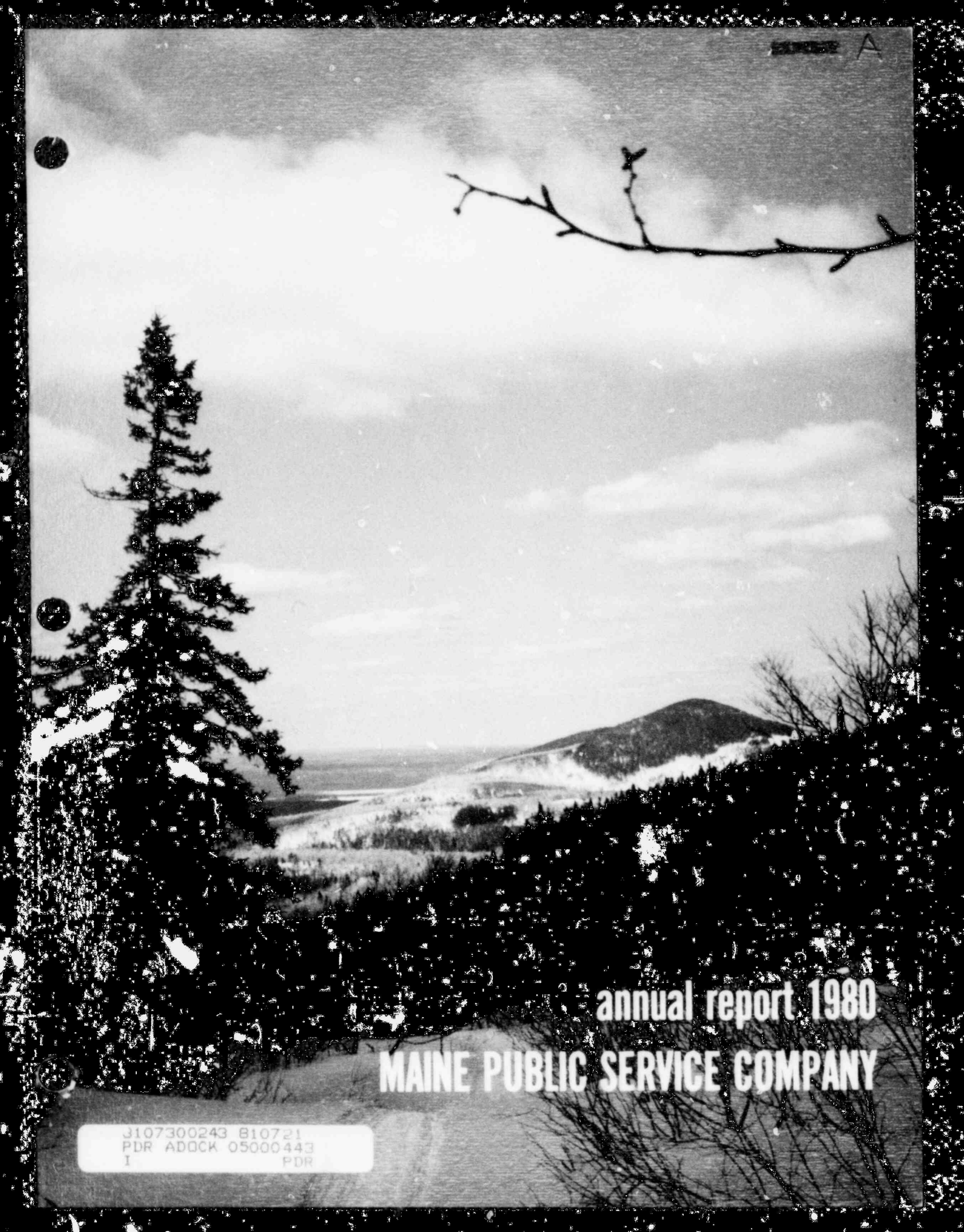

annual report 1980

MAINE PUBLIC SERVICE COMPANY

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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 & Sons, Fort Kent, Maine

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
President, 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

front cover:

Mooseleuk Mountain and Lake from Radio Tower at Norway Bluff.

president's letter
to our stockholders and employees

The year 1980 was a difficult year for our industry. Interest rates started at a prime rate of 15¼%, dipped to a low of 11½% in July and finally jumped to 21½% before the year end. The price of heavy oil used to generate electricity in our system started the year at $23.45 per barrel, F.O.B. Searsport, fell to $17.90 per barrel in April and May and ended up at $32.99. Meanwhile, the overall rate of inflation averaged 12.4% for 1980.

Total kilowatt-hour sales increased 17,825,000 (3.4%) to 539,482,000 but firm sales increased only 1%. The increase in secondary sales came mainly from sales of excess energy to The New Brunswick Electric Power Commission during off-peak hours. In 1980, consolidated operating revenues reached $27,789,640, exceeding those of the previous twelve-month period by $6,549,911. The increase was partly a result of these additional secondary sales, but was mostly the result of higher fuel adjustment revenues which generated $6,474,100 of the increase.

The Company's energy generating mix during 1980 continued to be better than most in New England: 37.7% nuclear, 22.3% hydro and 40.0% fossil. Hydro energy generation was less in 1980 because of decreased flows (95.4% of normal) compared with 1979 when they reached 120% of normal.

Consolidated earnings per share for 1980 were $2.86, down $0.94 from last year's comparable earnings of $3.80 (re-stated). The overall quality of these earnings has likewise deteriorated badly since non-cash sources (Allowance for Funds Used During Construction and Foreign Exchange Translation) amounted to 109% of earnings per share or $3.12.

Due to this rapid decline in earnings since the beginning of 1980, the Company filed for rate relief with the Maine Public Utilities Commission on September 2, 1980 in an amount now adjusted to $4,970,889 or an increase of approximately 18% over total 1980 Maine Public Service revenues. Between the commission staff and three intervening groups, the Company has been bombarded by 407 data requests containing 588 questions, all of which have been answered in written form with 12 copies each. Hearings are scheduled to start March 16, 1981.

The Seabrook Nuclear Units 1 and 2 in which the Company has a 1.46% (33.6 megawatts) joint interest are now 33% complete. About 88% of the basic engineering design is complete, 96% of the equipment is on site or on order and 90% of the construction work is under contract. The Company has an investment in these two units of $20,458,909, including AFUDC, at year-end 1980.

The nuclear referendum, attempting to shut down the Maine Yankee plant, was defeated September 23, 1980 by a statewide margin of 3 to 2. In our own service area it was resoundingly defeated 3 to 1.

It is with deep regret that we report the death of Philip D. Tingley, a director since 1960. The Company will miss his dedicated effort and sage advice. Vice President of Engineering and Operations G. Melvin Hovey has been elected by the directors to fill this vacancy.

You can see why 1980 was a year many of us would like to forget. Perhaps, however, there is reason for optimism. Both political parties finally seem to realize that the growth of government and regulation must be cut back, deficit spending stopped, and taxes reduced and restructured so they will provide incentives for capital formation to reindustrialize America. We can then build our defenses strong once again. To this end you are very important people. It seems an opportune time to make your views known to your Congressional representatives on critical issues affecting our business. I believe if these things are done, inflation, high interest rates, and the value of the dollar will take care of themselves, as will the unemployment problem. I see a beginning with the new administration. Let's help them succeed.

To each of you our valued stockholders, our employees and our customers, we thank you for your patience and understanding. With your support we too will succeed.

Sincerely,

Ralph A. Brown

Ralph A. Brown
President

Presque Isle, Maine
March 16, 1981

Revenue and Energy Sales

Consolidated operating revenues continued to set new highs, with 1980 reaching $27,789,640, $6,549,911, or 30.8%, more than such revenues of the year before. Unfortunately for the Company and customers alike, nearly all of that increase arose from the pass-through of increased fuel expenses via fuel adjustment clauses. Only $88,615 of the huge rise in revenues can be related to growth in energy sales, which is indicative of the enormous impact of fuel cost increases on the Company and its customers.

As indicated above, gains in energy sales over those of 1979 were limited, with residential sales staying about the same, while commercial and industrial small sales went up about 2.1%. Commercial and industrial large sales gained 1.0%, and combined street and area lighting remained on the same level as the year before. Sales for resale showed a large 15.5% pickup from 105,775 MWh to 122,137 MWh, though most of the gain was represented by increased economy sales to The New Brunswick Electric Power Commission, which increased from 13,398 MWh in 1979 to 29,231 MWh in 1980. Sales to public authorities were 36,942 MWh, down from 40,417 due primarily to the loss of 2,384 MWh in sales to Loring Air Force Base. On the whole, primary energy sales were up 0.9% in 1980 from 475,856 MWh to 480,245 MWh, while secondary sales gained 29.3% from 45,801 MWh to 59,237 MWh. Additional information on revenues, sales, etc., may be found in the eleven-year consolidated operating statistics summary at the back of this report.

Operating Expenses

Reflecting a speedup in the collection of fuel costs through fuel adjustment revenues during 1980, deferred fuel expenses were a positive $929,114 compared with a negative $875,165 in 1979. (A positive deferred expense signifies that a like net amount has been recovered through operating revenues; a negative deferred fuel expense denotes a failure to collect that net amount of fuel costs during that accounting period.)

After an exceptionally favorable water year in 1979 (120.0% of normal), hydro generation dropped to 95.4% of normal in 1980. Thus, a net of 127,630 MWh were produced in the hydro plants in 1980 compared with the previous year's very high 162,107 MWh. Because less hydro generation was available, more energy had to be purchased from others or generated in the Company's fossil-fuel plants. Fossil-fuel-produced steam and diesel energy amounted to 47,049 MWh in 1980 compared with 20,616 MWh in 1979. Purchases of energy in 1980 totaled 398,634 MWh against 378,917 MWh in 1979. Most of that increase was in energy purchases from The New Brunswick Electric Power Commission. Nuclear energy purchases from Maine Yankee Atomic Power Company (Maine Yankee) were 3,966 MWh less than the 220,218 MWh of the previous year due to refueling downtime of the unit in the first three months of the year and to some maintenance work performed during the fourth quarter of 1980. Purchases from Maine Electric Power Company were up from 19,200 MWh in 1979 to 24,122 MWh in 1980 because of a 5-MW increase in capacity entitlement acquired from other New England utilities beginning November 1, 1980.

Except for nuclear energy from Maine Yankee, all purchases were generated by fossil fuels. As a result, the total cost of purchased power (including capacity charges) rose a staggering $3,870,896 from $8,881,077 in 1979 to $12,751,973 in 1980. As long as the OPEC nations continue to endlessly raise their prices, no respite from this trend can be seen until the Company's investment in Seabrook Units 1 and 2 reaches fruition and the units infuse additional nuclear-generated energy into the Company's system.

Operating expenses of the steam plants were $1,520,763 more than 1979, primarily due to an increase of $1,482,972 in fuel expenses. This increase was brought on by increased steam production as well as leapfrogging prices of fossil fuels. Diesel operating costs were $28,234 over the prior year, $9,884 of which is attributable to greater fuel expenses, though net diesel generation was 43 MWh less than in 1979. Production maintenance costs were up $90,142 (30.4%) mainly due to periodic overhaul of the steam units at Caribou, though hydro maintenance was up 25.3% and diesel maintenance was higher by the same percentage.

Expenses of operating and maintaining the transmission system were higher by 10.4%, increasing from $882,288 in 1979 to $974,120 in 1980, reflecting the general inflation rate. Some accounts were up more than others, principally maintenance of overhead lines. Similarly, distribution operation and maintenance charges were up 10.5% with overhead lines maintenance being proportionately a little higher than the other distribution accounts. Customer account expenses expanded from $503,086 to $626,542 (up 24.5%) with the greatest increase being in uncollectible accounts, which rose from $71,100 in 1979 to $161,716 in 1980. Expenses for customer services and information increased from $134,513 to $162,137 (20.5%) partially as a result of expanding efforts toward energy conservation. Administrative and general accounts reflect expenses 15.7% greater than in 1979, up from $1,614,843 to $1,867,754. In this group, regulatory commission expenses grew by 179.5% from $53,313 to $149,006, principally because of costs associated with a petition for rate relief filed with the Maine Public Utilities Commission (PUC) of the State of Maine on September 2, 1980. During 1980 several projects requiring the services of outside consul-

tants were undertaken, focusing on a ten-year power supply study and a load research study and causing an increase from $165,094 to $210,348 (27.4%) in expenses of outside services employed. It is anticipated that the data resulting from the load research study will be required to fulfill requirements of the Public Utilities Regulatory Policies Act (PURPA), which will likely be applied to the Company by the PUC, even though the Company's sales are presently lower than the threshold level set by PURPA. Though administrative and general expenses other than those noted above reflected increases and decreases from the prior year, the net increase in those other accounts was held to 8.0%, somewhat less than the general inflation rate.

Depreciation and amortization expenses were $67,953 higher in 1980 due to increases in depreciable property. Taxes other than income taxes charged against income were up $85,983, reflecting higher property taxes, more social security taxes, and a new state assessment to help pay the expenses of the PUC ($5,530). Including deferred taxes and investment tax credit adjustments, income taxes charged to operating expenses dropped from $1,192,064 in 1979 to $168,800 in 1980 as a result of lower taxable income. Income taxes currently payable were down from $235,209 to $154,149. The annual provision for deferred taxes was reduced greatly from $755,452 in the previous year to $8,626 in 1980, principally due to a reversal of deferred taxes related to deferred fuel expenses. Investment tax credit adjustments charged to income in 1980 were only $18,317 compared with $213,695 in 1979, resulting from a decrease in the ability to absorb such credits against otherwise current taxes payable. Total investment tax credit for 1980 was $544,126, $408,740 of which was carried back to 1977. That investment tax credit compares with the previous year's $847,409, $590,022 of which was carried back to 1976. The carried-back portion of ITC is charged to the balance sheet as a refund due from the Internal Revenue Service, rather than to the current income statement.

Construction

The Company and its subsidiary spent $7,212,529 on additions, replacements, and improvements to their utility properties and equipment in 1980, including uncompleted construction work in progress. Approximately $5,272,000 was paid for progress payments on the Company's 1.46% interest in Seabrook Units 1 and 2, nuclear units being constructed by Public Service Company of New Hampshire as lead participant. Additional work on William F. Wyman Unit #4, a new jointly-owned, oil-fired unit being operated by Central Maine Power Company, required about $130,000 from the Company to cover its share of those expenditures. A new, improved, two-way radio system required about $120,000, while $17,000 was needed for preliminary work on the replacement of three penstocks at the subsidiary's Tinker Station. Approximately $376,000 was paid for voltage conversions and substation improvements, and nearly $286,000 was spent for meters, services, transformers and other customer-related facilities. Distribution line extensions, rebuilds and highway relocations required about $776,000 while improvements to the transmission system used about $20,000. Street lighting, general equipment, and miscellaneous items absorbed the remaining $216,000.

In 1981 cash expenditures for construction are estimated at approximately $9,600,000, the bulk of which will be needed for the Company's share of the continuing construction of Seabrook Units 1 and 2, which is expected to be in the area of $6,700,000, including nuclear fuel. Transmission improvements will need about $196,000, and distribution requirements approximately $924,000. Reconstruction of the Caribou Dam is expected to cost nearly $900,000, while the replacement of three penstocks at the subsidiary's Tinker Station will take about $360,000 (U.S. dollars). The remaining $520,000 is budgeted for numerous miscellaneous improvements and needed equipment. The Company's share of the cost of Seabrook Units 1 and 2 is presently estimated at $57,000,000 including initial fuel and Allowance for Funds Used During Construction. The Company's ownership interest of 1.46% represents 33,600 kilowatts of new nuclear capacity.

Affiliated Companies

The Company owns 100% of the common stock (except for directors' qualifying shares) of Maine and New Brunswick Electrical Power Company, Limited, a Canadian corporation (referred to in this report as the subsidiary). The subsidiary owns and operates the Tinker Station, which is located in the Province of New Brunswick, Canada, just a few miles across the international border from the parent company's service area of Aroostook County in Maine. Principally a hydro generating facility, the 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 condition of its charter, the subsidiary is required to first serve the small communities of Andover, Perth, and Carlingford in New Brunswick, with the remainder of the available energy being exported to the parent company's system in Maine.

The parent company is the owner of 5% of the common stock of the Maine Yankee Atomic Power Company (Maine Yankee) and is entitled to purchase approximately 5% of the output from the 855,000-kilowatt nuclear plant located at Wiscasset, Maine. That nuclear energy entitlement has proved of enormous benefit to the Company and its customers. With the exception of hydro energy which has no fuel cost at all, nuclear generation is the most economical of all available sources. Without such nuclear capacity, fuel costs would be astronomically higher and consumers' bills would have to reflect that fact.

Maine Electric Power Company, Inc. (MEPCO) owns and operates a 180-mile, 345-kilovolt transmission line connecting utilities in the New England Power Pool with The New Brunswick Electric Power Commission system in Canada (NBEPC). MEPCO purchases Canadian power under contracts with NBEPC and sells it to various New England utilities. Owning 7.49% of the common stock of MEPCO, the parent company is entitled to purchase a small amount of MEPCO capacity and related energy (3.4 megawatts). In addition to that entitlement, the Company has acquired another 5 MW assigned to it by two other New England utilities for the period November 1, 1980 to October 31, 1981, after which another 5 MW will be acquired, making total MEPCO capacity 13.4 megawatts after that date. The additional 10 MW of purchased capacity entitlements are contingent, in part, upon the PUC allowing them in base rates, as part of the Company's pending rate request. The MEPCO transmission line is also the path by which Maine Yankee and Wyman #4 energy is delivered into the NBEPC system and then wheeled to the parent company through its interconnections with NBEPC at the international border.

Regulatory Proceedings

Because of its rapidly declining earnings, particularly cash earnings, the Company filed a petition for rate relief with the PUC on September 2, 1980. If new rates are granted as requested, the Company's base revenues would increase by approximately $5,000,000. Management has always considered the Company to be too small to justify having a separate rate department. However, the three intervenors in the rate case have managed to bombard the Company with data requests with more than 400 items, with dozens of sub-parts, each of which must be responded to in a timely fashion to fulfill the requirements of the so-called "discovery" process. The Company may be forced to add several staff positions to handle such matters in the future. The cost of time and paper to meet these requirements has been frightening and eventually will have to be passed on to the ratepayers. Public hearings in the rate case are scheduled to be held in March. According to Maine statute, the PUC must render a decision by June 2, 1981.

During 1979 and 1980 the PUC conducted an investigation to determine what items could be included in the fuel adjustment charges for replacement energy costs incurred as a result of a Nuclear Regulatory Commission shutdown of the Maine Yankee nuclear plant in the spring of 1979. It is with considerable relief that we are now able to report that the total replacement costs of $1,541,465 was finally recovered through fuel adjustment billings as of December 31, 1980.

The PUC has also conducted a hearing to establish forward-looking fuel adjustment regulations for all Maine electric utility companies. These proceedings culminated in new rules requiring companies to estimate fuel costs, including purchased energy, and kilowatt-hour sales for a future period (normally twelve months). Effective September 1, 1980 the Company implemented the new regulations for an initial nine-month period to coincide with the statutory period for the pending rate proceeding. Coincident with the inception of new rates resulting from the rate case, an estimated future fuel adjustment factor will be implemented. The regulations allow petitions for changes in the fuel adjustment rate after ninety days if the estimates and actual data become too divergent. Though a divergence has occurred, it had not been decided at the time of this writing whether or not a revision will be sought. It is interesting to note that the PUC has revised its new regulations, providing for interest on under-collections or over-collections at a rate approximating the utility's cost of money. This will take effect at the time of the next fuel adjustment change.

Pursuant to an October 1979 order by the Federal Energy Regulatory Commission, the parent company on January 14, 1980 refunded to its wholesale customers $632,614.51 (including interest of $175,871.11) of fuel adjustment surcharge revenues which had been collected in 1975 and 1976. At the time of the refund, the case was still on appeal with the United States Court of Appeals for the First District. On June 6, 1980 the court denied the Company's petition and the Company has ceased further action in the case. The refund, including interest, (net of Federal and State Income Taxes) has been charged to Retained Earnings at the beginning of the period in 1980. Financial statements in this report have been restated, as appropriate, to retroactively recognize the effect of the adjustments in proper years dating back to 1975.

In respect to wholesale rates, it is expected that the Company will file a new rate proceeding with the Federal Energy Regulatory Commission by mid-1981.

Financial Condition

In 1980 the parent company issued an additional $5,500,000 of bank notes to finance its continuing construction program, making a total of $8,100,000 of such notes outstanding at the end of the year. Because cash earnings in 1980 have been insufficient to generate adequate interest coverages, only a minimum amount of unsecured long-term debt (no secured debt) may be issued at this writing. The generation of needed interest coverages is contingent upon the PUC allowing a substantial increase in rates as a result of the Company's pending rate request. The Company plans to continue bank borrowing to meet on-

going construction needs until such time as sufficient interest coverages have been generated so that a reasonable amount of long-term debt may be issued. It seems doubtful that such a level can be attained before the second quarter of 1982. No major issue of common stock is presently planned, though it is pointed out that minor amounts of new common stock are regularly issued in accordance with provisions of the Company's Employees Stock Ownership Plan, a TRASOP plan qualified under the Tax Reduction Act of 1975, as amended. During 1980, 5,282 shares of common stock were issued and sold to the ESOP trust, increasing common equity by $90,540.

Employees

The parent company had 168 full-time employees at the end of 1980 while the subsidiary had 11 employees at its Tinker Station, identical to the numbers employed at the end of the previous year. Consolidated payroll costs for 1980 amounted to $3,280,996, 9.3% more than the comparable figure of $3,000,919 for 1979. In accordance with the second year of the parent company's contract with the International Brotherhood of Electrical Workers, union employees' base pay rates were increased 7%, effective October 1, 1980. Also on that date, some previously agreed-upon changes in fringe benefits became effective. Commensurate increases in non-union pay scales of the parent company and subsidiary were initiated beginning with the first pay period in December.

General

The parent company engages in the production, transmission and distribution of electric energy, serving retail and wholesale customers in all of Aroostook County and a small portion of Penobscot County in northern Maine. The service area is approximately 3,600 square miles with a relatively sparse population.

For the past several years, we have mentioned in this space the Indian Land Claims Case, a suit brought by the federal government on behalf of the Passamaquoddy and Penobscot tribes, seeking the return of 12.5 million acres of Maine land to the Indians. All legal barriers to the settlement of this case apparently have been overcome and Congress has appropriated the necessary funds to satisfy the claims, so that we feel it is now proper to consider the case closed.

An initiated bill, An Act to Prohibit the Generation of Electric Power by Means of Nuclear Fission, which would have closed Maine Yankee, was not passed by the Legislature and went to the Maine voters in September 1980. We are happy to report that this ill-advised bill was rejected by the people by a vote of 3 to 2.

Subject to control of the board of directors, the Company and its subsidiary continue to avail themselves of advisory and other services of Stone & Webster Management Consultant, Inc.

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 in the case of default (considered unlikely) under the provisions of the Articles of Incorporation relating to the preferred stock or as may be required by applicable law. There were 678,307 shares of common stock outstanding at December 31, 1980. Shares were held by 3,482 stockholders in 48 states, the District of Columbia, the Virgin Islands, Canada, West Germany and Mexico. It is interesting to note that female stockholders outnumber male, 1,208 to 1,075. Stock is held by 860 joint tenants, with the remaining 339 covered by miscellaneous categories. In the state of Maine, 592 holders held 132,519 shares, 353 with 89,978 shares residing in the Company's service area of Aroostook County. There were 129 holders of the 10,180 shares of 4.75% preferred stock, 3 of the 29,100 shares of 9⅞% preferred stock and 3 of the 80,000 shares of 9⅝% preferred stock.

Dividend information and market price data relating to the common stock are shown in the following tabulation for the two most recent calendar years:

	Market Price High		Low	Dividends Paid Per Share
1979				
First Quarter	19¾	—	17⅛	$0.41
Second Quarter	19	—	17⅝	0.46
Third Quarter	19¾	—	18⅛	0.46
Fourth Quarter	18⅜	—	16⅝	0.46
1980				
First Quarter	17¾	—	14⅛	0.46
Second Quarter	18⅛	—	14⅛	0.48
Third Quarter	17¾	—	15⅝	0.48
Fourth Quarter	16⅜	—	13¾	0.48

Maine Public Service Company
and Subsidiary

statements of consolidated income

	Year Ended December 31,		
		Restated (Note 10)	
	1980	1979	1978
Operating Revenues	**$27,789,640**	$21,239,729	$19,868,765
Operating Expenses			
Operation:			
Power Purchased	**12,751,973**	8,881,077	7,638,595
Other	**8,013,782**	4,170,629	3,850,652
Maintenance	**916,875**	723,936	764,282
Depreciation (Note 1)	**1,770,604**	1,702,651	1,494,171
Taxes:			
Other Than Income	**878,008**	792,025	669,456
State Income	**21,832**	45,010	171,961
U.S. and Canadian Federal Income (Note 5):			
Current	**132,317**	164,227	266,262
Deferred—Related to Deferred Fuel Expense	**(462,162)**	409,045	429,510
Other Deferred—Net	**458,419**	334,210	284,467
Investment Tax Credits	**18,317**	213,695	881,380
Total Operating Expenses	**24,499,965**	17,436,505	16,450,736
Operating Income	**3,289,675**	3,803,224	3,418,029
Other Income (Deductions)			
Equity in Income of Joint Ventures (Notes 1 & 3)	**339,635**	344,123	347,403
Allowance for Equity Funds Used During Construction (Note 1)	**652,191**	241,459	312,264
Foreign Exchange (Loss) Gain	**(21,845)**	(44,210)	103,652
Other—Net	**16,012**	26,685	(69,025)
Total	**985,993**	568,057	694,294
Income Before Interest Charges	**4,275,668**	4,371,281	4,112,323
Interest Charges			
Long-Term Debt, etc.	**3,263,503**	2,747,255	1,494,463
Less Allowance for Borrowed Funds Used During Construction (Note 1)	**(1,475,677)**	(1,178,890)	(208,176)
Total	**1,787,826**	1,568,365	1,286,287
Net Income	**2,487,842**	2,802,916	2,826,036
Dividends on Preferred Stock	**556,509**	262,134	179,428
Net Income Available for Common Stock	**$ 1,931,333**	$ 2,540,782	$ 2,646,608
Earnings Per Share of Common Stock	**$2.86**	$3.80	$3.97
Average Shares Outstanding	**675,723**	668,576	666,380

See Notes to Consolidated Financial Statements.

Maine Public Service Company
and Subsidiary

statements of consolidated retained earnings

	December 31, 1980	1979	1978
Retained Earnings, Balance at beginning of year:			
As previously reported	**$12,128,080**	$10,791,237	$ 9,196,861
Prior period adjustment (Note 10)	**(309,270)**	(283,028)	(262,369)
As Restated	**11,818,810**	10,508,209	8,934,492
Net Income for the year	**2,487,842**	2,802,916	2,826,036
Dividends:			
Preferred Stock	**(556,509)**	(262,134)	(179,428)
Common Stock (per share: $1.92 in 1980, $1.84 in 1979 and $1.61 in 1978)	**(1,297,388)**	(1,230,181)	(1,072,891)
Miscellaneous Charge	**(52,984)**		
Retained Earnings, Balance at end of year	**$12,399,771**	$11,818,810	$10,508,209

See Notes to Consolidated Financial Statements.

Library building on the campus of the University of Maine at Presque Isle.

Maine Public Service Company
and Subsidiary

consolidated

assets

	December 31, 1980	December 31, Restated (Note 10) 1979
Utility Plant (Notes 1 and 4)		
Electric Plant in Service	**$55,979,721**	$54,667,859
Less Accumulated Depreciation	**20,219,504**	18,849,887
Net Electric Plant in Service	**35,760,217**	35,817,972
Construction Work-in-Progress	**20,626,495**	14,575,898
Total	**56,386,712**	50,393,870
Investments in Associated Companies (Notes 1 and 3)		
Maine Yankee Atomic Power Company	**3,339,711**	3,340,759
Maine Electric Power Company, Inc.	**87,388**	92,888
Total	**3,427,099**	3,433,647
Net Utility Plant and Investment in Associated Companies	**59,813,811**	53,827,517
Current Assets		
Cash	**733,970**	961,327
Deposits for interest and dividends	**516,644**	492,367
Accounts Receivable:		
Customer (less allowance for uncollectible accounts—1980, $76,300; 1979, $63,487)	**2,652,247**	1,954,221
Other	**402,000**	266,151
Refundable Federal Income Taxes (Notes 1 and 10)	**597,907**	1,034,947
Deferred Fuel and Purchased Energy Costs (Note 1)	**1,323,487**	2,252,601
Materials, Fuel, and Supplies (at average cost)	**1,810,348**	1,340,497
Prepayments	**43,052**	90,218
Total	**8,079,655**	8,392,329
Deferred Debits		
Unamortized Debt Expense (being amortized over terms of related debt)	**234,801**	253,205
Miscellaneous (Note 4)	**485,316**	406,798
Total	**720,117**	660,003
	$68,613,583	$62,879,849

See Notes to Consolidated Financial Statements.

balance sheets

liabilities and capital

	December 31, 1980	Restated (Note 10) 1979
Capitalization		
Common Shareholders Equity (Note 8):		
Common Stock*	**$ 4,748,149**	$ 4,711,175
Paid-in Capital	**1,773,557**	1,697,256
Retained Earnings	**12,399,771**	11,819,810
Total	**18,921,477**	18,227,241
Redeemable Cumulative Preferred Stock* (Note 9)	**5,964,000**	6,069,000
Long-Term Debt* (less current maturities)	**25,414,040**	25,941,208
Current Liabilities		
Long-Term Debt Due Within One Year:		
3% Series Bond Due September 1, 1980	**——**	710,000
Other	**505,664**	518,128
Notes Payable to Banks (Note 6)	**8,100,000**	2,600,000
Accounts Payable	**2,601,050**	1,659,082
Wholesale Surcharge Refund (Note 10)	**——**	632,615
Deferred Income Taxes Related to Deferred Fuel Costs (Note 1)	**558,193**	1,120,355
Dividends Declared	**463,802**	438,935
Customer Deposits	**18,611**	18,141
Taxes Accrued	**67,659**	61,207
Interest Accrued	**626,925**	585,783
Total	**13,041,904**	8,344,246
Deferred Credits		
Income Taxes (Note 1)	**2,242,397**	1,783,978
Investment Tax Credits (Note 1)	**2,911,499**	2,474,105
Miscellaneous	**118,266**	40,071
Total	**5,272,162**	4,293,154
	$68,613,583	$62,879,849

**See schedules of capitalization data*

statements of source of consolidated funds for plant additions and replacements

	Year Ended December 31,		
		Restated (Note 10)	
	1980	1979	1978
Source of Funds			
Funds From Operations:			
Net Income	**$ 2,487,842**	$ 2,802,916	$ 2,826,036
Principal Non-Cash Charges (credits) to Income:			
Depreciation (Note 1)	**1,770,604**	1,702,651	1,494,171
Deferred Income Taxes—Net	**458,419**	334,210	284,467
Deferred Investment Tax Credits	**437,394**	740,342	1,050,960
Allowance For Equity Funds Used During Construction (Note 1)	**(652,191)**	(241,459)	(312,264)
Foreign Exchange Loss (Gain) (Note 1)	**21,845**	44,210	(103,652)
Other	**109,085**	(63,346)	95,795
Funds From Operations	**4,632,998**	5,319,524	5,335,513
Less: Dividends on Preferred and Common Stock	**(1,853,897)**	(1,492,315)	(1,252,319)
Miscellaneous Charge to Retained Earnings	**(52,984)**	—	—
Funds Retained in the Business	**2,726,117**	3,827,209	4,083,194
Funds From (For) Financing—Net:			
Notes Payable to Banks	**5,500,000**	(6,800,000)	9,400,000
Issuance of Redeemable Preferred Stock and Long-Term Debt	**—**	12,000,000	—
Reduction of Long-Term Debt and Capital Stock—Net	**(1,263,202)**	(480,390)	(574,113)
Funds From Financing—Net	**4,236,798**	4,719,610	8,825,887
Net Funds Available	**6,962,915**	8,546,819	12,909,081
Increase (Decrease) in Available Funds			
Decrease (Increase) in Working Capital (see below)	**232,796**	(485,799)	(1,572,732)
Other—Net	**16,818**	57,810	27,436
Funds Used For Plant Additions and Replacements	**$ 7,212,529**	$ 8,118,830	$11,363,785
Increase (Decrease) in Working Capital by Components (excluding long-term debt due within one year and notes payable to banks):			
Cash	**$ (227,357)**	$ 375,998	$ 128,432
Deposits for Interest and Dividends	**24,277**	120,605	19,201
Accounts Receivable—Net and Refundable Income Taxes	**396,835**	(244,951)	1,196,882
Deferred Fuel and Purchased Energy Costs	**(929,114)**	875,165	831,741
Materials, Fuel and Supplies	**469,851**	267,484	183,946
Prepayments	**(47,160)**	29,002	(12,595)
Accounts Payable	**(941,968)**	(173,057)	(273,024)
Wholesale Surcharge Refund (Note 10)	**632,615**	(52,215)	(41,107)
Deferred Income Taxes Related to Deferred Fuel Costs	**462,162**	(409,045)	(429,510)
Taxes Accrued	**(6,452)**	(31,888)	14,507
Interest Accrued and Other Current Liabilities—Net	**(66,479)**	(271,299)	(45,741)
Increase (Decrease) in Working Capital	**$ (232,796)**	$ 485,799	$ 1,572,732

See Notes to Consolidated Financial Statements.

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). (See Note 10)

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 customers under the operation of fuel and purchased energy adjustment clauses are deferred until the periods in which the related revenues are billed.

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 12.69% during 1980, at 12.48% during 1979 and at 9.98% during 1978. 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 and the declining balance method for tax purposes.

By order of the Maine Public Utilities Commission, 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 1980, 1979 and 1978 amounted to $419,543, $370,995 and $300,440 respectively. The Subsidiary records income tax reductions by the "flow-through" method for all differences between book and tax depreciation.

Investment Tax Credit The Company defers investment tax credits ($548,482, $847,409 and $1,178,500 in 1980, 1979 & 1978, respectively) 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 the tax liability. The excesses were carried back resulting in $408,740, $590,022 and $276,792 of refundable federal income taxes for 1980, 1979 and 1978 respectively.

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, 1980:				
Sales to Unaffiliated Customers	$27,638	$ 152		$27,790
Intercompany Revenues	81	775	$ (856)	
Total	$27,719	$ 927	$ (856)	$27,790

(Note 2 continued on page 12)

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
For the Year Ended December 31, 1979:				
Sales to Unaffiliated Customers	$21,090	$ 150	—	$21,240
Intercompany Revenues	81	900	$ (981)	
Total	$21,171	$1,050	$ (981)	$21,240
Operating Profit Before Income Taxes	$ 4,536	$ 427	$ 6	$ 4,969
Income Taxes (A)	1,008	158	—	1,166
Operating Income (A)	$ 3,528	$ 269	$ 6	$ 3,803
Identifiable Assets at December 31, 1979 (A)	$57,884	$4,996		$62,880
For the Year Ended December 31, 1978:				
Sales to Unaffiliated Customers	$19,717	$ 152		$19,869
Intercompany Revenues	81	757	$ (838)	
Total	$19,798	$ 909	$ (838)	$19,869
Operating Profit Before Income Taxes	$ 5,176	$ 276	—	$ 5,452
Income Taxes (A)	1,956	78		2,034
Operating Income (A)	$ 3,220	$ 198	—	$ 3,418
Identifiable Assets at December 31, 1978 (A)	$49,783	$5,042		$54,825

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

(A) Restated, See Note 10.

3. INVESTMENTS IN JOINTLY-OWNED COMPANIES

Dividends received during 1980, 1979 and 1978 from Maine Yankee were approximately $325,000, $333,000 and $335,000, respectively, and from MEPCO approximately $11,000 in 1980, and $12,000 in both 1979 and 1978.

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

	Maine Yankee			MEPCO		
(Dollars in Thousands)	1980	1979	1978	1980	1979	1978
Earnings						
Operating revenues	$ 84,245	$ 68,867	$ 70,373	$111,604	$ 98,122	$ 59,860
Earnings applicable to Common Stock	$ 6,574	$ 6,650	$ 6,702	$ 146	$ 155	$ 164
Company's equity share of net earnings	$ 329	$ 333	$ 335	$ 11	$ 12	$ 12
Investment						
Total assets	$296,724	$287,105	$265,955	$ 31,100	$ 22,804	$ 20,812
Less:						
Preferred Stock	11,980	13,070	13,696	—	—	—
Long-term debt	134,823	139,373	128,818	10,484	11,220	11,880
Other liabilities and deferred credits	82,869	67,805	56,657	19,443	10,337	7,607
Net assets	$ 67,052	$ 66,857	$ 66,784	$ 1,173	$ 1,247	$ 1,325
Company's equity in net assets	$ 3,353	$ 3,341	$ 3,339	$ 88	$ 93	$ 99

4. INVESTMENTS IN JOINTLY-OWNED UTILITY PLANTS

The Company is a participant in three jointly-owned utility plants: W. F. Wyman Unit No. 4 (Wyman), Seabrook Units No. 1 & 2 (Seabrook), and the New England Power Company Units No. 1 & 2 (NEPCO).

In December of 1979, New England Power Company cancelled the construction of Units No. 1 & 2. Accordingly, approximately $207,000 of construction work-in-progress related to those units was transferred to deferred debits, pending final disposition by NEPCO and the state regulatory authority.

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, 1980 is as follows:

	Wyman	Seabrook
Electric Plant in Service	$6,973,599	
Accumulated Depreciation	423,324	
Construction Work-in-Progress		$20,458,909
Total	$6,550,275	$20,458,909
Company's Ownership Percentage	3.3455%	1.4606%

5. FEDERAL INCOME TAXES

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

	1980	Restated (Note 10) 1979	1978
Statutory Rate	46.0%	46.0%	48.0%
Tax Benefits of Lower Effective Tax Rate Attributable to Dividends Received	(5.2)	(3.5)	(3.0)
Foreign Tax Credit			(1.5)
Allowance for Funds Used During Construction	(38.4)	(17.1)	(5.4)
Other	3.2	3.0	1.6
Effective Rate	5.6%	28.4%	39.7%

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, 1980 are as follows: 1) an open credit arrangement up to $1,200,000 with interest at the lender's prime rate. 2) a line of credit up to $7,500,000 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:

	1980	1979
Total Lines of Credit at year end	$8,700,000	$ 4,200,000
Maximum amount of borrowings outstanding at any month-end	8,100,000	12,600,000
Borrowings outstanding at year end	8,100,000	2,600,000
Unused lines of credit at year end	600,000	1,600,000
Average outstanding borrowings for the year	6,350,000	8,320,000
Average interest rate for the year	17.22%	13.63%
Effective interest rate at year end	22.61%	15.91%

7. PENSION PLAN

The Company and its Subsidiary have insured non-contributory 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 $255,083 in 1980, $286,594 in 1979 and $249,372 in 1978. The companies' policy is to fund pension cost accrued. Certain information relating to these plans at December 31, 1979, the date of the most recent actuarial valuation follows:

Actuarial present value of vested accumulated plan benefits	$1,970,294
Net assets available for benefits	$2,412,120

The assumed rate of return used in determining the actuarial present value of vested accumulated plan benefits was 6%. The present value of non-vested accumulated plan benefits was not available from the actuary.

8. 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 $7,366,801 at December 31, 1980.

(Continued on page 14)

Paid-in capital increased by approximately $76,000, $83,000 and $34,000 in 1980, 1979 and 1978 respectively, representing the excess of the proceeds received over the par value of common stock issued to the employees' stock ownership plan (5282, 5987, and 1304 shares in 1980, 1979 and 1978 respectively) (see Note 12), and the excess of par value over reacquisition cost of Preferred Stock (see Note 9).

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 9⅛% Series, and $54.81 for the 9⅝% Series (all plus accumulated dividends). No shares were redeemed under this option during 1980, 1979 or 1978.

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 date as the sinking fund shares.

Purchase funds for the 4.75% and 9⅛% 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 purchased fund credit for such year. Any shares so purchased and surrendered are retired. There were 1200 shares of 4.75% Series purchased under this offer in 1980, 1979 and 1978, and 900 shares of the 9⅛% Series purchased in 1980.

The Preferred Stockholders are entitled to special voting rights in respect to certain corporate action and are entitled to elect a majority of the Board of Directors in the event of a default in the payment of four quarterly dividends on the Preferred Stock.

10. RATE PROCEEDINGS

In 1975, a regulatory authority permitted the Company to use a fuel cost adjustment clause, subject to a hearing and possible refund (under which revenues were collected in part of 1975 and 1976). The Company was subsequently ordered to refund the revenues collected, which was appealed to various authorities. In 1980 the courts again denied an appeal, and a refund with applicable interest was made. The financial statements for all applicable periods have been restated to reflect the refund and related interest thereon.

The effect of restating 1979 and 1978 results of operations that were reported in the 1979 and 1978 annual reports to share owners, to reflect the above court decision, is as follows:

	1979	1978
Increase (Decrease) in:		
Federal Income Taxes	$(25,972)	$(20,448)
Interest Charges	52,215	41,107
Net Income	(26,242)	(20,659)
Earnings Per Share	(.04)	(.03)

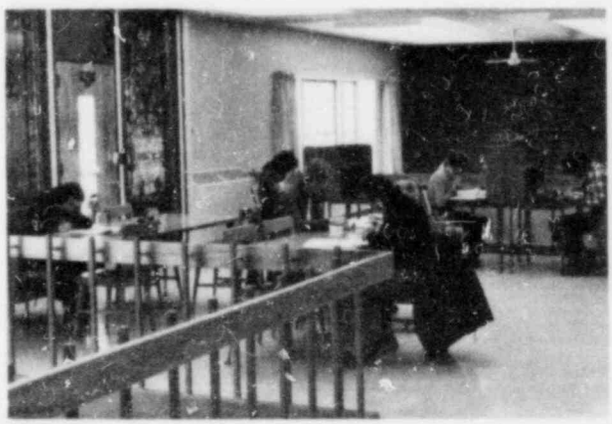
The restatement reduced retained earnings at January 1, 1978 by $262,369 (the balance relating to years prior to 1978) which is net of applicable income taxes of $276,924.

11. CONSTRUCTION PROGRAM

See Construction Section on page three.

12. EMPLOYEES' STOCK OWNERSHIP PLAN

The Company has an employee stock ownership plan that provides eligible employees with the opportunity of becoming stockholders 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 $49,862 in 1980, $77,036 in 1979 and $107,140 in 1978. 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.



Waneta Blake Library at University of Maine at Fort Kent.

13. QUARTERLY INFORMATION (unaudited)

Presented below are financial data showing results for each quarter in the three years ended December 31, 1980.

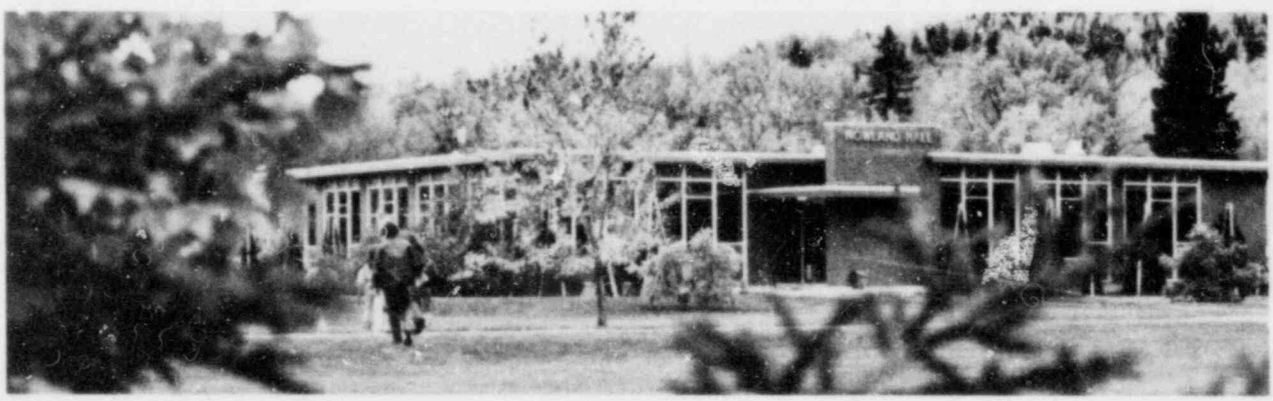
(Dollars in Thousands Except Per Share Amounts)

	1980 By Quarter			
	1st	2nd	3rd	4th
Operating Revenues	$6,725	$8,286	$5,781	$6,998
Operating Expenses	(5,871)	(7,479)	(5,112)	(6,038)
Operating Income	854	807	669	960
Interest Charges	(441)	(591)	(474)	(282)
Other Income—Net	253	186	304	243
Net Income	$ 666	$ 402	$ 499	$ 921
Earnings Per Common Share:	$ .78	$ .39	$ .53	$ 1.16

	1979 By Quarter (b)			
	1st	2nd	3rd	4th
Operating Revenues	$5,900	$5,137	$4,274	$5,929
Operating Expenses	(4,738)	(4,213)	(3,548)	(4,938)
Operating Income	1,162	924	726	991
Interest Charges	(478)	(460)	(488)	(142)
Other Income—Net	157	155	147	108
Net Income	$ 841	$ 619	$ 385	$ 957
Earnings Per Common Share:	$ 1.19	$ .86	$ .51	$ 1.24

	1978 By Quarter (b)			
	1st	2nd	3rd	4th
Operating Revenues	$4,826	$4,808	$4,208	$6,026
Operating Expenses	(3,865)	(3,948)	(3,683)	(4,954)
Operating Income	961	860	525	1,072
Interest Charges	(305)	(336)	(319)	(326)
Other Income—Net	162	161	210	162
Net Income	$ 818	$ 685	$ 416	$ 908
Earnings Per Common Share:	$ 1.16	$ .96	$ .56	$ 1.29

(b) Restated, see Note 10.



Nowland Hall—Central Dining Facility on the campus of University of Maine at Fort Kent.

auditors' opinion

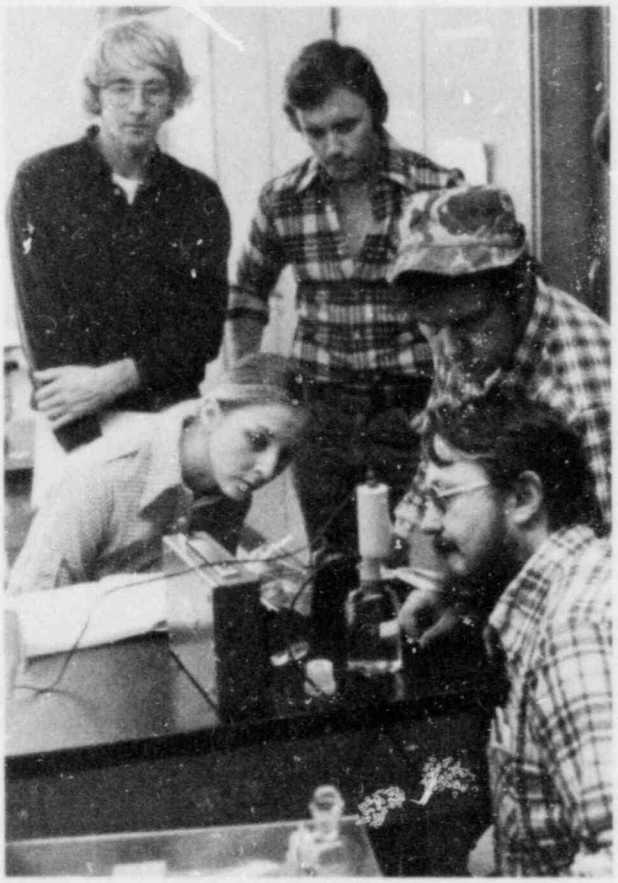
MAINE PUBLIC SERVICE COMPANY:

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, 1980 and 1979, and the related statements of consolidated income and retained earnings, and of source of consolidated funds for plant additions and replacements for each of the three years in the period ended December 31, 1980. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

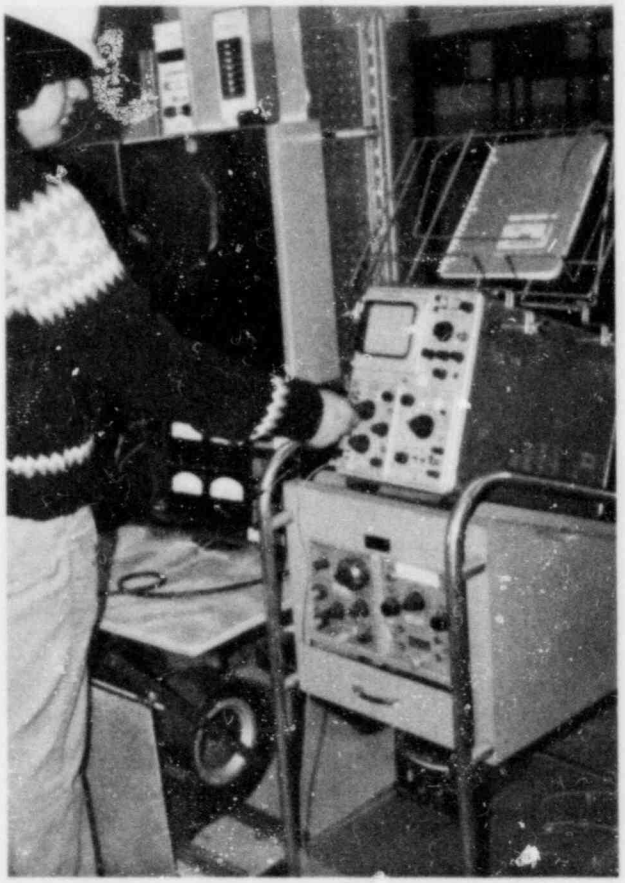
In our report dated February 29, 1980, our opinion on the 1979 and 1978 financial statements was qualified as being subject to the effect of the disallowance by a federal regulatory authority of certain revenues the Company collected in 1976 and 1975 under the provisions of a revised wholesale fuel cost adjustment clause. As discussed in Note 10, the disallowance was upheld in 1980. Accordingly, the financial statements have been restated to reflect the refund and related interest thereon, in the applicable years. Accordingly, our present opinion on the 1979 and 1978 financial statements, as expressed herein, is different from that expressed in our previous report.

In our opinion, the financial statements and schedules referred to above present fairly the financial position of the Companies at December 31, 1980 and 1979 and the results of their operations and their source of funds for plant additions and replacements for each of the three years in the period ended December 31, 1980, in conformity with generally accepted accounting principles applied on a consistent basis.

DELOITTE HASKINS & SELLS
Boston, February 25, 1981



Dr. Carlton W. Loder with students analyzing water sample in lab at the University of Maine at Presque Isle.



Student conducting test in Industrial Electronics Program at Northern Maine Vocational Technical Institute.

Maine Public Service Company
and Subsidiary

schedules of capitalization data

long-term debt:

	December 31, 1980	1979
Maine Public Service Company:		
First Mortgage and Collateral Trust Bonds:		
3% Series due 1980—Interest Payable, March 1 and Sept. 1 ...	$ ——	$ 720,000
3.35% Series due 1985—Interest Payable, February 1 and August 1	1,520,000	1,540,000
5½% Series due 1990—Interest Payable, March 1 and Sept. 1 ...	1,600,000	1,620,000
4¾% Series due 1995—Interest Payable, January 1 and July 1 ...	2,125,000	2,150,000
7⅛% Series due 1998—Interest Payable, May 1 and November 1 .	3,560,000	3,600,000
7.95% Series due 2003—Interest Payable, March 1 and Sept. 1 ...	2,350,000	2,375,000
10⅝% Series due 1995—Interest Payable, March 1 and Sept. 1 ...	3,640,000	3,760,000
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	702,000	756,000
9⅞%, due 1995—Interest Payable, May 1 and November 1	1,134,000	1,188,000
Maine & New Brunswick Electrical Power Company, Limited:		
First Mortgage Bonds—5¾% Series due 1989—Interest Payable, June 1 and December 1	1,288,704	1,460,336
Total Outstanding	25,919,704	27,169,336
Less—Amount due Within One Year	505,664	1,228,128
Long-Term Debt	$25,414,040	$25,941,208

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

1981—$505,664 1982—$ 505,664 1983—$505,664
1984—$505,664 1985—$2,325,664

capital stock:

Common Stock, $7 Par Value—Authorized, 1,000,000 Shares; Issued and Outstanding, 678,307 Shares in 1980 and 673,025 Shares in 1979	$ 4,748,149	$ 4,711,175
Redeemable Cumulative Preferred Stock, $50 Par Value—Authorized, 270,000 Shares (issuable in series):		
4.75% Series—Originally Issued 40,000 Shares; Outstanding, 10,180 Shares in 1980 and 11,380 Shares in 1979	$ 509,000	$ 569,000
9⅞% Series—Originally Issued 30,000 Shares; Outstanding, 29,100 Shares in 1980 and 30,000 Shares in 1979	1,455,000	1,500,000
9⅝% Series—Originally Issued and Outstanding, 80,000 Shares ..	4,000,000	4,000,000
Total	$ 5,964,000	$ 6,069,000

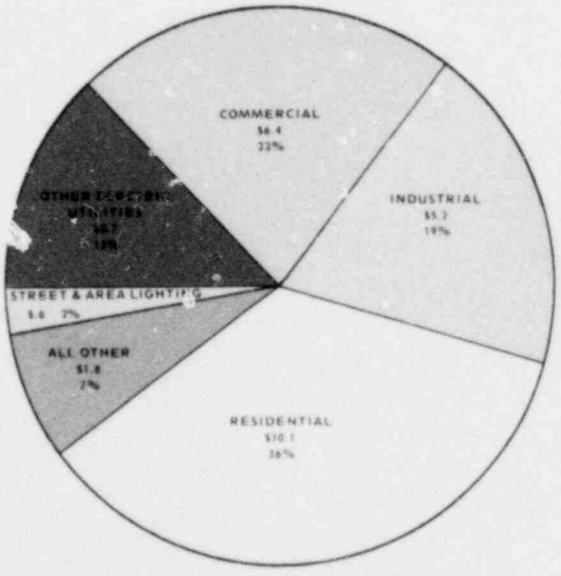
Maine Public Service Company
and Subsidiary

consolidat

	1980	(Restated) 1979	(Restated) 1978
Capitalization (year end)			
Long-term debt	51.02%	52.50%	50.63%
Preferred Stock	11.74%	11.73%	5.48%
Common Stock Equity	37.24%	35.77%	43.89%
Times Interest Earned—			
Before Income Taxes	1.83	2.48	4.27
After Income Taxes	1.76	2.02	2.89
Times Interest and Preferred Dividends Earned—			
After Income Taxes	1.51	1.84	2.58
Embedded Cost of Long-Term Debt (year end)	8.27%	8.10%	7.16%
Embedded Cost of Preferred Stock (year end)	9.42%	9.38%	8.51%
Common Shares Outstanding (year end)	678,307	673,025	667,038
Earnings Per Share of Common Stock (average shares)	$ 2.86	$ 3.80	$ 3.97
Dividends Per Share of Common Stock—			
Declared Basis	$ 1.92	$ 1.84	$ 1.61
Paid Basis	$ 1.90	$ 1.79	$ 1.58
Common Stock Dividend Payout Ratio	67.13%	48.42%	40.55%
Book Value Per Share of Common Stock (year end)	$27.90	$27.50	$25.57
Market Price Per Share of Common Stock			
High	$ 18⅛	$ 19¼	$ [illegible]
Low	$ 13¾	$ 16⅝	$ [illegible]
Close	$ 15⅜	$ 16¾	$ 17½
Price Earnings Ratio (year end)	5.38	4.41	4.41
Number of Common Shareholders (year end)	3,482	3,522	3,577

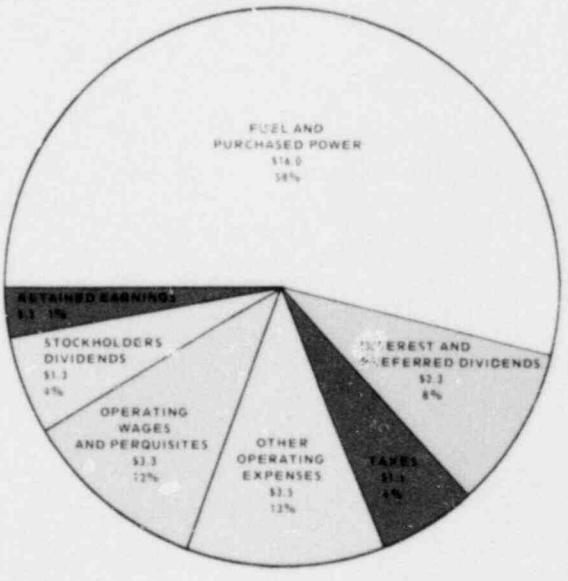
1980 SOURCE OF REVENUE

Millions of Dollars (Total $27.8) and percent of total



1980 DISTRIBUTION OF REVENUE

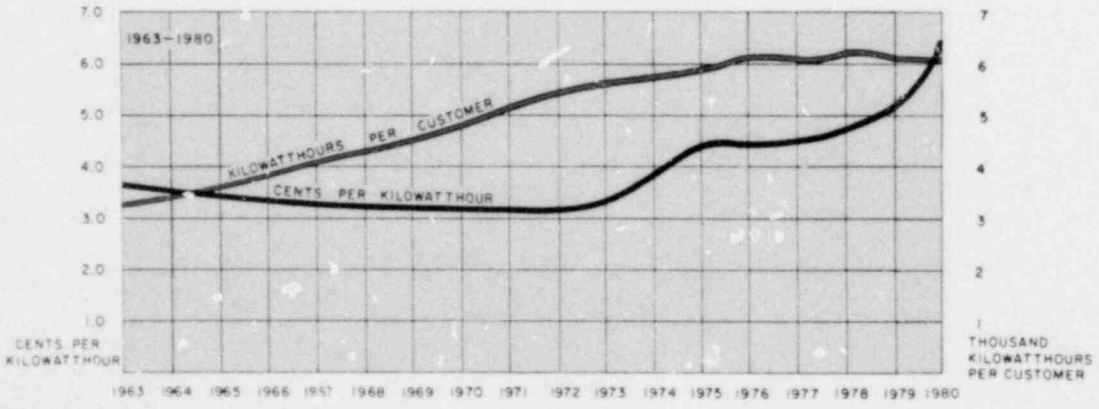
Millions of Dollars (Total $27.8) and percent of total



...ncial statistics

(Restated) 1977	(Restated) 1976	(Restated) 1975	1974	1973	1972	1971	1970
53.59%	56.39%	57.94%	56.08%	57.73%	55.64%	56.25%	56.89%
5.77%	6.07%	6.29%	6.76%	7.00%	7.56%	7.84%	7.95%
40.64%	37.54%	35.77%	37.16%	35.27%	36.80%	35.91%	35.16%
3.92	3.01	2.80	3.53	3.14	2.70	2.61	2.72
2.67	2.10	2.01	2.35	2.21	1.99	2.01	2.10
2.39	1.87	1.76	2.02	1.90	1.70	1.70	1.87
7.15%	7.12%	7.10%	5.88%	5.88%	5.57%	5.57%	5.57%
8.41%	8.32%	8.24%	8.16%	8.09%	8.01%	7.94%	7.88%
665,734	665,734	665,734	665,734	665,734	665,734	665,734	665,734
$ 3.54	$ 2.25	$ 1.79	$ 2.41	$ 1.87	$ 1.40	$ 1.34	$ 1.74
$ 1.46	$ 1.34	$ 1.31	$ 1.28	$ 1.26	$ 1.20	$ 1.19	$ 1.16
$ 1.43	$ 1.32	$ 1.30	$ 1.28	$ 1.24	$ 1.20	$ 1.18	$ 1.16
41.24%	59.56%	73.18%	53.01%	67.51%	85.49%	88.86%	66.79%
$23.16	$20.91	$19.74	$19.54	$18.37	$17.76	$17.51	$17.33
$ 19⅞	$ 16⅛	$ 14¼	$ 15⅝	$ 16⅞	$ 17¾	$ 19	$ 18
15⅝	$ 13¼	$ 9⅛	$ 8⅜	$ 13	$ 15½	$ 16¼	$ 15
18⅛	$ 15⅞	$ 13⅜	$ 9	$ 14	$ 16	$ 16¾	$ 17½
5.12	7.06	7.47	3.73	7.49	11.43	12.50	10.06
3,616	3,683	3,753	3,807	3,835	3,821	3,801	3,832

ANNUAL RESIDENTIAL CONSUMPTION



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

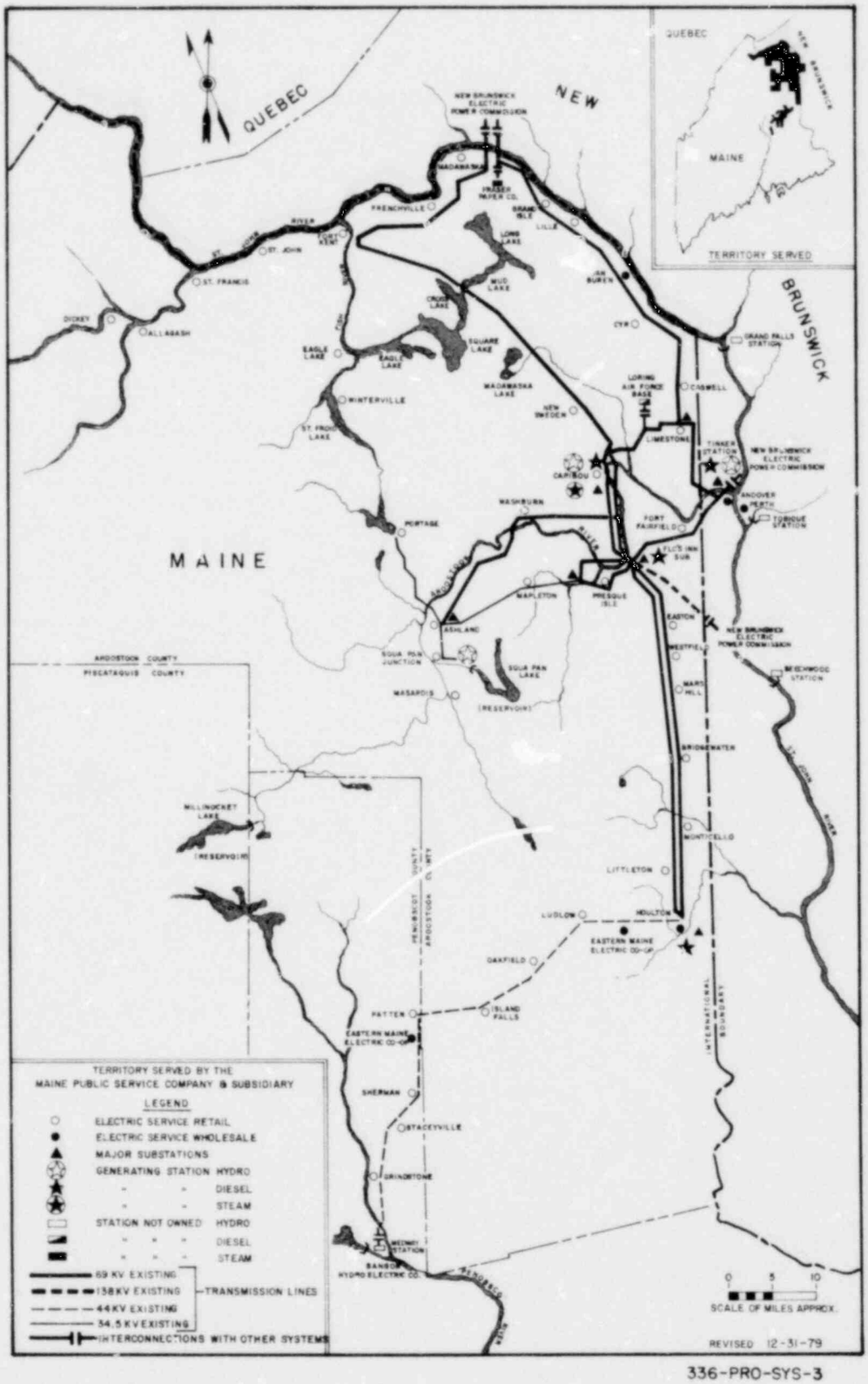
five-year summary of selected financial data

	1980	(Restated) 1979	(Restated) 1978	(Restated) 1977	(Restated) 1976
Operating Revenues	$27,789,640	$21,239,729	$19,868,765	$17,998,660	$17,002,445
Net Income	$ 2,487,842	$ 2,802,916	$ 2,826,036	$ 2,536,496	$ 1,685,431
Dividends on Preferred Stock	556,509	262,134	179,428	182,257	185,128
Net Income Available for Common Stock	$ 1,931,333	$ 2,540,782	$ 2,646,608	$ 2,354,239	$ 1,500,303
Earnings Per Share of Common Stock	$2.86	$3.80	$3.97	$3.54	$2.25
Dividends Per Share of Common Stock:					
Declared Basis	$1.92	$1.84	$1.61	$1.46	$1.34
Paid Basis	$1.90	$1.79	$1.58	$1.43	$1.32
Total Assets	$68,613,583	$62,879,849	$54,825,853	$42,403,039	$41,851,129
Long-Term Debt Outstanding	$25,919,704	$27,169,336	$19,670,472	$20,331,496	$20,907,021
Less amount due within one year	505,664	1,228,128	516,544	528,864	422,592
Long-Term Debt	$25,414,040	$25,941,208	$19,153,928	$19,802,632	$20,484,429
Redeemable Cumulative Preferred Stock	$ 5,964,000	$ 6,069,000	$ 2,129,000	$ 2,189,000	$ 2,249,000

Evening photo of part of campus, University of Maine at Presque Isle.

MAINE PUBLIC SERVICE COMPANY

Maine and New Brunswick Electrical Power Company Ltd.



336-PRO-SYS-3

- Electric Service Retail
- Electric Service Wholesale
- Generating Stations
- Major Transmission Lines
- Interconnection with Other Systems

EXHIBIT B

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1980 Commission file number 1-3429

Maine Public Service Company
(Exact name of registrant as specified in its charter)

Maine	01-011-3635
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Indentification No.)
209 State Street, Presque Isle, Maine	04769
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code 207-768-5811

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

Title of each class	Name of each exchange on which registered
Common Stock, $7.00 par value	American Stock Exchange

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

None
(Title of class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X . No .

Aggregate market value of the voting stock held by nonaffiliates at March 13, 1981: $9,500,834.

The number of shares outstanding of each of the issuer's classes of common stock, as of March 13, 1981.

Common Stock, $7.00 par value - 678,631 shares

DOCUMENTS INCORPORATED BY REFERENCE

1. The Company's 1980 Annual Report to Stockholders is incorporated by reference into Parts II and IV.

2. The Company's definitive proxy statement, to be filed pursuant to Regulation 14A no later than 120 days after December 31, 1980, which is the end of the fiscal year covered by this report, is incorporated by reference into Parts I and III.

PART I

Item 1. Business

General

The Company was originally incorporated as the Gould Electric Company in April, 1917 by a special act of the Maine legislature. Its name was changed to Maine Public Service Company in August, 1929. Until 1947, when its capital stock was sold to the public, it was a subsidiary of Consolidated Electric & Gas Company. Maine and New Brunswick Electrical Power Company, Limited, the Company's wholly-owned Canadian subsidiary was incorporated in 1903 under the laws of the Province of New Brunswick, Canada. The properties of the Company and Subsidiary are operated as a single integrated system.

The Company engages in the production, transmission, and distribution of electric energy to retail and wholesale customers in all of Aroostook County and a small portion of Penobscot County in northern Maine. Geographically, the service territory is approximately 120 miles long and 30 miles wide, with a population of approximately 93,000.

The service area of the Company includes one of the most important potato growing and processing sections in the United States. In addition, the area produces wood products, principally pulp wood for paper manufacturing.

Sources of Power

	1980 Kilowatt-Hours Generated or Purchased (Thousands)
Net Generation:	
Steam	46,849
Hydro	127,630
Diesel	200
Purchases:	
Nuclear Generated	216,252
Fossil Fuel Generated	182,382

In the 10-K for 1979 disclosure was made of the Maine Public Utilities Commission investigation to determine what items could be included in fuel adjustment charges as a result of an NRC ordered shut-down of Maine Yankee in March, 1979. As of December 31, 1980 substantially all of the excess fuel costs, totaling $1,541,465 for the Company, have been recovered through fuel adjustment billings.

Financial Information about Foreign and Domestic Operations

Financial Information Relating
To Foreign and Domestic Operations
(In Thousands)

	1980	1979	1978
Revenues from Unaffiliated Customers:			
Company-United States	$27,638	$21,090	$19,717
Subsidiary-Canada	152	150	152
Intercompany Revenues:			
Company-United States	81	81	81
Subsidiary-Canada	775	900	757
Operating Income:			
Company-United States	3,105	3,528	3,200
Subsidiary-Canada	176	269	198
Identifiable Assets:			
Company-United States	63,679	57,884	49,783
Subsidiary-Canada	4,935	4,996	5,042

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

Sources of Revenues

In 1980 total consolidated operating revenues were $27,789,640 of which 36.4% came from residential customers, 23.1% from small commercial and industrial customers, 18.6% from eighteen large commercial and industrial customers, 6.0% from public authorities, 13.4% from sales for resale to six wholesale customers and 2.5% from street and area lighting and miscellaneous other operating revenues.

In 1980 the largest single wholesale customer accounted for approximately 7% of total operating revenues.

Construction and Financing

The Company and its Subsidiary spent $7,212,529 on additions, replacements, and improvements of their utility properties and equipment in 1980, including uncompleted construction work in progress. Approximately $5,272,000 was paid for progress payments on the Company's 1.46% interest in Seabrook Units 1 and 2, nuclear units being constructed by Public Service Company of New Hampshire as lead participant. Additional work on William F. Wyman Unit #4, a jointly-owned, oil-fired unit being operated by Central Maine Power Company, required about $130,000 from the Company to cover its share of those expenditures. A new, improved, two-way radio system required about $120,000, while $17,000 was needed for preliminary work on the replacement of three penstocks at the Subsidiary's Tinker Station. Approximately $376,000 was paid for voltage conversions and substation improvements, and

nearly $286,000 was spent for meters, services, transformers and other customer-related facilities. Distribution line extensions, rebuilds and highway relocations required about $776,000, while improvements to the transmission system used about $20,000. Street lighting, general equipment, and miscellaneous items absorbed the remaining $216,000. 1980 construction requirements were financed through short-term bank borrowings and internally generated cash.

In 1981 cash expenditures for construction are estimated at approximately $9,600,000, the bulk of which will be needed for the Company's share of the continuing construction of Seabrook Units 1 and 2, which is expected to be in the area of $6,700,000, including nuclear fuel. Transmission improvements will need about $196,000 and distribution requirements approximately $924,000. Reconstruction of the Caribou Dam is expected to cost nearly $900,000, while the replacement of three penstocks at the Subsidiary's Tinker Station will take about $360,000 (U.S. dollars). The remaining $520,000 is budgeted for numberous miscellaneous improvements and needed equipment. The Company's share of the cost of Seabrook Units 1 and 2 is presently estimated at $57,000,000 including initial fuel and Allowance for Funds Used During Construction. The Company's ownership interest of 1.46% represents 33,600 kilowatts of new nuclear capacity.

In 1981 the Company expects to finance its construction program through bank borrowings and internally generated cash.

Regulation

The Company is subject to the regulatory authority of the Maine Public Utilities Commission as to retail rates, accounting, service standards, territory served, the issuance of securities and various other matters. With respect to wholesale rates, the Company is subject to the jurisdiction of the Federal Energy Regulatory Commission. The Company maintains its accounts in accordance with the accounting requirements of the Federal Energy Regulatory Commission which, generally, conform with the accounting requirement of the Maine Public Utilities Commission. At this time the Company is not subject to the Public Utilities Regulatory Policies Act of 1978 because it has not gone across the threshold of 500,000,000 kilowatt hours excluding wholesale sales. However, the Maine Legislature has by statute instructed the Maine Public Utilities Commission that they may consider PURPA standards in rate proceedings before that Commission.

Rates

Because of its rapidly declining earnings, particularly cash earnings, the Company filed a petition for rate relief with the Maine Public Utilities Commission on September 2, 1980. If new rates are granted as requested the Company's base revenues would increase by approximately $5,000,000. Hearings were held during the week of March 16, 1981. Three intervenors in the case have generated over 400 data requests to which the Company has responded in a timely fashion. The statutory time period during which the Commission must render a decision closes on June 2, 1981.

The PUC has also conducted a proceeding to establish forward-looking fuel adjustment regulations for all Maine electric utility

companies. These proceedings culminated in new rules requiring companies to estimate fuel costs, including purchased energy, and kilowatt-hour sales for a future period (normally for twelve months). Effective September 1, 1980 the Company implemented the new regulations for an initial nine-month period to coincide with the statutory period for the pending rate proceeding (See above). Coincident with the inception of new rates resulting from the rate case a new estimated future fuel-adjustment factor will be implemented. The regulations allow petitions for changes in the fuel adjustment rate after ninety days if the estimates and actual data become too divergent. Though a divergence has occurred, it has not been decided at the time of this writing whether or not a revision should be sought. The PUC has recently added to its new regulations to provide for interest on under-collections or over-collections at a rate approximating the utility's cost of money - to be recognized at the time of the next fuel adjustment change.

Franchises and Competition

Except for consumers served at retail by the Company's wholesale customers the Company has practically exclusive franchise to provide electric energy in the Company's service area.

Employees

On December 31, 1980, the Company had 168 full-time employees, of whom 62 were covered by provisions of a two-year contract with a local of the International Brotherhood of Electrical Workers, which is due to expire on September 30, 1981.

Subsidiaries

The Company owns 100% of the Common Stock of Maine and New Brunswick Electrical Power Company, Limited, a Canadian corporation. The accompanying consolidated financial statements include the Subsidiary Company.

The Company owns 5% of the Common Stock of Maine Yankee Atomic Power Company (Maine Yankee) a nuclear generating company at Wiscasset, Maine. By virtue of its stock ownership the Company is entitled to purchase approximately 5% of the output of the Maine Yankee plant.

The Company also owns 7.49% of Maine Electric Power Company, Inc. (MEPCO) which owns a 345-kilovolt transmission line about 180 miles long, purchasing power from Canada for resale to New England utilities. The Company purchases a small amount of that power.

The Company records its investments in the two joint-venture companies (Maine Yankee and MEPCO) on the equity method of accounting.

Item 2. Properties

The Company owns and operates electric generating facilities consisting of: oil-fired steam units with a total capability of 23,000 kilowatts, diesel generation totaling 12,300 kilowatts, and hydro-electric facilities of 2,300 kilowatts. The Company's wholly-owned Canadian Subsidiary owns and operates a hydro-electric plant of 3',000 kilowatts

and a small diesel unit with 1,000 kilowatts capacity. The generating facilities of the Company and Subsidiary meet the respective current environmental regulations of State, Federal, Provincial and Dominion governments.

As of December 31, 1980 the Company and Subsidiary had approximately 417 pole miles of transmission lines and the Company owned approximately 1,496 miles of distribution lines.

The Company is a part-owner of a 600,000 - kilowatt unit built by Central Maine Power Company at its Wyman Station in Yarmouth, Maine. The Compamy's share of that unit is 3.3455%, or approximately 20,000 kilowatts. The unit was placed in commercial operation on December 1, 1978.

The Company is also a part-owner (approximately 1.46%) in the construction of Seabrook Units 1 and 2, a nuclear generating plant being built by Public Service Company of New Hampshire. The Company's share of that plant will be about 34,000 kilowatts in total.

Substantially all of the properties owned by the Company are subject to the lien of the Indenture of Mortgage and Deed of Trust, securing the Company's first mortgage and collateral trust bon

Item 3. Legal Proceedings

(a) Indian Land Claims

In its Form 10-Q commencing for the quarter ended September 30, 1977, acting on advice of its General Counsel, the Company discussed and disclosed the so-called "Indian Land Claims Cases" pending in the United States District Court for the District of Maine, Northern Division. (Civil Actions Nos. 1966-ND and 1069-ND). The Company's last report on the status of these cases was in its 10-Q for the quarter ended September 30, 1980, to which reference should be made.

The Indian Land Claims, so-called, have been settled. The State of Maine has passed appropriate legislation. (Chapter 732 of the Public Laws of Maine, 1979.)

On October 10, 1980, then President Carter signed the Maine Indian Land Claims Settlement Act. It is our further understanding that Congress made the appropriation of $81,500,000 which was authorized in the Maine Indian Land Claims Settlement Act.

The case mentioned above has not as yet been dismissed with prejudice by the Plaintiffs. Counsel for both sides recently asked for an additional thirty days to submit this documentation. Thus the foregoing case is still on the Court's docket as indicated.

Counsel continues to advise that as of this writing the Company is not a party to the above litigation, it has not been a party to the above litigation, nor has any of the property of the Company become the direct subject of the litigation.

(b) Maine Yankee Shutdown Replacement Power Costs, March-1979 Shutdown

Reference is made to the 10-Q for the period ending September 30, 1980. The continuing aspect of the Order in Maine PUC Docket U#3360 is that the Company must, every sixty days, describe in detail all actions taken by the Company with respect to seeking recovery from Stone & Webster Engineering Corporation for damages resulting from the March 15, 1979 shutdown of the Maine Yankee Atomic Power Station. The Company continues to file the reports; there is no action pending against Stone & Webster.

(c) Proposed Rate Increase, Maine PUC Docket No. 80-180

On September 2, 1980, the Company filed with the Maine Public Utilities Commission (the Commission) Proposed Revised Rates. The original filing requested approximately $4,675,000 in additional revenue and results in an approximate increase of 20% in annual electric operating revenues from Maine jurisdictional customers. The proceeding has been docketed by the Commission as indicated above.

Consistent with applicable law, the Commission has issued its Second Suspension Order which expires on June 1, 1981, unless otherwise ordered, suspending the effective date of the Proposed Rate Schedules.

The Company has prefiled its direct case and updated its direct case in many instances to cover the year ending December 31, 1980. Intervenors have been granted intervenor status and data requests and responses have been flowing. Hearings commenced at Presque Isle on March 16, 1981. The time within which the Commission must dispose of the filing is June 2, 1981.

(d) Seabrook Units 1 and 2

In December of 1978, the Company acquired 1.46056% interest in Seabrook Units 1 and 2 located in Seabrook, New Hampshire, a nuclear plant being built by Public Service Company of New Hampshire (PS of NH). Reference should be made to our last discussion of problems with regard to these two units set forth in our Form 10-Q for the period ending September 20, 1980. In our Form 10-Q for the period ending September 30, 1980 we noted that the commencement of the reduction in PS of NH interest in the Seabrook Plant was awaiting only the approval of the Massachusetts Department of Public Utilities, the timing of which could not be predicted, and the completion of the initial financing of Massachusetts Municipal Wholesale Electric Companies (MMWEC) increased interest.

On February 6, 1981 the Massachusetts Department of Public Utilities in DPU #20248 acted upon MMWEC's Petition and approved the issuance of bonds in a total principal amount not to exceed $335,000,000 so that MMWEC could finance and acquire an additional 6.000913% (or approximately 138 Megawatts) ownership interest in Seabrook Units 1 and 2. This authorization, when added to previous authorizations to MMWEC of the Purchase of 5.592749% (or approximately 128.6 Megawatts) will make MMWEC's total ownership interest 11.593403% or approximately 266.6 Megawatts in the Seabrook Units. An appeal may be taken. The total commitments made by other utilities to PS of NH to reduce its ownership interest in the Seabrook Units (including MMWEC) are as follows:

Bangor Hydro-Electric Company	1.80142%
Central Maine Power Company	1.00000
Town of Hudson, Massachusetts Light and Power Department	0.01957
Massachusetts Municipal Wholesale Electric Company (MMWEC)	6.00091
Montaup Electric Company	1.00000
New Bedford Gas and Edison Light Company	2.17390
Taunton Municipal Lighting Plant Commission (Taunton)	0.33445
Fitchburg Gas and Electric Light Company	0.26087
New Hampshire Electric Cooperative, Inc. (NH Coop)	2.17391
Total	14.76503%

As of this writing, only Taunton and New Hampshire Electric Cooperative, Inc. have not received their required approvals. These final approvals are expected to be forthcoming.

If all of the interests indicated above are finally approved, PS of NH interest in the Seabrook Units will be reduced from 50% to 35.23497%.

PS of NH stated in its most recent prospectus dated February 4, 1981, that while it is possible that future developments could lead to cancellation of Seabrook Units 1 and 2, PS of NH considers such a possibility unlikely, not only because the necessary construction permits and approvals have been received and the construction is proceeding, but also because of the projected need for the Plant's power in PS of NH's service area and in New England generally and the further need to reduce dependency on imported oil.

Any delay in the construction of Seabrook units 1 and 2 may adversely affect the completion and the cost of the two units under construction. Delay or deferral would reduce the immediate cash needs of PS of NH and other participants, including the Company, but would result in a deferral in the completion date of one or both units, and could result in substantially greater construction costs.

Item 4. Security Ownership of Certain Beneficial Owners and Management

Information for this item is set forth on pages 2 and 3 of the proxy statement of the registrant relating to its 1981 Annual Meeting of Stockholders, which is incorporated herein by reference.

PART II

Item 5. Market for Registrants Common Stock and Related Security Holder Matters

Information for this item is set forth on page 7 of the Company's 1980 Annual Report to Stockholders, which is incorporated herein by reference.

Item 6. Selected Financial Data

A five-year summary of selected financial data is included on page 20 of the Company's 1980 Annual Report to Stockholders, which is incorporated herein by reference.

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

Revenue and Energy Sales

1980 Compared With 1979

Consolidated operating revenues continued to set new highs, with 1980 reaching $27,789,640, $6,549,911, or 30.8%, more than such revenues of the year before. Unfortunately for the Company and customers alike, nearly all of that increase arose from the pass-through of increased fuel expenses via fuel adjustment clauses. Only $88,615 of the huge rise in revenues can be related to growth in energy sales, which is indicative of the enormous impact of fuel cost increases on the Company and its customers.

As indicated above, gains in energy sales over those of 1979 were limited, with residential sales staying about the same, while commercial and industrial small sales went up about 2.1%. Commercial and industrial large sales gained 1.0%, and combined street and area lighting remained on the same level as the year before. Sales for resale showed a large 15.5% pickup from 105,775 MWh to 122,137 MWh, though most of the gain was represented by increased economy sales to The New Brunswick Electric Power Commission, which increased from 13,398 MWh in 1979 to 29,231 MWh in 1980. Sales to public authorities were 36,942 MWh, down from 40,417 due primarily to the loss of 2,384 MWh in sales to Loring Air Force Base. On the whole, primary energy sales were up 0.9% in 1980 from 475,856 MWh to 480,245 MWh, while secondary sales gained 29.3% from 45,801 MWh to 59,237 MWh. Additional information on revenues, sales, etc., may be found in the eleven-year consolidated operating statistics summary at the back of this report.

1979 Compared With 1978

Consolidated operating revenues for 1979 were $1,370,964 more than those of the previous year (6.9%); however, only $42,031 of that increase can be attributed to factors other than the pass-through of increasing fuel costs via the fuel adjustment clauses. Thus, there was no real growth in 1979, apparently a reflection of newly-developed conservation attitudes among consumers of electric energy in the Company's service area.

Consolidated energy sales actually were lower than in the previous year, declining 2.3% from 534,089 megawatt-hours (thousands of kilowatt-hours) in 1978 to 521,657 MWh in 1979. Of the major classifications, only the large commercial and industrial group recorded a gain in sales in 1979, 110,452 MWh compared to 106,757 MWh in 1978, for a 3.5% improvement. Residential use was down 2,421 megawatt-hours, or 1.5%, while small commercial and industrial sales were off by 5,947 MWh, or 5.4%. Primarily because Loring Air Force Base took 3,412 MWh less, sales to public authorities as a group declined by 3,676 MWh, or 8.7%. Sales to other electric utilities were also down, principally because there was less energy (3,482 MWh) available for sale to The New Brunswick Electric Power Commission (NBEPC) on an economy-flow basis. The 635 MWh decline in sales to resale customers other than NBEPC presumably reflects conservation among consumers in their own service areas.

Operating Expenses

1980 Compared With 1979

Reflecting a speedup in the collection of fuel costs through fuel adjustment revenues during 1980, deferred fuel expenses were a positive $929,114 compared with a negative $875,165 in 1979. (A positive deferred expense signifies that a like net amount has been recovered through operating revenues; a negative deferred fuel expense denotes a failure to collect that net amount of fuel costs during that accounting period.)

After an exceptionally favorable water year in 1979 (120.0% of normal), hydro generation dropped to 95.4% of normal in 1980. Thus, a net of 493,630 MWh were produced in the hydro plants in 1980 compared with the previous year's very high 162,107 MWh. Because less hydro generation was available, more energy had to be purchased from others or generated in the Company's fossil-fuel plants. Fossil-fuel-produced steam and diesel energy amounted to 47,049 MWh in 1980 compared with 20,616 MWh in 1979. Purchases of energy in 1980 totaled 398,634 MWh against 378,917 MWh in 1979. Most of that in-

crease was in energy purchases from the New Brunswick Electric Power Commission. Nuclear energy purchased from Maine Yankee Atomic Power Company (Maine Yankee) were 3,966 MWh less than the 220,218 MWh of the previous year due to refueling downtime of the unit in the first three months of the year and to some maintenance work performed during the fourth quarter of 1980. Purchases from Maine Electric Power Company were up from 19,200 MWh in 1979 to 24,122 MWh in 1980 because of a 5-MW increase in capacity entitlement acquired from other New England utilities beginning November 1, 1980.

Except for nuclear energy from Maine Yankee, all purchases were generated by fossil fuels. As a result, the total cost of purchased power (including capacity charges) rose a staggering $3,870,896 from $8,881,077 in 1979 to $12,751,973 in 1980. As long as the OPEC nations continue to endlessly raise their prices, no respite from this trend can be seen until the Company's investment in Seabrook Units 1 and 2 reaches fruition and the units infuse additional nuclear-generated energy into the Company's system.

Operating expenses of the steam plants were $1,220,763 more than 1979, primarily due to an increase of $1,482,972 in fuel expenses. This increase was brought on by increased steam production as well as leapfrogging prices of fossil fuels. Diesel operating costs were $28,234 over the prior year, $9,884 of which is attributable to greater fuel expenses, though net diesel generation was 43 MWh less than in 1979. Production maintenance costs were up $90,142 (30.4%) mainly due to periodic overhaul of the steam units at Caribou, though hydro maintenance was up 25.3% and diesel maintenance was higher by the same percentage.

Expenses of operating and maintaining the transmission system were higher by 10.4%, increasing from $882,288 in 1979 to $974,120 in 1980, reflecting the general inflation rate. Some accounts were up more than others, principally maintenance of overhead lines. Similarly, distribution operation and maintenance charges were up 10.5% with overhead lines maintenance being proportionately a little higher than the other distribution accounts. Customer account expenses expanded from $503,086 to $626,542 (up 24.5%) with the greatest increase being in uncollectible accounts, which rose from $71,100 in 1979 to $161,716 in 1980. Expenses for customer services and information increased from $134,513 to $162,137 (20.5%) partially as a result of expanding efforts toward energy conservation. Administrative and general accounts reflect expenses 15.7% greater than in 1979, up from $1,614,843 to $1,867,754. In this group, regulatory commission expenses grew by 179.5% from $53,313 to $149,006, principally because of costs associated with a petition for rate relief filed with the Maine Utilities Commission (PUC) of the State of Maine on September 2, 1980. During 1980 several projects requiring the services of outside consultants were undertaken, focusing on a ten-year power supply study and a load research study and causing an increase from $165,094 to $210,348 (27.4%) in expenses of outside services employed. It is anticipated that the data resulting from the load research study will be required to fulfill requirements of the Public Utilities Regulatory Policies Act (PURPA), which will likely be applied to the Company by the PUC, even though the Company's sales are presently lower than the threshold level set by PURPA. Though administrative and general expenses other than those noted above reflected increases and decreases from the prior year, the net increase in those other accounts was held to 8.0%, somewhat less than the general inflation rate.

Depreciation and amortization expenses were $67,953 higher in 1980 due to increases in depreciable property. Taxes other than income taxes charged against income were up $85,983, reflecting higher property taxes, more social security taxes, and a new state assessment to help pay the expenses of the PUC ($5,530). Including deferred taxes and investment tax credit adjustments, income taxes charged to operating expenses dropped from $1,192,064 in 1979 to $168,800 in 1980 as a result of lower taxable income. Income taxes currently payable were down from $235,209 to $154,149. The annual provision for deferred taxes was reduced greatly from $755,452 in the previous year to $8,626 in 1980, principally due to a reversal of deferred taxes related to deferred fuel expenses. Investment tax credit adjustments charged to income in 1980 were only $18,317 compared with $213,695 in 1979, resulting from a decrease in the ability to absorb such credits against otherwise current taxes payable. Total investment tax credit for 1980 was $544,126, $408,740 of which was carried back to 1977. That investment tax credit compares with the previous year's $847,409, $590,022 of which was carried back to 1976. The carried-back portion of ITC is charged to the balance sheet as a refund due from the Internal Revenue Service, rather than to the current income statement.

1979 Compared With 1978

In 1979 water levels were excellent for a good portion of the year and as a result hydro generation was 120.0% of normal, rebounding from the previous year's dismal 86.8%. In light of the unexpected shutdowns of the Maine Yankee nuclear plant (discussed in the Regulatory Proceedings section later in this review) good water conditions appeared at a very opportune time or fuel expenses would have been much higher than they were. Whereas only 116,894 megawatt-hours were produced by the hydro plants in 1978, a total of 162,107 MWh came from that source in 1979. Because of the greater hydro production only 378,917 MWh had to be purchased compared with 420,991 MWh in the year before. However, regulatory shutdowns of Maine Yankee reduced the energy available from that most economical source to 220,218 MWh during the year, compared with 263,137 MWh in 1978. To fill

out the Company's needs a considerable amount of additional energy was purchased from The New Brunswick Electric Power Commission, 139,411 megawatt-hours in 1979 against 112,502 MWh last year. Less energy was required from the Company's own oil-burning plants than in the previous year, totaling 20,373 MWh from steam and 243 MWh from diesel compared with 26,913 MWh and 627 MWh for 1979 and 1978 respectively. The necessity of replacing low-cost nuclear energy during the Maine Yankee shutdowns boosted purchased power costs from $7,638,595 in 1978 to $8,881,077 in 1979. Steam plant operating expenses were down 6.0% from $1,217,905 to $1,145,023 as a result of using considerably less fuel offset somewhat by higher unit cost and general inflation. Diesel plant operating expenses rose slightly from $129,939 to $131,638 while operating expenses at the hydro stations advanced 11.7% to $189,029 due primarily to inflation. The lag in billing fuel costs applying the retail and wholesale fuel adjustment clauses caused a net deferment to future billing periods of $875,165, which was credited to the income statement in 1979, compared with $831,741 deferred in 1978. Production maintenance expenses were down 9.6%, or $31,626, because the year before included unusually high maintenance charges for Unit #5 at the Tinker Plant and for dam repair at the Squa Pan reservoir.

Operation and maintenance costs of the transmission system were $156,899 (21.6%) over the previous year's $725,389, principally due to higher wheeling costs of energy through the transmission systems of other companies. Distribution operation and maintenance costs were up by 3.5%, while customer accounting costs rose 4.5%. Customer services and information expenses were 18.0% greater than the previous year, reflecting continuing efforts to encourage energy conservation. Administrative and general expenses rose 13.0% as a result of inflationary pressures in most of the accounts in that classification.

Because of much lower taxable income, income taxes charged to operating expenses, including deferred taxes and investment tax credit adjustments, totaled $1,192,064, compared with $2,054,020 in 1978. Currently payable income taxes decreased from $458,671 in 1978 to $235,209 in 1979. The provision for deferred income taxes rose slightly in 1979, $755,452 compared to $726,261 in 1978, while investment tax credit adjustments charged on the income statement dropped sharply from $881,380 to $213,695, respectively, because of the limited ability to absorb such credits against otherwise current taxes payable. In 1978 total investment tax credits were $1,178,547, $276,792 of which had to be carried back to 1975, while 1979 produced investment tax credits totaling $847,409, $590,022 of which was carried back to 1976. Current investment tax credits are generated primarily by qualified progress expenditures on the construction of Seabrook Units 1 and 2, as highlighted below.

Construction

1980 Summary

The Company and its subsidiary spent $7,212,529 on additions, replacements, and improvements to their utility properties and equipment in 1980, including uncompleted construction work in progress. Approximately $5,272,000 was paid for progress payments on the Company's 1.46% interest in Seabrook Units 1 and 2, nuclear units being constructed by Public Service Company of New Hampshire as lead participant. Additional work on William F. Wyman Unit #4, a new jointly-owned, oil-fired unit being operated by Central Maine Power Company, required about $130,000 from the Company to cover its share of those expenditures. A new, improved, two-way radio system required about $120,000, while $17,000 was needed for preliminary work on the replacement of three penstocks at the subsidiary's Tinker Station. Approximately $376,000 was paid for voltage conversions and substation improvements, and nearly $286,000 was spent for meters, services, transformers and other customer-related facilities. Distribution line extensions, rebuilds and highway relocations required about $776,000 while improvements to the transmission system used about $20,000. Street lighting, general equipment, and miscellaneous items absorbed the remaining $216,000.

In 1981 cash expenditures for construction are estimated at approximately $9,600,000, the bulk of which will be needed for the Company's share of the continuing construction of Seabrook Units 1 and 2, which is expected to be in the area of $6,700,000, including nuclear fuel. Transmission improvements will need about $196,000, and distribution requirements approximately $924,000. Reconstruction of the Caribou Dam is expected to cost nearly $900,000, while the replacement of three penstocks at the subsidiary's Tinker Station will take about $360,000 (U.S. dollars). The remaining $520,000 is budgeted for numerous miscellaneous improvements and needed equipment. The Company's share of the cost of Seabrook Units 1 and 2 is presently estimated at $57,000,000 including initial fuel and Allowance for Funds Used During Construction. The Company's ownership interest of 1.46% represents 33,600 kilowatts of new nuclear capacity.

1979 Summary

In 1979 the Company and its Subsidiary expended $8,118,830 on additions, replacements and improvements to utility property and equipment, including unfinished construction work in progress. Of that total, approximately $5,713,000 represented progress payments on the Company's share of Seabrook Units 1 and 2 nuclear units being built by Public Service Company of New Hampshire as lead participant. Nearly $528,000 was used for the Company's ownership share of additional work required on William F. Wyman Unit #4, an oil-fired, in-service unit constructed by Central Maine Power Company. Voltage conversions and substation improve-

ments cost about $24,000, while meters, services, transformers and other customer-related facilities totaled approximately $259,000. Distribution line extensions, rebuilds, and relocations due to highway construction came to nearly $675,000. Major improvements to the transmission system required expenditures of about $741,000. Street lighting, general equipment, and miscellaneous betterments absorbed the remaining $179,000.

Near the end of the year New England Power Company, the lead participant in the proposed construction of two nuclear units in Rhode Island, announced that it was cancelling the project because of its inability to acquire the site of the proposed plant. There is considerable uncertainty as to the ultimate disposition of the Company's incurred costs in that project and the final amount thereof. Consequently, as of December 31, 1979, $203,845 was transferred from Construction Work in Progress to Other Deferred Debits and is included in that account on the balance sheet in this report.

1978 Summary

The Company and its subsidiary expended $11,363,785 on additions, replacements, and improvements to utility property and equipment in 1978. Approximately $8,587,000 of that amount was required for the Company's share of the construction cost of Seabrook Units 1 and 2, a nuclear plant being built by Public Service Company of New Hampshire. The William F. Wyman Unit #4, an oil-fired steam unit constructed by Central Maine Power Company, required approximately $1,376,000 for the Company's ownership share of expenditures during the year. The Company's participation as a part owner in the construction of two nuclear units planned in Rhode Island by New England Power Company (NEP) required about $171,000. Approximately $574,000 was utilized for distribution extensions, highway rebuilds, and relocation of facilities, while improvements to the transmission system used approximately $112,000. Expenditures on meters, services, transformers, and other customer-related facilities were about $231,000. Voltage conversions and substation improvements absorbed about $59,000 while general equipment and numerous miscellaneous projects took approximately $254,000.

Financial Condition

1980 Summary

In 1980 the parent company issued an additional $5,500,000 of bank notes to finance its continuing construction program, making a total of $8,100,000 of such notes outstanding at the end of the year. Because cash earnings in 1980 have been insufficient to generate adequate interest coverages, only a minimum amount of unsecured long-term debt (no secured debt) may be issued at this writing. The generation of needed interest coverages is contingent upon the PUC allowing a substantial increase in rates as a result of the Company's pending rate request. The Company plans to continue bank borrowing to meet ongoing construction needs until such time as sufficient interest coverages have been generated so that a reasonable amount of long-term debt may be issued. It seems doubtful that such a level can be attained before the second quarter of 1982. No major issue of common stock is presently planned, though it is pointed out that minor amounts of new common stock are regularly issued in accordance with provisions of the Company's Employees Stock Ownership Plan, a TRASOP plan qualified under the Tax Reduction Act of 1975, as amended. During 1980, 5,282 shares of common stock were issued and sold to the ESOP trust, increasing common equity by $90,540.

1979 Financing

On October 11, 1979, the Company issued 80,000 shares of 9¾% Preferred Stock, $50 par value, in a negotiated sale to two institutional investors at 100% of par. Cash proceeds after the cost of issuance were $3,947,016. On the same date, the Company also issued $8,000,000 principal amount of 10¼% First Mortgage and Collateral Trust Bonds, due 2004, to four insurance companies with net proceeds to the Company of $7,912,120, after financing costs. The net proceeds from the two financings were applied to short-term bank notes which previously had been incurred to finance the Company's continuing construction program. After note repayment, $700,000 of bank loans remained outstanding.

1978 Financing

During the year 1978 the Company issued short-term bank notes totaling $9,400,000 to help finance its construction expenditures during the year. Present plans are to issue $4,000,000 of new Preferred Stock and up to $10,000,000 of First Mortgage and Collateral Trust Bonds, about mid-year 1979.

Item 8. Financial Statements and Supplementary Data

(a) The following financial statements and supplementary data are included in the Company's 1980 Annual Report to Stockholders on pages 5 through 17 and are incorporated herein by reference:

Statement of Consolidated Income for the years ended December 31, 1980, 1979, and 1978.
Statement of Consolidated Retained Earnings for the years ended December 31, 1980, 1979, and 1978.
Consolidated Balance Sheets as of December 31, 1980 and 1979.
Statements of Source of Consolidated Funds for Plant Additions and Replacements for the years ended December 31, 1980, 1979, and 1978.
Notes to Consolidated Financial Statements.
Schedules of Capitalization Data as of December 31, 1980 and 1979.
Auditors' Opinion.

(b) Report of Independent Certified Public Accountants.

PART III

Item 9. Directors and Executive Officers of the Registrant

Information with regard to the Directors of the registrant is set forth on pages 2 and 3 of the proxy statement of the registrant relating to its 1981 Annual Meeting of Stockholders, which is incorporated herein by reference.

The executive officers of the registrant are as follows:

Name		Age	Office Continuously Held Since
Ralph A. Brown	President and Chief Executive Officer	62	5/14/68
G. Melvin Hovey	Vice President - Engineering and Operations	51	6/ 1/78
Frank E. Livingston	Treasurer, Secretary and Clerk	62	5/ 9/67

G. Melvin Hovey has been a full-time employee of the Company continuously since April 1, 1957 in various engineering capacities until March 1, 1973 when he was made a District Manager. On January 16, 1976 he was appointed Assistant to the President and was elected Vice President - Engineering and Operations, effective June 1, 1978. On February 23, 1981 Mr. Hovey was also elected a Director of the Company to fill an existing vacancy on the Board.

Each executive office is a full-time position and has been the principal occupation of each officer since first elected. All officers were elected to serve until the next annual election of officers and

until their successors shall have been duly chosen and qualified. The next annual election of officers will be on May 12, 1981.

There are no family relationships between the executive officers.

Item 10. Management Remuneration and Transactions

Information for this item is set forth in pages 4 and 5 of the proxy statement of the registrant relating to its 1981 Annual Meeting of Stockholders, which is incorporated by reference.

PART IV

Item 11. Exhibits, Financial Statement Schedules, and Reports of Form 8-K

(a)1. Financial Statements

Incorporated by reference into Part II of this report from pages 5 through 17 of the 1980 Annual Report to Stockholders:

- Statement of Consolidated Income for the years ended December 31, 1980, 1979, and 1978.
- Statement of Consolidated Retained Earnings for the years ended December 31, 1980, 1979, and 1978.
- Consolidated Balance Sheets as of December 31, 1978 and 1979.
- Statements of Source of Funds for Plant Additions and Replacements for the years ended December 31, 1980, 1979, and 1978.
- Notes to Consolidated Financial Statements.
- Schedules of Capitalization Data as of December 31, 1980 and 1979.
- Auditors' Opinion.
- Report of Independent Certified Public Accountants appears on page 17 of this report.

(a)2. Financial Statement Schedules

Included in Part IV of this report:

	Page
Schedule III	18
Schedule V	19-20
Schedule VI	21
Schedule VIII	22
Schedule IX	23
Schedule X	24
Audited Financial Statements of Maine Yankee Atomic Power Company	25-72
Audited Financial Statements of Maine Electric Power Company, Inc.	73-84

Schedules other than those listed above are omitted for the reason that they are not required or are not applicable, or the required information is shown in the financial statements or notes thereto.

Columns omitted from schedules filed have been omitted because the information is not applicable.

Individual financial statements of the Company are omitted because it is primarily an operating company and its wholly-owned subsidiary included

in the consolidated financial statements being filed does not have minority equity interests and/or indebtedness to any person other than the parent in amounts which together exceed 5% of the total consolidated assets at the date of the latest balance sheet filed excepting indebtedness incurred in the ordinary course of business which is not overdue and which matures within one year from the date of its creation, whether evidenced by securities or not.

(a)3. Exhibits

Certain of the following exhibits are filed herewith. Certain other of the following exhibits have heretofore been filed with the Commission and are incorporated herein by reference. (*indicates filed herewith)

*3	(a) Articles of Incorporation with all amendments through 10/3/79.
*3	(b) By-laws of the Company, as amended October 3, 1979.
*4	(a) Indenture of Mortgage and Deed of Trust defining the rights of the holders of the Company's First Mortgage Bonds.
*4	(b) First Supplemental Indenture.
*4	(c) Second Supplemental Indenture.
*4	(d) Third Supplemental Indenture.
*4	(e) Fourth Supplemental Indenture.
4	(f) Fifth Supplemental Indenture. (Exhibit A to Form 8-K dated May 10, 1968.)
4	(g) Sixth Supplemental Indenture. (Exhibit A to Form 8-K dated April 10, 1973.)
4	(h) Seventh Supplemental Indenture. (Exhibit A to Form 8-K dated November 7, 1975.)
*4	(i) Eighth Supplemental Indenture.
4	(j) Ninth Supplemental Indenture. (Exhibit B to Form 10-Q for the second quarter of 1978.)
*4	(k) Tenth Supplemental Indenture.
*4	(l) Indenture defining the rights of the holders of the Company's 5% debentures.
4	(m) Indenture defining the rights of the holders of the Company's 9 7/8% debentures. (Exhibit A to Form 8-K, dated June 10, 1970.)
*10	Joint Ownership Agreement with Public Service Company of New Hampshire in respect to construction of two nuclear generating units designated as Seabrook Units 1 and 2, together with all related amendments to date.
11	Not applicable.
12	Not applicable.
*13	1980 Annual Report to Stockholders.
19	Not applicable.
20	Not applicable.
22	Maine and New Brunswick Electric Power Company, Limited, a Canadian corporation.

(b) No reports on Form 8-K were filed during the last quarter of the period covered by this report.

SIGNATURES

Pursuant to the requirements of Sections 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 27th day of March, 1981.

MAINE PUBLIC SERVICE COMPANY

By: /s/ R. A. Brown
(R. A. Brown, President)

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

Signature	Title	Date
/s/ R. A. Brown (R. A. Brown)	President and Director (Principal Executive Officer)	March 27, 1981
/s/ F. E. Livingston (F. E. Livingston)	Treasurer (Principal Financial and Accounting Officer)	March 27, 1981
/s/ C. Hazen Stetson (C. Hazen Stetson)	Chairman of the Board and Director	March 27, 1981
/s/ Donald F. Collins (Donald F. Collins)	Director	March 27, 1981
/s/ D. James Daigle (D. James Daigle)	Director	March 27, 1981
/s/ G. M. Hovey (G. Melvin Hovey)	Vice President and Director	March 27, 1981
/s/ Thomas S. Pinkham (Thomas S. Pinkham)	Director	March 27, 1981
/s/ Irwin F. Porter (Irwin F. Porter)	Director	March 27, 1981
/s/ Walter M. Reed, Jr. (Walter M. Reed, Jr.)	Director	March 27, 1981

Deloitte
Haskins + Sells

28 State Street
Boston, Massachusetts 02109
(617) 742-7660
Telex 940161

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Maine Public Service Company:

We have examined the consolidated balance sheets and the related schedules of capitalization data of Maine Public Service Company and its subsidiary, Maine and New Brunswick Electrical Power Company, Limited, as of December 31, 1980 and 1979, and the related statements of consolidated income and retained earnings, and of source of consolidated funds for plant additions and replacements for each of the three years in the period ended December 31, 1980, and have issued our opinion thereon dated February 25, 1981; such consolidated financial statements and schedules and opinion are included in your 1980 Annual Report to Stockholders and are incorporated herein by reference.

Our examinations also comprehended the supplemental consolidated schedules of Maine Public Service Company and its subsidiary, Maine and New Brunswick Electrical Power Company, Limited, listed in Item 11. In our opinion, such supplemental consolidated schedules, when considered in relation to the basic financial statements, present fairly in all material respects the information shown therein.

Deloitte Haskins + Sells

DELOITTE HASKINS & SELLS

February 25, 1981

MAINE PUBLIC SE
AND SUBS

INVESTMENTS IN, EQUITY IN EARNI
FROM AFFILIATES A
FOR THE YEARS ENDED DECE

COLUMN A	COLUMN B BALANCE AT BEGINNING OF PERIOD	
NAME OF AFFILIATE AND DESCRIPTION OF INVESTMENT	NUMBER OF SHARES	AMOUNT
YEAR ENDED DECEMBER 31, 1980:		
Consolidated subsidiary - Maine and New Brunswick Electrical Power Company, Limited	10,000	$3,547,312
Joint venture companies:		
Maine Yankee Atomic Power Company	25,000	3,340,759
Maine Electric Power Company, Inc.	934	92,888
TOTAL		$6,980,959
YEAR ENDED DECEMBER 31, 1979:		
Consolidated subsidiary - Maine and New Brunswick Electrical Power Company, Limited	10,000	$3,398,563
Joint venture companies:		
Maine Yankee Atomic Power Company	25,000	3,339,500
Maine Electric Power Company, Inc.	992	98,689
TOTAL		$6,836,752
YEAR ENDED DECEMBER 31, 1978:		
Consolidated subsidiary - Maine and New Brunswick Electrical Power Company, Limited	10,000	$3,284,795
Joint venture companies:		
Maine Yankee Atomic Power Company	25,000	3,339,393
Maine Electric Power Company, Inc.	1,048	104,288
TOTAL		$6,728,476

(1) Investee's re

SCHEDULE III

RVICE COMPANY
IDIARY

NGS OF, AND DIVIDENDS RECEIVED
ND OTHER PERSONS
MBER 31, 1980, 1979, AND 1978

COLUMN C	COLUMN D		COLUMN E	
ADDITIONS	DEDUCTIONS		BALANCE AT END OF PERIOD	
EQUITY IN EARNINGS	DISTRIBUTION OF EARNINGS	OTHER	NUMBER OF SHARES	AMOUNT
$ 96,748			10,000	$3,644,060
328,702	$329,750		25,000	3,339,711
10,933	10,933	$5,500 (1)	879	87,388
$436,383	$340,683	$5,500		$7,071,159
$148,749			10,000	$3,547,312
332,509	$331,250		25,000	3,340,759
11,614	11,615	$5,800 (1)	934	92,888
$492 872	$342,865	$5,800		$6,980,959
$202,413	$ 88,645		10,000	$3,398,563
335,107	335,000		25,000	3,339,500
12,296	12,295	$5,600 (1)	992	98,689
$549,816	$435,940	$5,600		$6,836,752

urchase of shares.

MAINE PUBLIC SER
AND SUBSI

PROPERTY, PLANT,
FOR THE YEARS ENDED DECEM

COLUMN A	COLUMN B	COLUMN C
CLASSIFICATION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS AT COST
YEAR ENDED DECEMBER 31, 1980 - Utility		
Plant in service:		
Production	$20,546,985	
Transmission	10,452,985	
Distribution	20,171,129	
General	2,812,793	
Total	53,983,892	
Construction work in progress	14,575,898	$7,886,029
Total	68,559,790	7,886,029
Intangibles:		
Organization	30,535	
Miscellaneous	239,835	
Total	270,370	
Property held for future use	245,961	
Utility plant acquisition adjustments	167,636	
Completed construction not classified	-	
TOTAL	$69,243,757	$7,886,029
YEAR ENDED DECEMBER 31, 1979 - Utility		
Plant in service:		
Production	$19,998,655	
Transmission	9,673,312	
Distribution	19,530,213	
General	2,729,102	
Total	51,931,282	
Construction work in progress	8,827,534	$8,394,933
Total	60,758,816	8,394,933
Intangibles:		
Organization	30,535	
Miscellaneous	239,835	
Total	270,370	
Property held for future use	245,961	
Utility plant acquisition adjustments	184,412	
Completed construction not classified	26,847	
TOTAL	$61,486,406	$8,394,933

(Continued on

SCHEDULE V
Sheet 1

VICE COMPANY
DIARY

AND EQUIPMENT
BER 31, 1980, 1979, AND 1978

COLUMN D	COLUMN E			COLUMN F
	RECLASSIFICATIONS AND ADJUSTMENTS			
RETIREMENTS	TRANSFERS FROM CONSTRUCTION WORK IN PROGRESS	FOREIGN EXCHANGE	OTHER	BALANCE AT END OF PERIOD
	$ 144,341	$(46)		$20,691,280
$ 7,663	108,031		$(46,863)	10,506,490
425,250	1,367,591		46,863	21,160,333
73,893	215,515			2,954,415
506,806	1,835,478	(46)	-	55,312,518
	(1,835,478	46		20,626,495
506,806	-	-	-	75,939,013
				30,535
				239,835
				270,370
				245,961
			(16,764)	150,872
				-
$506,806	$ -	$ -	$(16,764)	$76,606,216
$ 798	$ 549,468	($340)		$20,546,985
23,769	803,524	(82)		10,452,985
267,993	944,143		$(35,234)	20,171,129
89,167	172,436	422		2,812,793
381,727	2,469,571	-	(35,234)	53,983,892
	(2,442,724)		(203,845)	14,575,898
381,727	(26,847)		(239,079)	68,559,790
				30,535
				239,835
				270,370
				245,961
			(16,776)	167,636
	(26,847)			-
$381,727	$ -	$	($255,855)	$69,243,757

Sheet 2)

MAINE PUBLIC SE
AND SUBS

PROPERTY, PLANT
FOR THE YEARS ENDED DECE

COLUMN A	COLUMN B	COLUMN C
CLASSIFICATION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS AT COST
YEAR ENDED DECEMBER 31, 1978 - Utility		
Plant in service:		
Production	$13,752,669	
Transmission	9,490,623	
Distribution	18,905,480	
General	2,586,601	
Total	44,735,373	
Construction work in progress	4,797,611	$11,709,841
Total	49,532,984	11,709,841
Intangibles:		
Organization	30,535	
Miscellaneous	200,835	
Total	231,370	
Property held for future use	245,961	
Utility plant acquisition adjustments	201,176	
Completed construction not classified		26,847
TOTAL	$50,211,491	$11,736,688

RVICE COMPANY
IDIARY

AND EQUIPMENT
MBER 31, 1980, 1979 AND 1978

COLUMN D	COLUMN E			COLUMN F
	RECLASSIFICATIONS AND ADJUSTMENTS			
RETIREMENTS	TRANSFERS FROM CONSTRUCTION WORK IN PROGRESS	FOREIGN EXCHANGE	OTHER	BALANCE AT END OF PERIOD
	$6,248,090	$(1,849)	$ (255)	$19,998,655
$ 35,722	217,739	1,310	(638)	9,673,312
286,287	912,057	88	(1,125)	19,530,213
122,250	262,959	1,792		2,729,102
444,259	7,640,845	1,341	(2,018)	51,931,282
	(7,679,845)	(73)		8,827,534
444,259	(39,000)	1,268	(2,018)	60,758,816
				30,535
	39,000			239,835
	39,000			270,370
				245,961
			(16,764)	184,412
				26,847
$444,259	$ -	$1,268	$(18,782)	$61,486,406

MAINE PUBLIC SE
AND SUBS

ACCUMULATED DEPRECIATIO
OF PROPERTY, PLANT
FOR THE YEARS ENDED DECE

COLUMN A	COLUMN B	COLUM
DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	ADDIT CHARGED AND EX
YEAR ENDED DECEMBER 31, 1980 - Utility plant (Note a)	$18,849,887	$1,770, 84,
YEAR ENDED DECEMBER 31, 1979 - Utility plant (Note a)	$17,399,839	$1,702, 94,
YEAR ENDED DECEMBER 31, 1978 - Utility plant (Note a)	$16,233,568	$1,494, 55,

NOTES:

(a) The accumulated depreciation on utility plant is not classif in Schedule V.

(b) Depreciation of utility plant other than transportation equi

(c) Depreciation of transportation equipment charged to clearing accounts on the basis of operating hours.

SCHEDULE VI

VICE COMPANY
DIARY

N AND AMORTIZATION
AND EQUIPMENT
BER 31, 1980, 1979 AND 1978

C	COLUMN D	COLUMN E	COLUMN F
ONS O COSTS ENSES	RETIREMENTS	OTHER CHANGES - ADD REMOVAL COST, LESS SALVAGE	BALANCE AT END OF PERIOD
04 (b) 10 (c)	$506,806	$21,309	$20,219,504
51 (b) 82 (c)	$381,727	$34,642	$18,849,887
71 (b) 42 (c)	$444,259	$60,717	$17,399,839

ed in the accounts according to classes of property shown

ment.
accounts and thereafter distributed to various other

MAINE PUBLIC SER
AND SUBSI

VALUATION AND QUALIFYING A
FOR THE YEARS ENDED DECEMB

COLUMN A	COLUMN B	
DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	CHA COS EX
RESERVE DEDUCTED FROM ASSET TO WHICH IT APPLIES - Allowance for doubtful accounts - year ended December 31:		
1980	$63,487	$1
1979	$70,852	$
1978	$75,015	$

SCHEDULE VIII

VICE COMPANY
DIARY

CCOUNTS AND RESERVES
ER 31, 1980, 1979 AND 1978

	COLUMN C ADDITIONS	COLUMN D DEDUCTIONS	COLUMN E
RGED TO TS AND PENSES	RECOVERIES OF ACCOUNTS PREVIOUSLY WRITTEN OFF	ACCOUNTS WRITTEN OFF AS UNCOLLECTIBLE	BALANCE AT END OF PERIOD
61,716	$34,145	$183,048	$76,300
71,100	$35,856	$114,321	$63,487
53,000	$20,365	$ 77,528	$70,852

SCHEDULE IX

MAINE PUBLIC SERVICE COMPANY
AND SUBSIDIARY

SHORT TERM BORROWINGS

YEAR	COLUMN A CATEGORY OF AGGREGATE SHORT-TERM BORROWINGS	COLUMN B BALANCE AT END OF PERIOD	COLUMN C WEIGHTED AVERAGE INTEREST RATE	COLUMN D MAXIMUM AMOUNT OUTSTANDING DURING THE PERIOD	COLUMN E AVERAGE AMOUNT OUTSTANDING DURING THE PERIOD	COLUMN F WEIGHTED AVERAGE INTEREST RATE DURING THE PERIOD
1980	Bank	$8,100,000	22.61%	$ 8,100,000	$6,350,000	17.22%
1979	Bank	$2,600,000	15.91%	$12,600,000	$8,320,000	13.63%
1978	Bank	$9,400,000	12.83%	$ 9,400,000	$ 220,000	11.69%

SCHEDULE X

MAINE PUBLIC SERVICE COMPANY
AND SUBSIDIARY

SUPPLEMENTARY INCOME STATEMENT INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 1980, 1979 AND 1978

COLUMN A	COLUMN B CHARGED TO COSTS AND EXPENSES YEAR ENDED DECEMBER 31 1980	1979	1978
Maintenance and Repairs	$ 916,875	$ 723,936	$ 764,282
Depreciation and Amortization of intangible assets, preoperating costs and similar deferrals:			
Depreciation	$1,721,420	$1,653,511	$1,447,021
Amortization of intangible assets	$ 65,948	$ 65,916	$ 63,914
Taxes, other than payroll and income taxes	$ 718,723	$ 649,723	$ 550,005

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-K

Annual Report under Section 13 or 15(d) of The Securities Exchange Act of 1934

For the fiscal year ended	Commission file number
December 31, 1980	1-6554

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

Maine	01-0278125
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
Edison Drive, Augusta, Maine	04336
(Address of principal executive offices)	(Zip Code)

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

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

Title of each class	Name of each exchange on which registered
First Mortgage Bonds, Series A (Sinking Fund) 9.10% Due 2002	New York Stock Exchange
First Mortgage Bonds, Series B (Sinking Fund) 8 1/2% Due 2002	New York Stock Exchange
First Mortgage Bonds, Series C (Sinking Fund) 7 5/8% Due 2002	New York Stock Exchange

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

Yes ✓ No ___

State the aggregate market value of the voting stock held by non-affiliates of the registrant. $50,000,000 based on the par value of the Common Stock. There is no market in this security.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class	Shares Outstanding as of December 31, 1980
Common stock	500,000

PART I

ITEM 1 - BUSINESS

(a) General. The Company, incorporated under the laws of Maine on January 3, 1966, owns and operates a pressurized water nuclear-powered electric generating plant at Wiscasset, Maine, with a current net capability of approximately 830 megawatts electric (the "Plant"). The Company sells its capacity and output to its eleven sponsoring utilities. The Company's principal office is located on Edison Drive, Augusta, Maine 04336, and its telephone number is (207) 623-3521.

The Company is sponsored by eleven investor-owned New England utilities (the "Sponsors"), each of which committed itself under a Power Contract with the Company to purchase a specified percentage of the capacity and output of the Plant and pay therefor, beginning on January 1, 1973, a like percentage of amounts sufficient to pay its fuel costs, operating expenses (including a depreciation accrual at a rate sufficient to fully amortize the investment in the Plant over a period ending May 1, 2002), interest on its debt and a composite return of 9.8% on its capital stock equity. However, due to limitations imposed by the Federal Power Commission (now the Federal Energy Regulatory Commission ["FERC"]) on the return on the Company's common equity, the actual composite return is somewhat less. Each sponsor has also agreed under a Capital Funds Agreement with the Company to provide a like percentage of the Company's capital requirements not obtained from other sources, subject to obtaining necessary authorizations of regulatory bodies in each instance. All such obligations are subject to the continuing jurisdiction of various Federal and state regulatory bodies.

(b) Problems Affecting the Industry and the Company. Events at the Three Mile Island Nuclear Unit No. 2 in Pennsylvania ("TMI") caused increased concern about the safety of nuclear generating plants. The Company cannot predict what effect the events at TMI, which have precipitated renewed opposition to nuclear power, may ultimately have upon the continued operation of the Company's nuclear generating facility.

The TMI incident has prompted a rigorous reexamination of safety related equipment and operating procedures in all nuclear facilities and has caused the Nuclear Regulatory Commission (NRC) to promulgate numerous requirements in response to TMI, including both near-term modifications to upgrade certain safety systems and instrumentations and longer-term design changes, ranging from equipment changes to operational support. The Company's nuclear facility and all other nuclear facilities are being reexamined by the NRC to determine the scope of modifications necessary to comply with these new requirements. The Company has made the near-term modifications required by the NRC and is still in the process of evaluating the impact of the long-term improvements suggested

ITEM 1 - BUSINESS (continued).

by the NRC staff. However, until the scope of those latter improvements, as they apply to particular reactors, has been defined by the NRC, the cost of any modifications and their effect, if any, on the operations of the Company cannot be quantified. While the ultimate effect of these reexaminations, studies and proposals cannot be specifically predicted, they could result in costly modifications of the Company's nuclear plant.

(c) Regulation and Environmental Matters. The nuclear generating facility of Maine Yankee is subject to extensive regulation by the NRC. The NRC is empowered to authorize the siting, construction and operation of nuclear reactors after consideration of public health, safety, environmental and antitrust matters.

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

Under their continuing jurisdiction, the NRC and one or more of the EPA and the state authorities having jurisdiction over the Company's facilities may modify permits or licenses which have already been issued, or impose new conditions on such permits or licenses, and may require additional capital expenditures or require that the level of the operation of a unit be temporarily or permanently reduced. See "Problems Affecting the Industry and the Company". However, since the eleven Sponsors of the Company have agreed to provide the required capital not otherwise available, to take the total output of the Plant, and to pay all costs including capital costs, statutory requirements with respect to environmental quality, although they could necessitate significant cash outlays, will not materially affect the earning power of the Company or cause material changes in the registrant's business or intended business.

(d) Nuclear Fuel. The Company has contracted for the purchase of all of its uranium concentrate requirements through 1986. The Company has conversion contracts through 1983 and is presently negotiating for conversion services expected to meet requirements through 1995. It has a contract with DOE for enrichment services through 2002, and its fabrication requirements are covered through 1983, and it is negotiating for

ITEM 1 - BUSINESS (continued)

such services through 1988. As is the case throughout the nuclear industry, the Company has no contractual arrangements for the final disposition of spent fuel.

In September 1979, the Company filed with the NRC a proposed change to its operating license relating to increasing its existing spent fuel storage capacity by providing more compact fuel storage. On October 24, 1979, the NRC published notice of the proposed issuance of a license amendment implementing the change and providing an opportunity for interested persons to petition for leave to intervene and request a hearing. A timely petition and request was filed by Sensible Maine Power, a non-profit corporation, and the Attorney General of Maine filed a notice of his intent to participate in any hearing. The NRC has established an Atomic Safety and Licensing Board to preside over the proceeding. The Company anticipates that an adjudicatory hearing will commence in the latter half of 1981. The Company cannot predict the scope of the proceeding, its duration or its outcome.

The present capacity of the spent fuel pool at the Company's plant will be filled in 1987 and after 1984 would not accommodate a full core removal. The modification of this capacity proposed by the Company differs from designs heretofore implemented at other nuclear facilities but is essentially the same basic concept of more compact storage in the existing spent fuel pool. If the proposed modification is not approved, the Company will have to develop alternative plans which would involve further approval by the NRC.

Maine Yankee does not currently utilize a net salvage value for spent fuel in its nuclear fuel cost calculations. Maine Yankee's nuclear fuel in the reactor is amortized on the basis of original cost plus the estimated cost of disposition of that fuel.

( ) Employees. At December 31, 1980, the Company had 161 employees.

ITEM 2 - PROPERTIES

The Plant is located on tidewater on Bailey Point in Wiscasset, Maine, on a 740-acre site which is owned in fee by the Company and is adequate for the Plant and for the associated switchyard facilities (which are owned in part and operated by Central Maine Power Company). It is a nuclear-powered electric generating plant, utilizing a pressurized water reactor, fueled with slightly enriched uranium dioxide. The nuclear steam supply system and certain other equipment were designed and fabricated by Combustion Engineering, Inc. The turbine generator was supplied by Westinghouse Electric Corporation. Stone & Webster Engineering Corporation, as engineer and constructor, designed and constructed the Plant. The nuclear design and construction of the

ITEM 2 - PROPERTIES (continued)

Plant was supervised by the Nuclear Services Division of Yankee Atomic Electric Company, which supervised and is supervising the design and construction of several nuclear generating plants in New England. Construction of the Plant, which began in 1967, was completed in 1972 except for certain discharge temperature control facilities designed to meet the requirements of the Maine Board of Environmental Protection, which were completed in 1975.

ITEM 3 - LEGAL PROCEEDINGS

The operation of existing nuclear units and the construction of nuclear units presently planned in the United States continue to be a subject of public controversy. Various groups have filed law suits and participated in administrative proceedings claiming that the present state of nuclear technology presents risks to public health and safety and to the environment. In addition, certain of these groups have proposed restrictive legislation relating to nuclear power. Some of the claims made by such groups, if they should prevail, or the existence of the controversy itself, could cause substantial modifications to or extended shutdowns of plants presently in operation. See Item 1. "Problems Affecting the Industry and the Company".

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

The Maine Yankee Plant was declared commercial December 28, 1972, with regular operation at approximately 570 megawatts electric (net) starting on January 1, 1973, in accordance with the Power Contract. Hearings on the Company's application for a forty-year license at full operation were completed in 1972 and the license for full operation at approximately 790 megawatts electric (net) was granted by the Atomic Energy Commission ("AEC"), the predecessor of the NRC, on June 29, 1973. During 1978 the NRC authorized an increase in the output rating of the plant to approximately 850 megawatts electric (net).

The Company's nuclear generating plant, which had been temporarily shut down along with four other nuclear units pursuant to a March 13, 1979

ITEM 3 - LEGAL PROCEEDINGS (continued)

order of the NRC staff, was restored to power production on June 5, 1979 after the order was lifted on May 24. The order was based on the discovery by the NRC of an allegedly improper analysis technique in a computer code used by the architect-engineering firm which designed the plant in predicting the stress loads which would be placed on some safety-related piping systems of the plant in the event of a major earthquake. During the shutdown the Company performed reanalyses of the piping systems in accordance with the order, and the plant was returned to commercial operation without modification of the systems.

The Company's plant was shut down on January 11, 1980 for a scheduled reloading of its nuclear fuel and was restored to power production on March 15, 1980. During the shutdown the Company also made certain modifications required by the NRC as a result of the TMI incident. See Item 1. "Problems Affecting the Industry and the Company".

The Power Contracts between Maine Yankee and its sponsors require the sponsors to continue to make monthly payments thereunder through 2002 whether or not the plant is in operation except under circumstances not now applicable which would entitle the sponsors to cancel the Power Contracts. The Sponsors are also obligated under the Capital Funds Agreements with Maine Yankee to pay their respective shares of the capital requirements of Maine Yankee, not otherwise obtainable, which would include the cost of any modifications to the Plant that may be required pursuant to an NRC Order.

ITEM 4 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table shows the ownership of the Company's 500,000 shares of $100 par value Common Stock, all of which is issued and outstanding and all of which is held of record and beneficially. None is held by management.

Name and Class	Amount Owned	Percentage of Class
Central Maine Power Company Edison Drive Augusta, Maine 04336	190,000 shares	38%
New England Power Company 20 Turnpike Road (Route 9) Westboro, Massachusetts 05181	100,000	20
The Connecticut Light and Power Company PO Box 2010 Hartford, Connecticut 06101	40,000	8
Bangor Hydro-Electric Company 33 State Street Bangor, Maine 04401	35,000	7
Maine Public Service Company 209 State Street Presque Isle, Maine 04769	25,000	5
Public Service Company of New Hampshire PO Box 330 Manchester, New Hampshire 03105	25,000	5
Cambridge Electric Light Company 675 Massachusetts Avenue Cambridge, Massachusetts 02139	20,000	4
Montaup Electric Company PO Box 2333 Boston, Massachusetts 02107	20,000	4
The Hartford Electric Light Company PO Box 2370 Hartford, Connecticut 06101	20,000	4
Western Massachusetts Electric Company 174 Brush Hill Avenue West Springfield, Massachusetts 01089	15,000	3
Central Vermont Public Service Corporation 77 Grove Street Rutland, Vermont 05701	10,000	2
	500,000 shares	100%

ITEM 5- MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED SECURITY HOLDER MATTERS.

The Company's Common Stock, being owned by the Company's eleven utility sponsors, is not publicly traded. Transfer of the Common Stock is restricted by the Company's bylaws. The Company has paid cash dividends on its Common Stock to its eleven utility sponsors in each year of operation, 1973 through 1980. The following table shows cash dividends paid for years 1980 and 1979:

	Shares Outstanding	1980 Per Share	1979 Per Share
January	500,000	$ 3.35	$ 3.40
April	500,000	3.15	3.35
July	500,000	3.25	3.35
October	500,000	3.25	3.20
		$13.00	$13.30

The payment of dividends in the Company's common stock is subject to the following restrictions:

(1) The Company's First Mortgage Indenture provides that it will not declare or pay any dividend on any class of its stock, except out of earned surplus, and will not declare or pay any such dividend or directly or indirectly make any payment on account of the purchase, redemption, acquisition or other retirement of any shares of its stock, unless, after giving effect to such declaration or payment, the Company's Equity shall be at least 35% of Plant Construction Financing, and the Company's Common Equity shall be at least 30% of Plant Construction Financing.

(2) The Company's Articles of Incorporation provide that so long as any shares of the Company's Cumulative Preferred Stock, 7.48% Series (Sinking Fund) are outstanding, the payment of dividends on the Common Stock (other than dividends in Common Stock) and the making of distributions thereon is limited to 50% of Net Income Available for Dividends on Common Stock for the preceding twelve months if the Common Stock Equity (after such action) is less than 20% of Total Capitalization, and to 75% of such Net Income if such Common Stock Equity is 20% or more but less than 25% of Total Capitalization.

ITEM 6 - SELECTED FINANCIAL DATA.

	1980	1979	1978	1977	1976
Selected Income Statement Data:					
Electric Operating Revenues	$ 84,245	$ 68,867	$ 70,373	$ 65,659	$ 58,860
Earnings Applicable to Common Stock	6,574	6,650	6,702	6,701	6,703
Earnings Per Share of Common Stock	13.15	13.30	13.40	13.40	13.41
Dividends Declared Per Share of Common Stock	13.19	13.25	13.40	13.40	13.41
Selected Balance Sheet Data:					
Total Assets	$297,064	$287,105	$265,955	$262,917	$260,930
Long-Term Debt: (1)					
First and General Mortgage Bonds	101,598	105,923	111,168	115,627	120,596
Notes Payable to MYA Fuel Company	33,225	33,450	17,650	8,900	20,850
Redeemable Preferred Stock (1)	11,980	13,070	13,696	13,696	15,000

(1) See Notes 4 and 6 to Notes to Financial Statements.

ITEM 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

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

Operating Results

The following is management's analysis of certain significant factors which have affected the Company's operating costs.

Higher fuel expense for 1980 reflects (1) the impact of new fuel at higher rates being inserted into the reactor during the first quarter of 1980 (2) a change in In-Reactor fuel disposal assumptions and (3) a spent fuel disposal adjustment. During 1979 lower fuel expense was experienced primarily as the result of the plant being ordered to shut down by the NRC from March 13 through May 24, 1979 and an outage during the month of September 1979.

Operation and maintenance costs for 1980 reflect increased expenses associated with outside services employed to meet new and continuing NRC requirements and a first quarter shutdown to refuel the reactor and perform necessary maintenance on equipment. The primary reason for increases in operation costs in 1979 were expenses associated with the shutdown ordered by the NRC. The Company did not have a refueling in 1979. Lower levels of maintenance activity, performed at the plant during 1979, were experienced between those occurring in 1978 during a refueling.

Interest charges reflect greater borrowing to finance higher investments made for nuclear fuel and increasing construction requirements. Interim financing rose signficantly on average during 1980 and 1979 and related interest rates, while fluctuating during certain periods, also rose on average. The fluctuations in the amount of allowance for funds occur from the result of changes in level of investments in nuclear fuel

ITEM 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS. (continued)

Operating Results (continued)

in process and construction work in progress along with changes in the rates of funds used to finance these investments. During 1980 the increase in levels of investment in construction work in progress was due primarily to construction projects that included the progress payments for a spare turbine rotor and steam driven feed-water pump system. Progressively higher levels of investment in nuclear fuel were made during the period to meet current and future refueling requirements. Along with these higher levels of investment, higher interest rates were incurred on corporate borrowing to finance these investments.

Financial Condition

During 1980, funds from operations (principally Amortization of Nuclear Fuel, Depreciation and Net Income) amounted to nearly $41.1 million. Of these funds, $13.7 million was used to provide for sinking fund requirements and dividends on preferred and common stock. These sources of funds were further reduced by an increase of $3.2 million in working capital requirements (exclusive of short-term borrowings and the current portion of long-term debt) resulting primarily from operating costs billed under the Company's power contract. The net funds available from internal sources were $24.7 million or approximately 68% of Funds Used for Acquisition of Nuclear Fuel and Construction of Electric Property which amounted to $36.6 million (net of allowance for equity funds of $1.1 million used for nuclear fuel and $.3 million used during construction). The Company funded $11.9 million, or the remaining 32% of these requirements, from short-term borrowings.

The Company, as well as the nuclear electric industry in general, has been plagued by common problems in recent years including those of (1) increasing operating costs attributable to greater regulatory requirements (2) financing of nuclear fuel and construction projects during a period of high inflation and unsettled borrowing market and (3) uncertainties

ITEM 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS. (continued)

Financial Condition (continued)

caused by political involvement in nuclear utility regulation. It is difficult at this time to predict the full impact that these factors will have in the future financial operation of the Company.

The Company anticipates expenditures to be approximately $15.4 million for construction and $30.1 million for nuclear fuel (exclusive of AFN) for 1981. Nuclear fuel expenditures are estimated to be $113.4 million (exclusive of AFN for the period 1982 through 1985. Fuel expenditures are planned to be financed by the MYA Fuel Company Loan Agreement (See note 5 to Notes to Financial Statements) while the remainder of planned expenditures, plus working capital requirements, will be financed by internal sources, short-term borrowings, and to the extent necessary, other long-term financing.

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Maine Yankee Atomic Power Company:

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

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

ARTHUR ANDERSEN & CO.

Boston, Massachusetts,

February 6, 1981.

Maine Yankee Atomic Power Company

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

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

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

Maine Yankee Atomic Power Company

BALANCE SHEET
(Dollars in Thousands)

ASSETS

	December 31, 1980	December 31, 1979
ELECTRIC PROPERTY, at Original Cost (Notes 4 and 10) (Sch. V)	$246,921	$240,061
Less: Accumulated Depreciation and Amortization (Note 1) (Sch. VI)	61,803	54,105
	185,118	185,956
Construction Work in Progress	9,124	8,951
Net Electric Property	194,242	194,907
NUCLEAR FUEL, at Original Cost (Notes 1 and 10) (Sch. V)		
Nuclear Fuel in Reactor	74,346	52,564
Nuclear Fuel-Spent	51,814	42,557
Nuclear Fuel-Stock	4,895	35,679
	131,055	130,800
Less: Accumulated Amortization (Note 1) (Sch. VI)		
Original Cost	91,02_	76,443
Permanent Disposal, Net	24,845	15,401
	15,187	38,956
Nuclear Fuel in Process	70,240	40,394
Net Nuclear Fuel	85,427	79,350
Net Electric Property and Nuclear Fuel	279,669	274,257
CURRENT ASSETS		
Cash (Note 3)	62	139
Accounts Receivable	9,544	6,474
Materials and Supplies, at Average Cost	3,746	3,503
Prepayments	1,042	949
Total Current Assets	14,394	11,065
DEFERRED CHARGES AND OTHER ASSETS	3,001	1,783
	$297,064	$287,105

The accompanying notes are an integral part of these financial statements

Maine Yankee Atomic Power Company

BALANCE SHEET
(Dollars in Thousands)

STOCKHOLDERS' INVESTMENT AND LIABILITIES

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

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

Maine Yankee Atomic Power Company

STATEMENT OF CAPITALIZATION
(Dollars in Thousands)

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

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

Maine Yankee Atomic Power Company

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

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

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

Maine Yankee Atomic Power Company

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

	Year Ended December 31,		
	1980	1979	1978
FUNDS PROVIDED			
Internal Sources			
From Operations			
Net Income	$ 7,508	$ 7,651	$ 7,727
Amortization of Nuclear Fuel	24,024	15,319	17,411
Depreciation and Amortization	8,319	8,279	8,173
Deferred Income Tax and Investment Tax Credits, Net	2,600	6,918	7,383
Allowance for Other Funds Used for Nuclear Fuel and During Construction	(1,371)	(1,623)	(1,391)
	41,080	36,544	39,503
Less:			
Sinking Fund Requirements:			
Long-Term Debt	5,078	4,850	5,555
Preferred Stock	1,090	626	-
Dividends on Preferred Stock	934	1,001	1,025
Dividends on Common Stock	6,595	6,625	6,700
Other, Net	(567)	505	46
	27,950	22,937	26,177
(Increase) Decrease in Working Capital, Exclusive of Notes Payable to Banks and Sinking Fund Requirements			
Cash and Receivables	(2,993)	425	(616)
Other Current Assets	(336)	(466)	(66)
Other Current Liabilities	84	(533)	(7,776)
	(3,245)	(574)	(8,453)
Net Available from Internal Sources	24,705	22,363	17,719
External Sources			
Increase (Decrease) in Notes Payable:			
MYA Fuel Company	(225)	15,800	8,750
Banks	12,075	3,925	-
Net Available from External Sources	11,850	19,725	8,750
	$36,555	$42,088	$26,469
FUNDS USED FOR ACQUISITION OF NUCLEAR FUEL AND CONSTRUCTION OF ELECTRIC PROPERTY			
Acquisition of Nuclear Fuel	$30,101	$35,244	$25,732
Allowance for Other Funds Used for Nuclear Fuel	(1,118)	(1,547)	(1,341)
Construction of Electric Property	7,825	8,467	2,128
Allowance for Other Funds Used During Construction	(253)	(76)	(50)
	$36,555	$42,088	$26,469

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

Maine Yankee Atomic Power Company

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Sponsor/Participant	Ownership Interest
Central Maine Power Company	38%
New England Power Company	20
The Connecticut Light and Power Company	8
Bangor Hydro-Electric Company	7
Maine Public Service Company	5
Public Service Company of New Hampshire	5
Cambridge Electric Light Company	4
Montaup Electric Company	4
The Hartford Electric Light Company	4
Western Massachusetts Electric Company	3
Central Vermont Public Service Corporation	2
	100%

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

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

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

Maine Yankee Atomic Power Company

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation: (continued)

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

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

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

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

Maine Yankee Atomic Power Company

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Amortization of Nuclear Fuel: (continued)

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

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

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

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

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

Maine Yankee Atomic Power Company

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

	AFC on CWIP	AFN on NFIP
1980	7.26%	8.90%
1979	7.40	7.68
1978	7.60	7.00

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

2. INCOME TAX EXPENSE

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

Maine Yankee Atomic Power Company

NOTES TO FINANCIAL STATEMENTS

2. INCOME TAX EXPENSE (continued)

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

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

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

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

Maine Yankee Atomic Power Company

NOTES TO FINANCIAL STATEMENTS

2. INCOME TAX EXPENSE (continued)

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

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

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

3. NOTES PAYABLE TO BANKS

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

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

Maine Yankee Atomic Power Company

NOTES TO FINANCIAL STATEMENTS

3. NOTES PAYABLE TO BANKS (continued)

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

4. FIRST MORTGAGE BONDS

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

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

5. MYA FUEL COMPANY

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

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

Maine Yankee Atomic Power Company

NOTES TO FINANCIAL STATEMENTS

5. MYA FUEL COMPANY (continued)

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

6. REDEEMABLE PREFERRED STOCK

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

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

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

7. PENSION PLANS

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

Maine Yankee Atomic Power Company

NOTES TO FINANCIAL STATEMENTS

7. PENSION PLANS (continued)

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

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

8. COMMITMENTS AND CONTINGENCIES

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

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

Maine Yankee Atomic Power Company

NOTES TO FINANCIAL STATEMENTS

8. COMMITMENTS AND CONTINGENCIES (continued)

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

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

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

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

Maine Yankee Atomic Power Company

NOTES TO FINANCIAL STATEMENTS

9. UNAUDITED QUARTERLY FINANCIAL DATA

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

	1980 Quarter Ended			
	March 31	June 30	September 30	December 31
	(Dollars in Thousands, Except Per Share Amounts)			
Electric Operating Revenues	$18,911	$24,065	$19,678	$21,591
Operating Income	4,297	4,718	4,546	4,473
Net Income	1,921	1,837	1,836	1,914
Earnings Per Share of Common Stock	3.35	3.22	3.21	3.37

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

Maine Yankee Atomic Power Company

NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

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

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

Maine Yankee Atomic Power Company

NOTES TO FINANCIAL STATEMENTS

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

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

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

Maine Yankee Atomic Power Company

NOTES TO FINANCIAL STATEMENTS

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

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

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

Maine Yankee Atomic Power Company

NOTES TO FINANCIAL STATEMENTS

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

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

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

	Years Ended December 31,				
	1980	1979	1978	1977	1976
Operating Revenues	$ 84,245	$78,180	$88,885	$89,282	$85,200
Historical Cost Information Adjusted for General Inflation					
Loss from operations excluding reduction to net recoverable amount	$(4,451)	$ (670)			
Loss from operations per common share (after preferred dividend requirement)	$(10.77)	$ (3.61)			
Current Cost Information					
Loss from operations excluding reduction to net recoverable amount	$(34,685)	$(26,755)			
Loss from operations per common share (after preferred dividend requirement)	$(71.24)	$ (55.79)			
Excess of increase in general price level over increase in specific prices after reduction to net recoverable amount	$9,477	$ (2,106)			
General Information					
Net assets at year end at recoverable amount	$64,042	$ 71,772			
Gain from decline in purchasing power of net amounts owed	$24,791	$ 28,002			
Cash dividends per common share	$13.19	$15.04	$16.92	$18.23	$19.40
Average Consumer Price Index	246.8	217.4	195.4	181.5	170.5

PART III

ITEM 9 - DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

A. Directors

The directors of the Company and their principal occupations and all positions and offices with the Company are as follows:

Name, Age and Year First Elected Director	Principal Occupation
Elwin W. Thurlow, 57, 1973 President and Director	President and Chief Executive Officer, Central Maine Power Company
Thomas C. Webb, 46, 1977 Vice President and Director	Senior Vice President, Finance Central Maine Power Company
Charles E. Monty, 54, 1971 Vice President and Director	Senior Vice President, Engineering and Production, Central Maine Power Company
John B. Randazza, 52, 1975 Vice President and Director	Vice President, Central Maine Power Company
Joan T. Bok, 51, 1977 Director	Vice Chairman, New England Electric System
William F. Burt, 55, 1978 Director	Assistant to the President, NEGEA Service Corp.
Ralph A. Brown, 63, 1968 Director	President and Chief Executive Officer, Maine Public Service Company
John F. G. Eichorn, Jr., 57, 1971, Director	President, Eastern Utilities Associates
William B. Ellis, 40, 1976 Director	President, Northeast Utilities
Thomas A. Greenquist, 52, 1973 Director	President, Bangor Hydro-Electric Company
James E. Griffin, 53, 1973 Director	President and Chief Executive Officer, Central Vermont Public Service Corporation
Carroll R. Lee, 31, 1979 Director	Assistant Vice President-Engineering Bangor Hydro-Electric Company
Guy W. Nichols, 55, 1978 Director	Chairman, President and Chief Executive Officer, New England Electric System

ITEM 9 - DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT (continued)

A. Directors (continued)

Robert F. Scott, 51, 1976 Director	Senior Vice President, Customer Services, Central Maine Power Company
Donald C. Switzer, 64, 1971 Director	Vice Chairman, Northeast Utilities
William C. Tallman, 60, 1966 Director	Chairman and Chief Executive Officer, Public Service Company of New Hampshire

Each of the Directors, other than Mr. Webb, has for the past five years been and is now an officer or employee of one of the Sponsors or an associate company thereof. Mr. Webb joined Central Maine Power Company as Vice President, Financial and Treasurer in 1977 after having served as Treasurer (from 1974) and Assistant Treasurer (1972-1974) of Wisconsin Power and Light Company. Each of the Sponsors is represented on the Company's Board of Directors, but there is no formal understanding with respect to such representation. The Directors are elected at the annual meeting of stockholders and hold office until their successors are elected and qualified.

B. Executive Officers

The following are the executive officers of the Company with all positions and offices held:

Name	Age	Office and Year First Elected
Elwin W. Thurlow	57	President and Director - 1975
Charles E. Monty	54	Vice President and Director - 1971
John B. Randazza	52	Vice President and Director - 1975
Thomas C. Webb	46	Vice President and Director - 1977
Wendell P. Johnson	58	Vice President - 1972
Richard A. Crabtree	34	Treasurer - 1977
Robert S. Howe	41	Comptroller and Chief Accounting Officer - 1980
Seward B. Brewster	53	Secretary and Clerk - 1968

Each of the executive officers other than Mr. Webb, whose business experience is given under paragraph A above, has for the past five

ITEM 9 - DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT (continued)

B. Executive Officers (continued)

years been and is now an officer or employee of one of the sponsors or an associate company thereof. The executive officers are elected annually by the Board of Directors and hold office until their successors are elected and qualified.

There are no family relationships between any director or executive officer nor any arrangements pursuant to which any were selected as officers or directors.

C. Other Directorships

The following directors of the registrant held other directorships as follows:

Director	Other Directorships Held
Joan T. Bok	Vermont Yankee Atomic Power Company Connecticut Yankee Atomic Power Company New England Merchants National Bank/ New England Merchants Company, Inc. Norton Company New England Electric System Massachusetts Electric Company New England Power Company The Narragansett Electric Company
Ralph A. Brown	Maine Public Service Company Maine Electric Power Company, Inc. Maine & New Brunswick Electric Power Co., Ltd.
William F. Burt	Vermont Yankee Atomic Power Company Yankee Atomic Power Company Connecticut Yankee Atomic Power Company Hopkinton LNG Corporation NEGEA Energy Products, Inc. NEGEA Energy Services, Inc. NEGEA Service Corporation
John F. G. Eichorn, Jr.	Eastern Utilities Associates (Trustee) Montaup Electric Company EUA Service Corporation Blackstone Valley Electric Company Fall River Electric Light Company Brockton Edison Company Yankee Atomic Electric Company Connecticut Yankee Atomic Power Company Vermont Yankee Atomic Power Company Electric Council of New England

ITEM 9 - DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT (continued)

C. Other Directorships (continued)

William B. Ellis	Northeast Utilities (Trustee) Connecticut Yankee Atomic Power Company Yankee Atomic Electric Company Vermont Yankee Atomic Power Company Connecticut Bank and Trust Corporation
Thomas A. Greenquist	Bangor Hydro-Electric Company
James E. Griffin	Central Vermont Public Service Corporation Connecticut Valley Electric Co., Inc. Vermont Electric Power Company Yankee Atomic Electric Company Connecticut Yankee Atomic Power Company Vermont Yankee Atomic Power Company Vermont National Bank
Charles E. Monty	Central Maine Power Company Maine Electric Power Company, Inc.
Guy W. Nichols	New England Electric System New England Power Company New England Power Service Company New England Energy, Inc. Massachusetts Electric Company Narragansett Electric Company Yankee Atomic Electric Company Connecticut Yankee Atomic Power Company Vermont Yankee Atomic Power Company Breeder Reactor Corporation Electric Power Research Institute First National Bank of Boston First National Boston Corporation Nashua Corporation State Mutual Life Assurance Company of America Edison Electric Institute
John B. Randazza	Vermont Yankee Atomic Power Company Connecticut Yankee Atomic Power Company
Robert F. Scott	Central Maine Power Company
Donald C. Switzer	Northeast Utilities (Trustee) and a Director of its pinrcipal subsidiary companies Connecticut Yankee Atomic Power Company Vermont Yankee Atomic Power Company Yankee Atomic Electric Company
William C. Tallman	Public Service Company of New Hampshire Yankee Atomic Electric Company Amoskeag National Bank & Trust Company Amoskeag Industries, Inc.

ITEM 9 - DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT (continued)

C. Other Directorships (continued)

Elwin W. Thurlow	Central Maine Power Company Yankee Atomic Electric Company Great Northern Nekoosa Depositors Corporation Maine Electric Power Company, Inc.
Thomas C. Webb	Maine Electric Power Company, Inc.

ITEM 10 - MANAGEMENT REMUNERATION AND TRANSACTIONS

The Company has paid no remuneration to its officers or directors, but, complying with regulatory requirements, has reimbursed Central Maine Power Company for services rendered by its employees.

During the construction period, no return was paid to Sponsors on the money paid by them for Common Stock, but a return (at the rate of 7% per annum through November 30. 1970 and at the rate of 10% per annum thereafter) was charged to plant in a manner similar to that followed by utility companies in recording plant construction costs. The amounts so charged were recorded as paid-in capital. This practice terminated as of December 31, 1972, the last day of the last month of the construction period. These amounts are to be paid to the Sponsors on the redemption of Common Stock. The Company's First Mortgage Indenture and the provisions of its Articles of Incorporation relating to its capital stock contain various limitations on redemption.

During 1980 and 1979, the Company paid $4,203,332 and $3,123,255 respectively, to Yankee Atomic Electric Company, an associate of several of the Sponsors, for services at cost of its engineering and nuclear services department. Prior to the execution of the Capital Funds Agreements and Power Contracts, Central Maine Power Company, one of the Sponsors, advanced necessary construction funds to the Company at cost. Subsequent to that time, Central Maine has furnished the Company certain engineering, administrative and legal services, and furnished certain facilities, at cost and electric service at its filed rates. During 1980 and 1979, Central Maine was reimbursed in the amount of $3,052,066 and $3,090,256, respectively, for such services. It is expected that Yankee and Central Maine will continue to perform such services for the Company in the future, for which they will be reimbursed by the Company.

PART IV

ITEM 11 - FINANCIAL STATEMENTS AND EXHIBITS FILED, AND REPORTS ON FORM 8-K

(a) Financial statements and exhibits filed as a part of this report:

1. Financial Statements:
   Report of Independent Public Accountants.
   Statement of Income for the three years ended December 31, 1980.
   Balance Sheet at December 31, 1980 and 1979.
   Statement of Capitalization at December 31, 1980 and 1979.
   Statement of Changes in Common Stock Investment for the three years ended December 31, 1980.
   Statement of Sources of Funds for Acquisition of Nuclear Fuel and Construction of Electric Property for the three years ended December 31, 1980.
   Notes to Financial Statements
2. Schedules:
   V Electric Property and Nuclear Fuel.
   VI Accumulated Provision for Depreciation and Amortization of Electric Plant and Nuclear Fuel.
   IX Short-Term Borrowings
   All other schedules are omitted as the required information is inapplicable or the information is presented in the Financial Statements or related notes.
3. Listing of Exhibits:

		Incorporated Documents		Filed Herewith at
(A)	Articles of Incorporation and Bylaws	Exhibit	SEC Docket	Page
	Incorporated herein by reference:			
A-1	Articles of Incorporation	3.1, 3.3	2-38547	
A-2	Amendment to Exhibit A-1 setting forth terms of Cumulative Preferred Stock	3.2	2-46226	
A-3	Bylaws, as amended	3.2	2-38547	
A-4	Amendment to Exhibit A-3	3.5	2-46226	
(B)	Instruments defining the rights of security holders			
	Incorporated herein by reference:			
B-1	First Mortgage Indenture from the Company to Old Colony Trust Company, Trustee, dated as of November 1, 1970	3.2	1-6554	

ITEM 11 - FINANCIAL STATEMENTS AND EXHIBITS FILED, AND REPORTS ON FORM 8-K

	Incorporated Documents		Filed Herewith at
(B) Instruments Defining the Rights of Security Holders	Exhibit	SEC Docket	Page
B-2 First Supplemental Indenture from the Company to the First National Bank of Boston, Trustee, dated as of March 1, 1971	4	70-4976	
B-3 Second Supplemental Indenture from the Company to the First National Bank of Boston, Trustee, dated as of December 1, 1972	4.3	2-46226	

(C) Material Contracts

Incorporated herein by reference:

C-1 Composite copy of Power Contract between the Company and Sponsors dated as of May 20, 1968	(Included in prospectus in 2-46226)	
C-2 Composite copy of Capital Funds Agreement between the Company and Sponsors, dated as of May 20, 1968	(Included in prospectus in 2-46226)	
C-3 Stockholders Agreement dated as of May 20, 1968 among the Sponsors	(Included in prospectus in 2-46226)	
C-4 Loan Agreement between the Company and MYA Fuel Company, dated as of August 26, 1976	B-1	70-5805

(D) Statements re computation of per share earnings

Not applicable

(E) Statements re computation of ratios

Not applicable

(F) General report to security holders

Not applicable

(G) Letter re change in accounting principles

Not applicable

ITEM 11 - FINANCIAL STATEMENTS AND EXHIBITS FILED, AND REPORTS ON FORM 8-K

(H) Previously unfiled documents

Not applicable

(I) Subsidiaries of the registrant

None

(b) No reports on Forms 8-K were filed during the last quarter of 1980.

Maine Yankee Atomic Power Company

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

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

Schedule V

Maine Yankee Atomic Power Company

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

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

Schedule V (continued)

Maine Yankee Atomic Power Company

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

	Balance at Beginning of Period	Additions at Cost	Retirements or Sales	Transfers and Other Charges	Balance at End of Period
Electric Property					
Organization	$ 7	$ -	$ -	$ -	$ 7
Land and land rights	522	-	-	-	522
Structures and improvements	55,861	166	2	-	56,025
Reactor plant equipment	101,084	126	21	-	101,189
Turbogenerator units	56,658	947	-	-	57,605
Accessory electric equipment	14,477	21	-	-	14,498
Miscellaneous power plant equip.	4,607	130	12	-	4,725
Substation equip.	3,239	-	-	-	3,239
Miscellaneous electric property	74	-	-	-	74
Unfinished construction	2,537	738	-	-	3,275
Total Electric Property	$239,066	$ 2,128	$ 35	$ -	$241,159
Nuclear Fuel					
Nuclear fuel in reactor	$ 39,812	$ -	$ -	$ 12,752	$ 52,564
Nuclear fuel in process	33,140	25,665	-	(22,900)	35,905
Nuclear fuel - spent	33,202	-	-	9,355	42,557
Nuclear fuel - stock	4,064	67	-	793	4,924
	$110,218	$25,732	$ -	$ -	$135,950

Schedule VI

Maine Yankee Atomic Power Company

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

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

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

Maine Yankee Atomic Power Company

Schedule IX
Short-Term Borrowings
(Dollars in Thousands)

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

(1) See Note 3 to Notes to Financial Statements

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MAINE YANKEE ATOMIC POWER COMPANY

By_____
Robert S. Howe, Chief Accounting Officer (Principal Accounting Officer)
March 27, 1981

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

By_____
Elwin W. Thurlow, President and Director (Principal Executive Officer)
March 27, 1981

By_____
Thomas C. Webb, Vice President and Director (Principal Financial Officer)
March 27, 1981

By_____
Charles E. Monty, Vice President and Director
March 27, 1981

By_____
John B. Randazza, Vice President and Director
March 27, 1981

By_____
Joan T. Bok, Director
March 27, 1981

By_____
Ralph A. Brown, Director
March 27, 1981

By_____
William F. Burt, Director
March 27, 1981

By_____
John F. G. Eichorn, Jr. Director
March 27, 1981

By_____
William B. Ellis, Director
March 27, 1981

By_____
Thomas A. Greenquist, Director
March 27, 1981

By_____
James E. Griffin, Director
March 27, 1981

By_____
Carroll R. Lee, Director
March 27, 1981

By_____
Guy W. Nichols, Director
March 27, 1981

By_____
Robert F. Scott, Director
March 27, 1981

By_____
Donald C. Switzer, Director
March 27, 1981

By_____
William C. Tallman, Director
March 27, 1981

MAINE ELECTRIC POWER COMPANY, INC.

Index to Financial Statements and Schedules

Financial Statements:

Report of Independent Public Accountants.

Statement of Income for the three years ended December 31, 1980.

Balance Sheet at December 31, 1980 and 1979.

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

Statement of Changes in Financial Position for the three years ended December 31, 1980.

Notes to Financial Statements

Schedules:

V Electric Property for the three years ended December 31, 1980.

VI Accumulated Provision for Depreciation of Electric Property for the three years ended December 31, 1980.

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

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of

Maine Electric Power Company, Inc.

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

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

ARTHUR ANDERSEN & CO.

Boston, Massachusetts,
February 6, 1981.

Main Electric Power Company, Inc.

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

	Year Ended December 31,		
	1980	1979	1978
ELECTRIC OPERATING REVENUES	$111,604	$98,122	$59,860
OPERATING EXPENSES			
Purchased Power (Note 1)	108,756	95,368	57,181
Operation	303	206	182
Maintenance (Note 1)	136	153	44
Depreciation (Note 1)	735	735	736
Taxes			
Federal and State Income (Note 2)	152	162	197
Local Property and Other	216	217	229
Total Operating Expenses	110,298	96,841	58,569
OPERATING INCOME	1,306	1,281	1,291
OTHER INCOME AND DEDUCTIONS, NET	110	112	74
INCOME BEFORE INTEREST CHARGES	1,416	1,393	1,365
INTEREST CHARGES			
Long-Term Debt (Note 3)	993	1,056	1,127
Other	277	182	74
Total Interest Charges	1,270	1,238	1,201
NET INCOME	$ 146	$ 155	$ 164
Weighted Average Number of Shares of Common Stock Outstanding	12,161	12,923	13,677
EARNINGS PER SHARE OF COMMON STOCK	$ 12.00	$ 12.00	$ 12.00
DIVIDENDS DECLARED PER SHARE OF COMMON STOCK	$ 12.00	$ 12.00	$ 12.00

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

Maine Electric Power Company, Inc.

BALANCE SHEET
(Dollars in Thousands)

ASSETS

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

STOCKHOLDERS' INVESTMENT AND LIABILITIES

CAPITALIZATION		
Common Stock Investment		
Common Stock, $100 Par Value, Authorized 20,000 Shares, Outstanding 11,733 in 1980 and 12,467 in 1979	$ 1,173	$ 1,247
Retained Earnings	-	-
Total Common Stock Investment	1,173	1,247
Series A 9¼% First Mortgage Bonds due in Annual Installments through August 1, 1996-Less Sinking Fund Requirements (Note 3)	9,900	10,560
Total Capitalization	11,073	11,807
CURRENT LIABILITIES		
Current Sinking Fund Requirements (Note 3)	584	660
Notes Payable - Banks (Note 4)	1,515	-
Accounts Payable		
Associated Companies	36	90
Other	10	468
Dividends Payable	35	37
Accrued Purchased Power	15,350	7,547
Accrued Interest and Taxes	427	466
Other	74	-
Total Current Liabilities	18,031	9,268
DEFERRED CREDITS		
Accumulated Deferred Income Taxes (Note 2)	1,818	1,696
Unamortized Investment Tax Credits (Note 2)	9	10
Unamortized Gain on Reacquired Debt (Note 1)	169	23
Total Deferred Credits	1,996	1,729
	$31,100	$22,804

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

Maine Electric Power Company, Inc.

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

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

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

Maine Electric Power Company, Inc.

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

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

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

Maine Electric Power Company, Inc.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Participant	Percent of Entitlement 1980 (400MW)	1981 (133MW)
Bangor Hydro-Electric Company	2.395%	1.9962%
Boston Edison Company	16.250	13.5429
Boylston Municipal Light Department	.030	.0248
Central Maine Power Company	10.274	5.8443
Danvers Municipal Light Department	.371	1.1158
Eastern Maine Electric Co-operative, Inc.	2.583	7.7684
Fitchburg Gas and Electric Company	.770	2.3158
Maine Public Service Company	.844	6.2977
Marblehead Municipal Light Department	.170	.1413
Middleborough Municipal Light Department	.769	1.1098
Middleton Municipal Light Department	.056	.2820
Montaup Electric Company	5.792	4.6714
New England Power Company	22.500	13.3158
Newport Electric Corporation	2.260	1.8828
Peabody Municipal Light Department	.546	.4549
Public Service Company of New Hampshire	26.250	20.8354
Shrewsbury Municipal Light Department	.275	.8271
Union River Co-op	.005	.0045
Vermont Electric Power Company, Inc.	7.509	16.5135
Wakefield Municipal Light Department	.268	.8060
West Boylston Municipal Lighting Department	.083	.2496
Total	100.000%	100.0000%

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

2. INCOME TAX EXPENSE

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

2. INCOME TAX EXPENSE (continued)

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

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

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

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

3. FIRST MORTGAGE BONDS

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

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

4. COMPENSATING BALANCES

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

Certain information related to these lines is as follows:

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

Maine Electric Power Company, Inc.

ELECTRIC PROPERTY
(Dollars in Thousands)

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

Maine Electric Power Company, Inc.

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

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

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

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 & Sons,
Fort Kent, Maine

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
President
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

front cover:

Mooseleuk Mountain and Lake from Radio Tower at Norway Bluff.

president's letter

to our stockholders and employees

The year 1980 was a difficult year for our industry. Interest rates started at a prime rate of 15¼%, dipped to a low of 11½% in July and finally jumped to 21½% before the year end. The price of heavy oil used to generate electricity in our system started the year at $23.45 per barrel, F.O.B. Searsport, fell to $17.90 per barrel in April and May and ended up at $32.99. Meanwhile, the overall rate of inflation averaged 12.4% for 1980.

Total kilowatt-hour sales increased 17,825,000 (3.4%) to 539,482,000 but firm sales increased only 1%. The increase in secondary sales came mainly from sales of excess energy to The New Brunswick Electric Power Commission during off-peak hours. In 1980, consolidated operating revenues reached $27,789,640, exceeding those of the previous twelve-month period by $6,549,911. The increase was partly a result of these additional secondary sales, but was mostly the result of higher fuel adjustment revenues which generated $6,474,100 of the increase.

The Company's energy generating mix during 1980 continued to be better than most in New England: 37.7% nuclear, 22.3% hydro and 40.0% fossil. Hydro energy generation was less in 1980 because of decreased flows (95.4% of normal) compared with 1979 when they reached 120% of normal.

Consolidated earnings per share for 1980 were $2.86, down $0.94 from last year's comparable earnings of $3.80 (re-stated). The overall quality of these earnings has likewise deteriorated badly since non-cash sources (Allowance for Funds Used During Construction and Foreign Exchange Translation) amounted to 109% of earnings per share or $3.12.

Due to this rapid decline in earnings since the beginning of 1980, the Company filed for rate relief with the Maine Public Utilities Commission on September 2, 1980 in an amount now adjusted to $4,970,889 or an increase of approximately 18% over total 1980 Maine Public Service revenues. Between the commission staff and three intervening groups, the Company has been bombarded by 407 data requests containing 588 questions, all of which have been answered in written form with 12 copies each. Hearings are scheduled to start March 16, 1981.

The Seabrook Nuclear Units 1 and 2 in which the Company has a 1.46% (33.6 megawatts) joint interest are now 33% complete. About 88% of the basic engineering design is complete, 96% of the equipment is on site or on order and 90% of the construction work is under contract. The Company has an investment in these two units of $20,458,909, including AFUDC, at year-end 1980.

The nuclear referendum, attempting to shut down the Maine Yankee plant, was defeated September 23, 1980 by a statewide margin of 3 to 2. In our own service area it was resoundingly defeated 3 to 1.

It is with deep regret that we report the death of Philip D. Tingley, a director since 1960. The Company will miss his dedicated effort and sage advice. Vice President of Engineering and Operations G. Melvin Hovey has been elected by the directors to fill this vacancy.

You can see why 1980 was a year many of us would like to forget. Perhaps, however, there is reason for optimism. Both political parties finally seem to realize that the growth of government and regulation must be cut back, deficit spending stopped, and taxes reduced and restructured so they will provide incentives for capital formation to reindustrialize America. We can then build our defenses strong once again. To this end you are very important people. It seems an opportune time to make your views known to your Congressional representatives on critical issues affecting our business. I believe if these things are done, inflation, high interest rates, and the value of the dollar will take care of themselves, as will the unemployment problem. I see a beginning with the new administration. Let's help them succeed.

To each of you our valued stockholders, our employees and our customers, we thank you for your patience and understanding. With your support we too will succeed.

Sincerely,

Ralph A. Brown
President

Presque Isle, Maine
March 16, 1981

Analysis of Financial Condition and Results of Operations — 1980

Revenue and Energy Sales

Consolidated operating revenues continued to set new highs, with 1980 reaching $27,789,640, $6,549,911, or 30.8%, more than such revenues of the year before. Unfortunately for the Company and customers alike, nearly all of that increase arose from the pass-through of increased fuel expenses via fuel adjustment clauses. Only $88,615 of the huge rise in revenues can be related to growth in energy sales, which is indicative of the enormous impact of fuel cost increases on the Company and its customers.

As indicated above, gains in energy sales over those of 1979 were limited, with residential sales staying about the same, while commercial and industrial small sales went up about 2.1%. Commercial and industrial large sales gained 1.0%, and combined street and area lighting remained on the same level as the year before. Sales for resale showed a large 15.5% pickup from 105,775 MWh to 122,137 MWh, though most of the gain was represented by increased economy sales to The New Brunswick Electric Power Commission, which increased from 13,398 MWh in 1979 to 29,231 MWh in 1980. Sales to public authorities were 36,942 MWh, down from 40,417 due primarily to the loss of 2,384 MWh in sales to Loring Air Force Base. On the whole, primary energy sales were up 0.9% in 1980 from 475,856 MWh to 480,245 MWh, while secondary sales gained 29.3% from 45,801 MWh to 59,237 MWh. Additional information on revenues, sales, etc., may be found in the eleven-year consolidated operating statistics summary at the back of this report.

Operating Expenses

Reflecting a speedup in the collection of fuel costs through fuel adjustment revenues during 1980, deferred fuel expenses were a positive $929,114 compared with a negative $875,165 in 1979. (A positive deferred expense signifies that a like net amount has been recovered through operating revenues; a negative deferred fuel expense denotes a failure to collect that net amount of fuel costs during that accounting period.)

After an exceptionally favorable water year in 1979 (120.0% of normal), hydro generation dropped to 95.4% of normal in 1980. Thus, a net of 127,630 MWh were produced in the hydro plants in 1980 compared with the previous year's very high 162,107 MWh. Because less hydro generation was available, more energy had to be purchased from others or generated in the Company's fossil-fuel plants. Fossil-fuel-produced steam and diesel energy amounted to 47,049 MWh in 1980 compared with 20,616 MWh in 1979. Purchases of energy in 1980 totaled 398,634 MWh against 378,917 MWh in 1979. Most of that increase was in energy purchases from The New Brunswick Electric Power Commission. Nuclear energy purchases from Maine Yankee Atomic Power Company (Maine Yankee) were 3,966 MWh less than the 220,218 MWh of the previous year due to refueling downtime of the unit in the first three months of the year and to some maintenance work performed during the fourth quarter of 1980. Purchases from Maine Electric Power Company were up from 19,200 MWh in 1979 to 24,122 MWh in 1980 because of a 5-MW increase in capacity entitlement acquired from other New England utilities beginning November 1, 1980.

Except for nuclear energy from Maine Yankee, all purchases were generated by fossil fuels. As a result, the total cost of purchased power (including capacity charges) rose a staggering $3,870,896 from $8,881,077 in 1979 to $12,751,973 in 1980. As long as the OPEC nations continue to endlessly raise their prices, no respite from this trend can be seen until the Company's investment in Seabrook Units 1 and 2 reaches fruition and the units infuse additional nuclear-generated energy into the Company's system.

Operating expenses of the steam plants were $1,520,763 more than 1979, primarily due to an increase of $1,482,972 in fuel expenses. This increase was brought on by increased steam production as well as leapfrogging prices of fossil fuels. Diesel operating costs were $28,234 over the prior year, $9,884 of which is attributable to greater fuel expenses, though net diesel generation was 43 MWh less than in 1979. Production maintenance costs were up $90,142 (30.4%) mainly due to periodic overhaul of the steam units at Caribou, though hydro maintenance was up 25.3% and diesel maintenance was higher by the same percentage.

Expenses of operating and maintaining the transmission system were higher by 10.4%, increasing from $882,288 in 1979 to $974,120 in 1980, reflecting the general inflation rate. Some accounts were up more than others, principally maintenance of overhead lines. Similarly, distribution operation and maintenance charges were up 10.5% with overhead lines maintenance being proportionately a little higher than the other distribution accounts. Customer account expenses expanded from $503,086 to $626,542 (up 24.5%) with the greatest increase being in uncollectible accounts, which rose from $71,100 in 1979 to $161,716 in 1980. Expenses for customer services and information increased from $134,513 to $162,137 (20.5%) partially as a result of expanding efforts toward energy conservation. Administrative and general accounts reflect expenses 15.7% greater than in 1979, up from $1,614,843 to $1,867,754. In this group, regulatory commission expenses grew by 179.5% from $53,313 to $149,006, principally because of costs associated with a petition for rate relief filed with the Maine Public Utilities Commission (PUC) of the State of Maine on September 2, 1980. During 1980 several projects requiring the services of outside consul-

tants were undertaken, focusing on a ten-year power supply study and a load research study and causing an increase from $165,094 to $210,348 (27.4%) in expenses of outside services employed. It is anticipated that the data resulting from the load research study will be required to fulfill requirements of the Public Utilities Regulatory Policies Act (PURPA), which will likely be applied to the Company by the PUC, even though the Company's sales are presently lower than the threshold level set by PURPA. Though administrative and general expenses other than those noted above reflected increases and decreases from the prior year, the net increase in those other accounts was held to 8.0%, somewhat less than the general inflation rate.

Depreciation and amortization expenses were $67,953 higher in 1980 due to increases in depreciable property. Taxes other than income taxes charged against income were up $85,983, reflecting higher property taxes, more social security taxes, and a new state assessment to help pay the expenses of the PUC ($5,530). Including deferred taxes and investment tax credit adjustments, income taxes charged to operating expenses dropped from $1,192,064 in 1979 to $168,800 in 1980 as a result of lower taxable income. Income taxes currently payable were down from $235,209 to $154,149. The annual provision for deferred taxes was reduced greatly from $755,452 [illegible] previous year to $8,626 in 1980, principally due to a reversal of deferred taxes related to deferred fuel expenses. Investment tax credit adjustments charged to income in 1980 were only $18,317 compared with $213,695 in 1979, resulting from a decrease in the ability to absorb such credits against otherwise current taxes payable. Total investment tax credit for 1980 was $544,126, $408,740 of which was carried back to 1977. That investment tax credit compares with the previous year's $847,409, $590,022 of which was carried back to 1976. The carried-back portion of ITC is charged to the balance sheet as a refund due from the Internal Revenue Service, rather than to the current income statement.

Construction

The Company and its subsidiary spent $7,212,529 on additions, replacements and improvements to their utility properties and equipment in 1980, including uncompleted construction work in progress. Approximately $5,272,000 was paid for progress payments on the Company's 1.46% interest in Seabrook Units 1 and 2, nuclear units being constructed by Public Service Company of New Hampshire as lead participant. Additional work on William F. Wyman Unit #4, a new jointly-owned, oil-fired unit being operated by Central Maine Power Company, required about $130,000 from the Company to cover its share of those expenditures. A new improved, two-way radio system required about $120,000, while $17,000 was needed for preliminary work on the replacement of three penstocks at the subsidiary's Tinker Station. Approximately $376,000 was paid for voltage conversions and substation improvements, and nearly $286,000 was spent for meters, services, transformers and other customer-related facilities. Distribution line extensions, rebuilds and highway relocations required about $776,000 while improvements to the transmission system used about $20,000. Street lighting, general equipment, and miscellaneous items absorbed the remaining $216,000.

In 1981 cash expenditures for construction are estimated at approximately $9,600,000, the bulk of which will be needed for the Company's share of the continuing construction of Seabrook Units 1 and 2, which is expected to be in the area of $6,700,000, including nuclear fuel. Transmission improvements will need about $196,000, and distribution requirements approximately $924,000. Reconstruction of the Caribou Dam is expected to cost nearly $900,000, while the replacement of three penstocks at the subsidiary's Tinker Station will take about $360,000 (U.S. dollars). The remaining $520,000 is budgeted for numerous miscellaneous improvements and needed equipment. The Company's share of the cost of Seabrook Units 1 and 2 is presently estimated at $57,000,000 including initial fuel and Allowance for Funds Used During Construction. The Company's ownership interest of 1.46% represents 33,600 kilowatts of new nuclear capacity.

Affiliated Companies

The Company owns 100% of the common stock (except for directors' qualifying shares) of Maine and New Brunswick Electrical Power Company, Limited, a Canadian corporation (referred to in this report as the subsidiary). The subsidiary owns and operates the Tinker Station, which is located in the Province of New Brunswick, Canada, just a few miles across the international border from the parent company's service area of Aroostook County in Maine. Principally a hydro generating facility, the Tinker Station has five hydro units with a total capacity of 34,000 kilowatts and a small diesel unit of 1,200 kilowatts. As a condition of its charter, the subsidiary is required to first serve the small communities of Andover, Perth, and Carlingford in New Brunswick, with the remainder of the available energy being exported to the parent company's system in Maine.

The parent company is the owner of 5% of the common stock of the Maine Yankee Atomic Power Company (Maine Yankee) and is entitled to purchase approximately 5% of the output from the 855,000-kilowatt nuclear plant located at Wiscasset, Maine. That nuclear energy entitlement has proved of enormous benefit to the Company and its customers. With the exception of hydro energy which has no fuel cost at all, nuclear generation is the most economical of all available sources. Without such nuclear capacity, fuel costs would be astronomically higher and consumers' bills would have to reflect that fact.

Maine Electric Power Company, inc. (MEPC owns and operates a 180-mile, 345-kilovolt transmission line connecting utilities in the New England Power Pool with The New Brunswick Electric Power Commission system in Canada (NBEPC). MEPCO purchases Canadian power under contracts with NBEPC and sells it to various New England utilities. Owning 7.49% of the common stock of MEPCO, the parent company is entitled to purchase a small amount of MEPCO capacity and related energy (3.4 megawatts). In addition to that entitlement, the Company has acquired another 5 MW assigned to it by two other New England utilities for the period November 1, 1980 to October 31, 1981, after which another 5 MW will be acquired, making total MEPCO capacity 13.4 megawatts after that date. The additional 10 MW of purchased capacity entitlements are contingent, in part, upon the PUC allowing them in base rates, as part of the Company's pending rate request. The MEPCO transmission line is also the path by which Maine Yankee and Wyman #4 energy is delivered into the NBEPC system and then wheeled to the parent company through its interconnections with NBEPC at the international border.

Regulatory Proceedings

Because of its rapidly declining earnings, particularly cash earnings, the Company filed a petition for rate relief with the PUC on September 2, 1980. If new rates are granted as requested, the Company's base revenues would increase by approximately $5,000,000. Management has always considered the Company to be too small to justify having a separate rate department. However, the three intervenors in the rate case have managed to bombard the Company with data requests with more than 400 items, with dozens of sub-parts, each of which must be responded to in a timely fashion to fulfill the requirements of the so-called "discovery" process. The Company may be forced to add several staff positions to handle such matters in the future. The cost of time and paper to meet these requirements has been frightening and eventually will have to be passed on to the ratepayers. Public hearings in the rate case are scheduled to be held in March. According to Maine statute, the PUC must render a decision by June 2, 1981.

During 1979 and 1980 the PUC conducted an investigation to determine what items could be included in the fuel adjustment charges for replacement energy costs incurred as a result of a Nuclear Regulatory Commission shutdown of the Maine Yankee nuclear plant in the spring of 1979. It is with considerable relief that we are now able to report that the total replacement costs of $1,541,465 was finally recovered through fuel adjustment billings as of December 31, 1980.

The PUC has also conducted a hearing to establish forward-looking fuel adjustment regulations for all Maine electric utility companies. These proceedings culminated in new rules requiring companies to estimate fuel costs, including purchased energy, and kilowatt-hour sales for a future period (normally twelve months). Effective September 1, 1980 the Company implemented the new regulations for an initial nine-month period to coincide with the statutory period for the pending rate proceeding. Coincident with the inception of new rates resulting from the rate case, an estimated future fuel adjustment factor will be implemented. The regulations allow petitions for changes in the fuel adjustment rate after ninety days if the estimates and actual data become too divergent. Though a divergence has occurred, it had not been decided at the time of this writing whether or not a revision will be sought. It is interesting to note that the PUC has revised its new regulations, providing for interest on under-collections or over-collections at a rate approximating the utility's cost of money. This will take effect at the time of the next fuel adjustment change.

Pursuant to an October 1979 order by the Federal Energy Regulatory Commission, the parent company on January 14, 1980 refunded to its wholesale customers $632,614.51 (including interest of $175,871.11) of fuel adjustment surcharge revenues which had been collected in 1975 and 1976. At the time of the refund, the case was still on appeal with the United States Court of Appeals for the First District. On June 6, 1980 the court denied the Company's petition and the Company has ceased further action in the case. The refund, including interest, (net of Federal and State Income Taxes) has been charged to Retained Earnings at the beginning of the period in 1980. Financial statements in this report have been restated, as appropriate, to retroactively recognize the effect of the adjustments in proper years dating back to 1975.

In respect to wholesale rates, it is expected that the Company will file a new rate proceeding with the Federal Energy Regulatory Commission by mid-1981.

Financial Condition

In 1980 the parent company issued an additional $5,500,000 of bank notes to finance its continuing construction program, making a total of $3,100,000 of such notes outstanding at the end of the year. Because cash earnings in 1980 have been insufficient to generate adequate interest coverages, only a minimum amount of unsecured long-term debt (no secured debt) may be issued at this writing. The generation of needed interest coverages is contingent upon the PUC allowing a substantial increase in rates as a result of the Company's pending rate request. The Company plans to continue bank borrowing to meet on-

(Continued on page 7)

Maine Public Service Company
and Subsidiary

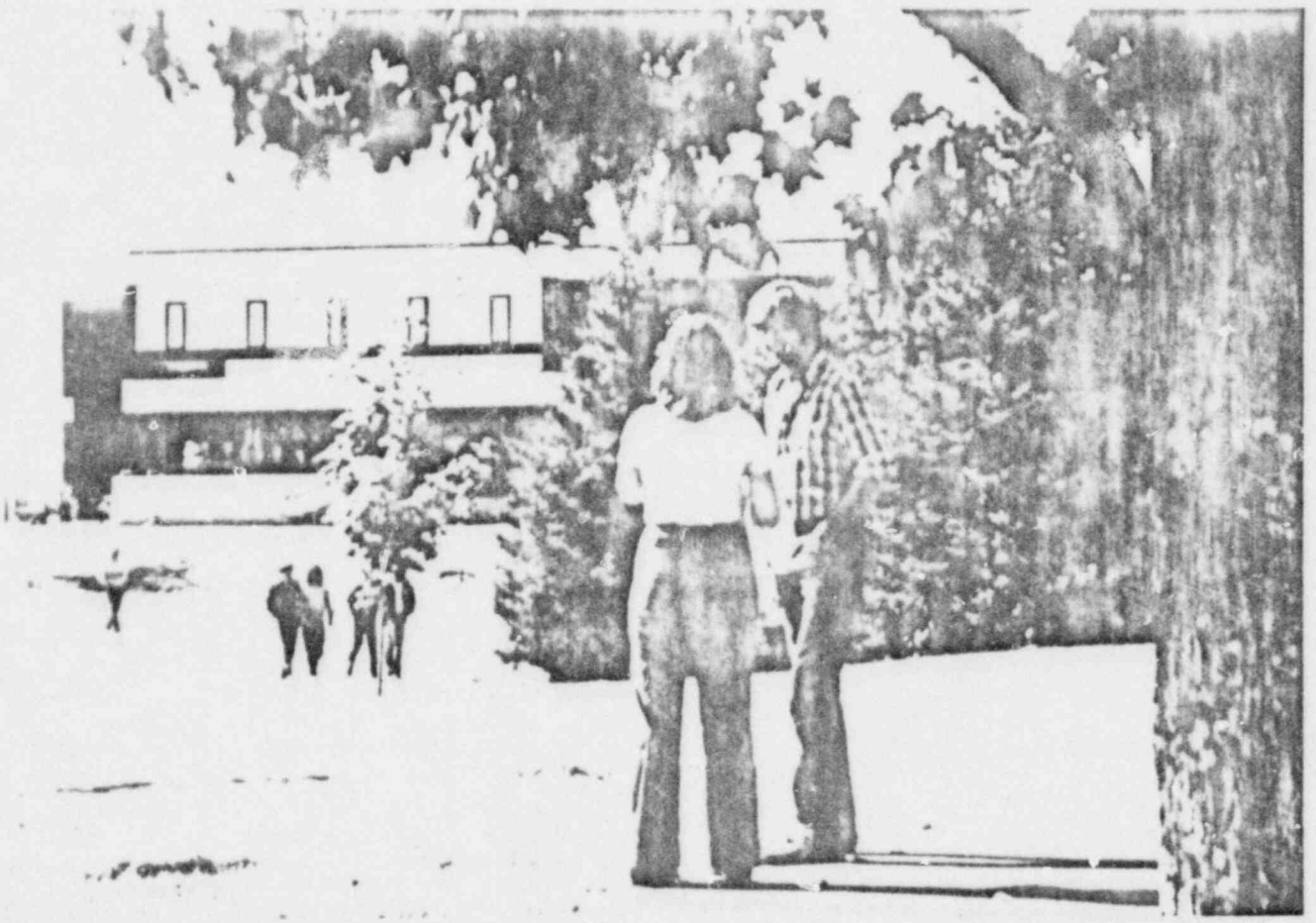
statements of consolidated income

	Year Ended December 31,		
		Restated (Note 10)	
	1980	1979	1978
Operating Revenues	$27,789,640	$21,239,729	$19,868,765
Operating Expenses			
Operation:			
Power Purchased	12,751,973	8,881,077	7,638,595
Other	8,013,782	4,170,629	3,850,652
Maintenance	916,875	723,930	764,282
Depreciation (Note 1)	1,770,604	1,702,651	1,404,171
Taxes:			
Other Than Income	878,008	792,025	668,456
State Income	21,832	45,010	171,961
U.S. and Canadian Federal Income (Note 5):			
Current	132,317	164,227	266,262
Deferred—Related to Deferred Fuel Expense	(462,162)	409,045	429,510
Other Deferred—Net	458,419	334,210	284,467
Investment Tax Credits	18,317	213,695	881,380
Total Operating Expenses	24,499,965	17,436,505	16,450,736
Operating Income	3,289,675	3,803,224	3,418,029
Other Income (Deductions)			
Equity in Income of Joint Ventures (Notes 1 & 3)	339,635	344,123	347,403
Allowance for Equity Funds Used During Construction (Note 1)	652,191	241,459	312,264
Foreign Exchange (Loss) Gain	(21,845)	(44,210)	103,652
Other—Net	16,012	26,685	(69,025)
Total	985,993	568,057	694,294
Income Before Interest Charges	4,275,668	4,371,281	4,112,323
Interest Charges			
Long-Term Debt, etc.	3,263,503	2,747,255	1,494,463
Less Allowance for Borrowed Funds Used During Construction (Note 1)	(1,475,677)	(1,178,890)	(208,176)
Total	1,787,826	1,568,365	1,286,287
Net Income	2,487,842	2,802,916	2,826,036
Dividends on Preferred Stock	556,509	262,134	179,428
Net Income Available for Common Stock	$ 1,931,333	$ 2,540,782	$ 2,646,608
Earnings Per Share of Common Stock	$2.86	$3.80	$3.97
Average Shares Outstanding	675,723	668,576	666,380

Maine Public Service Company
and Subsidiary

statements of consolidated retained earnings

	December 31,		
	1980	1979	1978
Retained Earnings, Balance at beginning of year:			
As previously reported	$12,128,080	$10,791,237	$ 9,196,861
Prior period adjustment (Note 10)	(309,270)	(283,028)	(262,369)
As Restated	11,818,810	10,508,209	8,934,492
Net Income for the year	2,487,842	2,802,916	2,826,036
Dividends:			
Preferred Stock	(556,509)	(262,134)	(179,428)
Common Stock (per share $1.92 in 1980, $1.84 in 1979 and $1.61 in 1978)	(1,297,388)	(1,230,181)	(1,072,891)
Miscellaneous Charge	(52,984)		
Retained Earnings, Balance at end of year	$12,399,771	$11,818,810	$10,508,209



Library building on the campus of the University of Maine at Presque Isle

going construction needs until such time as sufficient interest coverages have been generated so that a reasonable amount of long-term debt may be issued. It seems doubtful that such a level can be attained before the second quarter of 1982. No major issue of common stock is presently planned, though it is pointed out that minor amounts of new common stock are regularly issued in accordance with provisions of the Company's Employees Stock Ownership Plan, a TRASOP plan qualified under the Tax Reduction Act of 1975, as amended. During 1980, 5,282 shares of common stock were issued and sold to the ESOP trust, increasing common equity by $90,540.

Employees

The parent company had 168 full time employees at the end of 1980 while the subsidiary had 11 employees at its Tinker Station, identical to the numbers employed at the end of the previous year. Consolidated payroll costs for 1980 amounted to $3,280,996, 9.3% more than the comparable figure of $3,000,919 for 1979. In accordance with the second year of the parent company's contract with the International Brotherhood of Electrical Workers, union employees' base pay rates were increased 7%, effective October 1, 1980. Also on that date, some previously agreed-upon changes in fringe benefits became effective. Commensurate increases in non-union pay scales of the parent company and subsidiary were initiated beginning with the first pay period in December.

General

The parent company engages in the production, transmission and distribution of electric energy, serving retail and wholesale customers in all of Aroostook County and a small portion of Penobscot County in northern Maine. The service area is approximately 3,600 square miles with a relatively sparse population.

For the past several years, we have mentioned in this space the Indian Land Claims Case, a suit brought by the federal government on behalf of the Passamaquoddy and Penobscot tribes, seeking the return of 12.5 million acres of Maine land to the Indians. All legal barriers to the settlement of this case apparently have been overcome and Congress has appropriated the necessary funds to satisfy the claims, so that we feel it is now proper to consider the case closed.

An initiated bill, An Act to Prohibit the Generation of Electric Power by Means of Nuclear Fission, which would have closed Maine Yankee, was not passed by the Legislature and went to the Maine voters in September 1980. We are happy to report that this ill-advised bill was rejected by the people by a vote of 3 to 2.

Subject to control of the board of directors, the Company and its subsidiary continue to avail themselves of advisory and other services of Stone & Webster Management Consultant, Inc.

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 in the case of default (considered unlikely) under the provisions of the Articles of Incorporation relating to the preferred stock or as may be required by applicable law. There were 678,307 shares of common stock outstanding at December 31, 1980. Shares were held by 3,482 stockholders in 48 states, the District of Columbia, the Virgin Islands, Canada, West Germany and Mexico. It is interesting to note that female stockholders outnumber male, 1,208 to 1,075. Stock is held by 860 joint tenants, with the remaining 339 covered by miscellaneous categories. In the state of Maine, 592 holders held 132,519 shares, 353 with 89,978 shares residing in the Company's service area of Aroostook County. There were 129 holders of the 10,180 shares of 4.75% preferred stock, 3 of the 29,100 shares of 9⅛% preferred stock and 3 of the 80,000 shares of 9⅝% preferred stock.

Dividend information and market price data relating to the common stock are shown in the following tabulation for the two most recent calendar years:

	Market Price High		Low	Dividends Paid Per Share
1979				
First Quarter	19¼	—	17⅛	$0.41
Second Quarter	19	—	17⅜	0.46
Third Quarter	19¼	—	18⅛	0.46
Fourth Quarter	18⅜	—	16⅜	0.46
1980				
First Quarter	17¼	—	14⅛	0.46
Second Quarter	18⅛	—	14⅛	0.48
Third Quarter	17¾	—	15⅝	0.48
Fourth Quarter	16⅜	—	13¾	0.48

Maine Public Service Company
and Subsidiary

consolidated

assets

	December 31, 1980	December 31, Restated (Note 10) 1979
Utility Plant (Notes 1 and 4)		
Electric Plant in Service	**$55,979,721**	$54,667,859
Less Accumulated Depreciation	**20,219,504**	18,849,887
Net Electric Plant in Service	**35,760,217**	35,817,972
Construction Work-in-Progress	**20,626,495**	14,575,898
Total	**56,386,712**	50,393,870
Investments in Associated Companies (Notes 1 and 3)		
Maine Yankee Atomic Power Company	**3,339,711**	3,340,759
Maine Electric Power Company, Inc.	**87,388**	92,888
Total	**3,427,099**	3,433,647
Net Utility Plant and Investment in Associated Companies	**59,813,811**	53,827,517
Current Assets		
Cash	**733,970**	961,327
Deposits for interest and dividends	**516,644**	492,367
Accounts Receivable:		
Customer (less allowance for uncollectible accounts—1980, $76,300, 1979, $63,487)	**2,652,247**	1,954,221
Other	**402,000**	266,151
Refundable Federal Income Taxes (Notes 1 and 10)	**597,907**	1,034,947
Deferred Fuel and Purchased Energy Costs (Note 1)	**1,323,487**	2,252,601
Materials, Fuel, and Supplies (at average cost)	**1,810,348**	1,340,497
Prepayments	**43,052**	90,218
Total	**8,079,655**	8,392,329
Deferred Debits		
Unamortized Debt Expense (being amortized over terms of related debt)	**234,801**	253,205
Miscellaneous (Note 4)	**485,316**	406,798
Total	**720,117**	660,003
	$68,613,583	$62,879,849

See Notes to Consolidated Financial Statements.

balance sheets

liabilities and capital

	December 31, 1980	Restated (Note 10) 1979
Capitalization		
Common Shareholders Equity (Note 8):		
Common Stock*	$ 4,748,149	$ 4,711,175
Paid-in Capital	1,773,557	1,697,256
Retained Earnings	12,399,771	11,818,810
Total	18,921,477	18,227,241
Redeemable Cumulative Preferred Stock* (Note 9)	5,964,000	6,069,000
Long-Term Debt* (less current maturities)	25,414,040	25,941,208
Current Liabilities		
Long-Term Debt Due Within One Year:		
3% Series Bond Due September 1, 1980	—	710,000
Other	505,664	518,128
Notes Payable to Banks (Note 6)	8,100,000	2,600,000
Accounts Payable	2,601,050	1,659,082
olesale Surcharge Refund (Note 10)	—	632,615
eferred Income Taxes Related to Deferred Fuel Costs (Note 1)	658,193	1,120,355
idends Declared	463,802	438,935
Customer Deposits	18,611	18,141
Taxes Accrued	67,659	61,207
Interest Accrued	626,925	585,783
Total	13,041,904	8,344,246
Deferred Credits		
Income Taxes (Note 1)	2,242,397	1,783,978
Investment Tax Credits (Note 1)	2,911,499	2,474,105
Miscellaneous	118,266	40,071
Total	5,272,162	4,298,154
	$68,613,583	$62,879,849

*See schedules of capitalization data.

statements of source of consolidated funds for plant additions and replacements

	Year Ended December 31,		
		Restated (Note 10)	
	1980	1979	1978
Source of Funds			
Funds From Operations:			
Net Income	**$ 2,487,842**	$ 2,802,916	$ 2,826,036
Principal Non-Cash Charges (credits) to Income:			
Depreciation (Note 1)	**1,770,604**	1,702,651	1,494,171
Deferred Income Taxes—Net	**458,419**	334,210	284,467
Deferred Investment Tax Credits	**437,394**	740,342	1,050,960
Allowance For Equity Funds Used During Construction (Note 1)	**(652,191)**	(241,459)	(312,264)
Foreign Exchange Loss (Gain) (Note 1)	**21,845**	44,210	(103,652)
Other	**109,085**	(63,346)	95,795
Funds From Operations	**4,632,998**	5,319,524	5,335,513
Less: Dividends on Preferred and Common Stock	**(1,853,897)**	(1,492,315)	(1,252,319)
Miscellaneous Charge to Retained Earnings	**(52,984)**	——	——
Funds Retained in the Business	**2,726,117**	3,827,209	4,083,194
Funds From (For) Financing—Net:			
Notes Payable to Banks	**5,500,000**	(6,800,000)	9,400,000
Issuance of Redeemable Preferred Stock and Long-Term Debt	**——**	12,000,000	——
Reduction of Long-Term Debt and Capital Stock—Net	**(1,263,202)**	(480,390)	(574,113)
Funds From Financing—Net	**4,236,798**	4,719,610	8,825,887
Net Funds Available	**6,962,915**	8,546,819	12,909,081
Increase (Decrease) in Available Funds			
Decrease (Increase) in Working Capital (see below)	**232,796**	(485,799)	(1,572,732)
Other—Net	**16,818**	57,810	27,436
Funds Used For Plant Additions and Replacements	**$ 7,212,529**	$ 8,118,830	$11,363,785
Increase (Decrease) in Working Capital by Components (excluding long-term debt due within one year and notes payable to banks):			
Cash	**$ (227,357)**	$ 375,998	$ 128,432
Deposits for Interest and Dividends	**24,277**	120,605	19,201
Accounts Receivable—Net and Refundable Income Taxes	**396,835**	(244,951)	1,196,882
Deferred Fuel and Purchased Energy Costs	**(929,114)**	875,165	831,741
Materials, Fuel and Supplies	**469,851**	267,484	183,946
Prepayments	**(47,166)**	29,002	(12,595)
Accounts Payable	**(941,968)**	(173,057)	(273,024)
Wholesale Surcharge Refund (Note 10)	**632,615**	(52,215)	(41,107)
Deferred Income Taxes Related to Deferred Fuel Costs	**462,162**	(409,045)	(429,510)
Taxes Accrued	**(6,452)**	(31,888)	14,507
Interest Accrued and Other Current Liabilities—Net	**(66,479)**	(271,299)	(45,741)
Increase (Decrease) in Working Capital	**$ (232,796)**	$ 485,799	$ 1,572,732

See Notes to Consolidated Financial Statements.

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). (See Note 10)

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 customers under the operation of fuel and purchased energy adjustment clauses are deferred until the periods in which the related revenues are billed.

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 12.69% during 1980, at 12.48% during 1979 and at 9.98% during 1978. 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 and the declining balance method for tax purposes.

By order of the Maine Public Utilities Commission, 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 1980, 1979 and 1978 amounted to $419,543, $370,995 and $300,440 respectively. The Subsidiary records income tax reductions by the "flow-through" method for all differences between book and tax depreciation.

Investment Tax Credit The Company defers investment tax credits ($548,482, $847,409 and $1,178,500 in 1980, 1979 & 1978, respectively) 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 the tax liability. The excesses were carried back resulting in $408,740, $590,022 and $276,792 of refundable federal income taxes for 1980, 1979 and 1978 respectively.

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).

The Common Stock of the Subsidiary is pledged as additional collateral for the first mortgage and collarteral 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	Subsidiary	Adjustments and	
	United States	Canada	Eliminations	Consolidated
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

(Note 2 continued on page 12)

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
For the Year Ended December 31, 1979:				
Sales to Unaffiliated Customers	$21,090	$ 150	— —	$21,240
Intercompany Revenues	81	900	$ (981)	
Total	$21,171	$1,050	$ (981)	$21,240
Operating Profit Before Income Taxes	$ 4,536	$ 427	$ 6	$ 4,969
Income Taxes (A)	1,008	158	— —	1,166
Operating Income (A)	$ 3,528	$ 269	$ 6	$ 3,803
Identifiable Assets at December 31, 1979 (A)	$57,884	$4,996		$62,880
For the Year Ended December 31, 1978:				
Sales to Unaffiliated Customers	$19,717	$ 152		$19,869
Intercompany Revenues	81	757	$ (838)	
Total	$19,798	$ 909	$ (838)	$19,869
Operating Profit Before Income Taxes	$ 5,176	$ 276	— —	$ 5,452
Income Taxes (A)	1,956	78		2,034
Operating Income (A)	$ 3,220	$ 198	— —	$ 3,418
Identifiable Assets at December 31, 1978 (A)	$49,783	$5,042		$54,825

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

(A) Restated, See Note 10.

3. INVESTMENTS IN JOINTLY-OWNED COMPANIES

Dividends received during 1980, 1979 and 1978 from Maine Yankee were approximately $325,000, $333,000 and $335,000, respectively, and from MEPCO approximately $11,000 in 1980, and $12,000 in both 1979 and 1978.

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

	Maine Yankee			MEPCO		
(Dollars in Thousands)	1980	1979	1978	1980	1979	1978
Earnings						
Operating revenues	$ 84,245	$ 68,867	$ 70,373	$111,604	$ 98,122	$ 59,860
Earnings applicable to Common Stock	$ 6,574	$ 6,650	$ 6,702	$ 146	$ 155	$ 164
Company's equity share of net earnings	$ 329	$ 333	$ 335	$ 11	$ 12	$ 12
Investment						
Total assets	$296,724	$287,105	$265,955	$ 31,100	$ 22,804	$ 20,812
Less:						
Preferred Stock	11,980	13,070	13,696	— —	— —	— —
Long-term debt	134,823	139,373	128,818	10,484	11,220	11,880
Other liabilities and deferred credits	82,869	67,805	56,657	19,443	10,337	7,607
Net assets	$ 67,052	$ 66,857	$ 66,784	$ 1,173	$ 1,247	$ 1,325
Company's equity in net assets	$ 3,353	$ 3,341	$ 3,339	$ 88	$ 93	$ 99

4. INVESTMENTS IN JOINTLY-OWNED UTILITY PLANTS

The Company is a participant in three jointly-owned utility plants: W. F. Wyman Unit No. 4 (Wyman), Seabrook Units No. 1 & 2 (Seabrook), and the New England Power Company Units No. 1 & 2 (NEPCO).

In December of 1979, New England Power Company cancelled the construction of Units No. 1 & 2. Accordingly, approximately $207,000 of construction work-in-progress related to those units was transferred to deferred debits, pending final disposition by NEPCO and the state regulatory authority.

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, 1980 is as follows:

	Wyman	Seabrook
Electric Plant in Service	$6,973,599	
Accumulated Depreciation	423,324	
Construction Work-in-Progress		$20,458,909
Total	$6,550,275	$20,458,909
Company's Ownership Percentage	3.3455%	1.4606%

5. FEDERAL INCOME TAXES

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

	1980	Restated (Note 11) 1979	1978
Statutory Rate	46.0%	46.0%	48.0%
Tax Benefits of Lower Effective Tax Rate Attributable to Dividends Received	(5.2)	(3.5)	(3.0)
Foreign Tax Credit			(1.5)
Allowable for Funds Used During Construction	(38.4)	(17.1)	(5.4)
Other	3.2	3.0	1.6
Effective Rate	5.6%	28.4%	39.7%

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, 1980 are as follows: 1) an open credit arrangement up to $1,200,000 with interest at the lender's prime rate. 2) a line of credit up to $7,500,000 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:

	1980	1979
Total Lines of Credit at year end	$8,700,000	$ 4,200,000
Maximum amount of borrowings outstanding at any month-end	8,100,000	12,600,000
Borrowings outstanding at year end	8,100,000	2,600,000
Unused lines of credit at year end	600,000	1,600,000
Average outstanding borrowings for the year	6,350,000	8,320,000
Average interest rate for the year	17.22%	13.63%
Effective interest rate at year end	22.61%	15.91%

7. PENSION PLAN

The Company and its Subsidiary have insured non-contributory 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 $255,083 in 1980, $286,594 in 1979 and $249,372 in 1978. The companies' policy is to fund pension cost accrued. Certain information relating to these plans at December 31, 1979, the date of the most recent actuarial valuation follows:

Actuarial present value of vested accumulated plan benefits	$1,970,294
Net assets available for benefits	$2,412,120

The assumed rate of return used in determining the actuarial present value of vested accumulated plan benefits was 6%. The present value of non-vested accumulated plan benefits was not available from the actuary.

8. 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 $7,366,801 at December 31, 1980.

(Continued on page 14)

Paid-in capital increased by approximately $76,000, $83,000 and $34,000 in 1980, 1979 and 1978 respectively, representing the excess of the proceeds received over the par value of common stock issued to the employees' stock ownership plan (5282, 5987, and 1304 shares in 1980, 1979 and 1978 respectively) (see Note 12), and the excess of par value over reacquisition cost of Preferred Stock (see Note 9).

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 9⅛% Series, and $54.81 for the 9⅝% Series (all plus accumulated dividends). No shares were redeemed under this option during 1980, 1979 or 1978.

The 9⅛% 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 date as the sinking fund shares.

Purchase funds for the 4.75% and 9⅛% 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 purchased fund credit for such year. Any shares so purchased and surrendered are retired. There were 1200 shares of 4.75% Series purchased under this offer in 1980, 1979 and 1978, and 900 shares of the 9⅛% Series purchased in 1980.

The Preferred Stockholders are entitled to special voting rights in respect to certain corporate action and are entitled to elect a majority of the Board of Directors in the event of a default in the payment of four quarterly dividends on the Preferred Stock.

10. RATE PROCEEDINGS

In 1975, a regulatory authority permitted the Company to use a fuel cost adjustment clause, subject to a hearing and possible refund (under which revenues were collected in part of 1975 and 1976). The Company was subsequently ordered to refund the revenues collected, which was appealed to various authorities. In 1980 the courts again denied an appeal, and a refund with applicable interest was made. The financial statements for all applicable periods have been restated to reflect the refund and related interest thereon.

The effect of restating 1979 and 1978 results of operations that were reported in the 1979 and 1978 annual reports to share owners, to reflect the above court decision, is as follows:

	1979	1978
Increase (Decrease) in:		
Federal Income Taxes	$(25,972)	$(20,448)
Interest Charges	52,215	41,107
Net Income	(26,242)	(20,659)
Earnings Per Share	(.04)	(.03)

The restatement reduced retained earnings at January 1, 1978 by $262,369 (the balance relating to years prior to 1978) which is net of applicable income taxes of $276,924.

11. CONSTRUCTION PROGRAM

See Construction Section on page three.

12. EMPLOYEES' STOCK OWNERSHIP PLAN

The Company has an employee stock ownership plan that provides eligible employees with the opportunity of becoming stockholders 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 $49,862 in 1980, $77,036 in 1979 and $107,140 in 1978. 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.

Waneta Blake Library at University of Maine at Fort Kent

13. QUARTERLY INFORMATION (unaudited)

Presented below are financial data showing results for each quarter in the three years ended December 31, 1980:

(Dollars in Thousands Except Per Share Amounts)

	1980 By Quarter			
	1st	2nd	3rd	4th
Operating Revenues	$6,725	$8,286	$5,781	$6,998
Operating Expenses	(5,871)	(7,479)	(5,112)	(6,038)
Operating Income	854	807	669	960
Interest Charges	(441)	(591)	(474)	(282)
Other Income—Net	253	186	304	243
Net Income	$ 666	$ 402	$ 499	$ 921
Earnings Per Common Share	$ .78	$ .39	$ .53	$ 1.16

	1979 By Quarter (b)			
	1st	2nd	3rd	4th
Operating Revenues	$5,900	$5,137	$4,274	$5,929
Operating Expenses	(4,738)	(4,213)	(3,548)	(4,938)
Operating Income	1,162	924	726	991
Interest Charges	(478)	(460)	(488)	(142)
Other Income—Net	157	155	147	108
Net Income	$ 841	$ 619	$ 385	$ 957
Earnings Per Common Share	$ 1.19	$ .86	$ .51	$ 1.24

	1978 By Quarter (b)			
	1st	2nd	3rd	4th
Operating Revenues	$4,826	$4,808	$4,208	$6,026
Operating Expenses	(3,865)	(3,948)	(3,683)	(4,954)
Operating Income	961	860	525	1,072
Interest Charges	(305)	(336)	(319)	(326)
Other Income—Net	162	161	210	162
Net Income	$ 818	$ 685	$ 416	$ 908
Earnings Per Common Share	$ 1.16	$ .96	$ .56	$ 1.29

(b) Restated, see Note 10.

Nowland Hall—Central Dining Facility on the campus of University of Maine at Fort Kent.

auditors' opinion

MAINE PUBLIC SERVICE COMPANY:

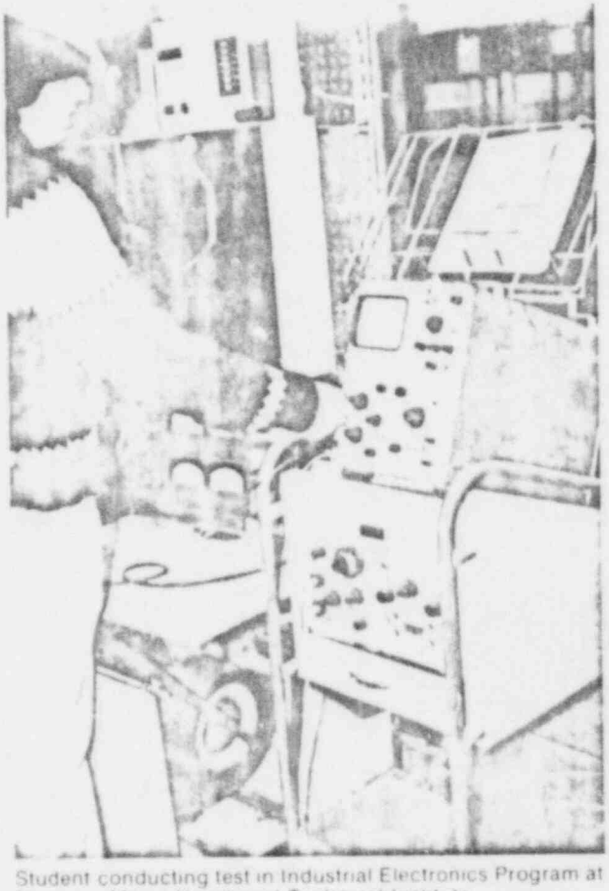
We have examined the consolidated balance sheets of Maine Public Service Company and its subsidiary, Maine and New Brunswick Electrical Power Company, Limited, and the related schedules of capitalization data, as of December 31, 1980 and 1979, and the related statements of consolidated income and retained earnings, and of source of consolidated funds for plant additions and replacements for each of the three years in the period ended December 31, 1980. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our report dated February 29, 1980, our opinion on the 1979 and 1978 financial statements was qualified as being subject to the effect of the disallowance by a federal regulatory authority of certain revenues the Company collected in 1976 and 1975 under the provisions of a revised wholesale fuel cost adjustment clause. As discussed in Note 10, the disallowance was upheld in 1980. Accordingly, the financial statements have been restated to reflect the refund and related interest thereon, in the applicable years. Accordingly, our present opinion on the 1979 and 1978 financial statements, as expressed herein, is different from that expressed in our previous report.

In our opinion, the financial statements and schedules referred to above present fairly the financial position of the Companies at December 31, 1980 and 1979 and the results of their operations and their source of funds for plant additions and replacements for each of the three years in the period ended December 31, 1980, in conformity with generally accepted accounting principles applied on a consistent basis.

DELOITTE HASKINS & SELLS
Boston, February 25, 1981

Dr. Carlton W. Loder with students analyzing water sample in lab at the University of Maine at Presque Isle.



Student conducting test in Industrial Electronics Program at Northern Maine Vocational Technical Institute.

Maine Public Service Company
and Subsidiary

schedules of capitalization data

long-term debt:

	December 31, 1980	December 31, 1979
Maine Public Service Company:		
First Mortgage and Collateral Trust Bonds:		
3% Series due 1980—Interest Payable, March 1 and Sept. 1	$ ——	$ 720,000
3.35% Series due 1985—Interest Payable, February 1 and August 1	1,520,000	1,540,000
5½% Series due 1990—Interest Payable, March 1 and Sept. 1	1,600,000	1,620,000
4¼% Series due 1995—Interest Payable, January 1 and July 1	2,125,000	2,150,000
7⅛% Series due 1998—Interest Payable, May 1 and November 1	3,560,000	3,600,000
7.95% Series due 2003—Interest Payable, March 1 and Sept. 1	2,350,000	2,375,000
10⅜% Series due 1995—Interest Payable, March 1 and Sept. 1	3,640,000	3,760,000
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	702,000	756,000
9⅞%, due 1995—Interest Payable, May 1 and November 1	1,134,000	1,188,000
Maine & New Brunswick Electrical Power Company, Limited:		
First Mortgage Bonds—5¼% Series due 1989—Interest Payable, June 1 and December 1	1,288,704	1,460,336
Total Outstanding	25,919,704	27,169,336
Less—Amount due Within One Year	505,664	1,228,128
Long-Term Debt	$25,414,040	$25,941,208

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

1981—$505,664 1982—$ 505,664 1983—$505,664
1984—$505,664 1985—$2,325,664

capital stock:

Common Stock, $7 Par Value—Authorized, 1,000,000 Shares; Issued and Outstanding, 678,307 Shares in 1980 and 673,025 Shares in 1979	$ 4,748,149	$ 4,711,175
Redeemable Cumulative Preferred Stock, $50 Par Value—Authorized, 270,000 Shares (issuable in series)		
4.75% Series—Originally Issued 40,000 Shares; Outstanding, 10,180 Shares in 1980 and 11,380 Shares in 1979	$ 509,000	$ 569,000
9⅜% Series—Originally Issued 30,000 Shares; Outstanding, 29,100 Shares in 1980 and 30,000 Shares in 1979	1,455,000	1,500,000
9⅞% Series—Originally Issued and Outstanding, 80,000 Shares	4,000,000	4,000,000
Total	$ 5,964,000	$ 6,069,000

Maine Public Service Company

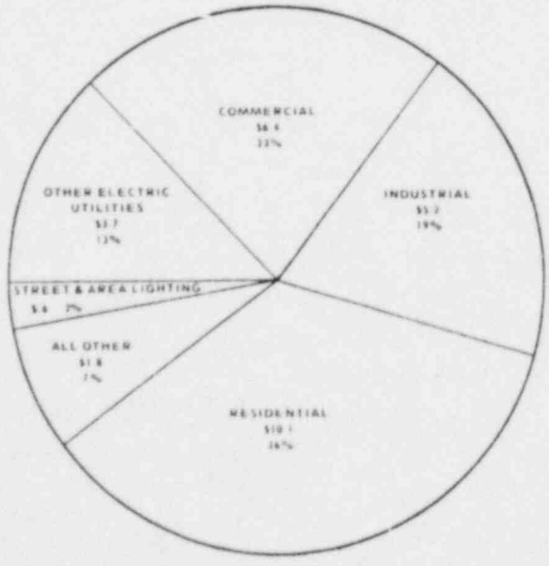
and Subsidiary

consolidated

	1980	(Restated) 1979	(Restated) 1978
Capitalization (year end)			
Long-term debt	51.02%	52.50%	50.63%
Preferred Stock	11.74%	11.73%	5.48%
Common Stock Equity	37.24%	35.77%	43.89%
Times Interest Earned—			
Before Income Taxes	1.83	2.48	4.27
After Income Taxes	1.76	2.02	2.89
Times Interest and Preferred Dividends Earned—			
After Income Taxes	1.51	1.84	2.58
Embedded Cost of Long-Term Debt (year end)	8.27%	8.10%	7.16%
Embedded Cost of Preferred Stock (year end)	9.42%	9.38%	8.51%
Common Shares Outstanding (year end)	678,307	673,025	667,038
Earnings Per Share of Common Stock (average shares)	$ 2.86	$ 3.80	$ 3.97
Dividends Per Share of Common Stock—			
Declared Basis	$ 1.92	$ 1.84	$ 1.61
Paid Basis	$ 1.90	$ 1.79	$ 1.58
Common Stock Dividend Payout Ratio	67.13%	48.42	40.55%
Book Value Per Share of Common Stock (year end)	$27.90	$27.50	$25.57
Market Price Per Share of Common Stock			
High	$ 18⅛	$ 19¼	$ 20⅛
Low	$ 13¾	$ 13⅜	$ 17⅛
Close	$ 15⅜	$ 16¼	$ 17½
Price Earnings Ratio (year end)	5.38	4.41	4.41
Number of Common Shareholders (year end)	3,482	3,522	3,577

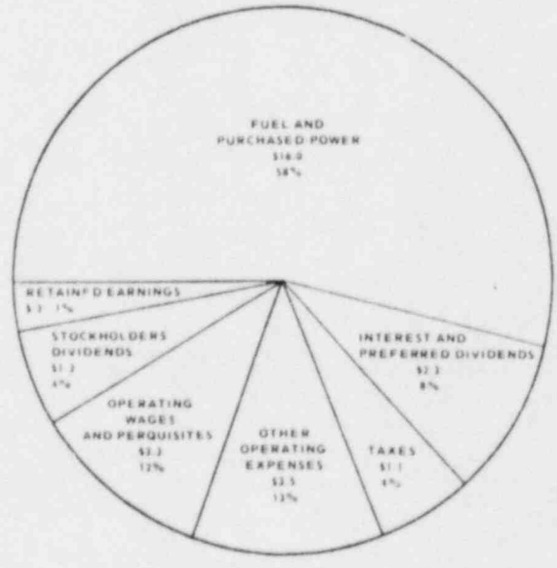
1980 SOURCE OF REVENUE

Millions of Dollars (Total $27.8) and percent of total



1980 DISTRIBUTION OF REVENUE

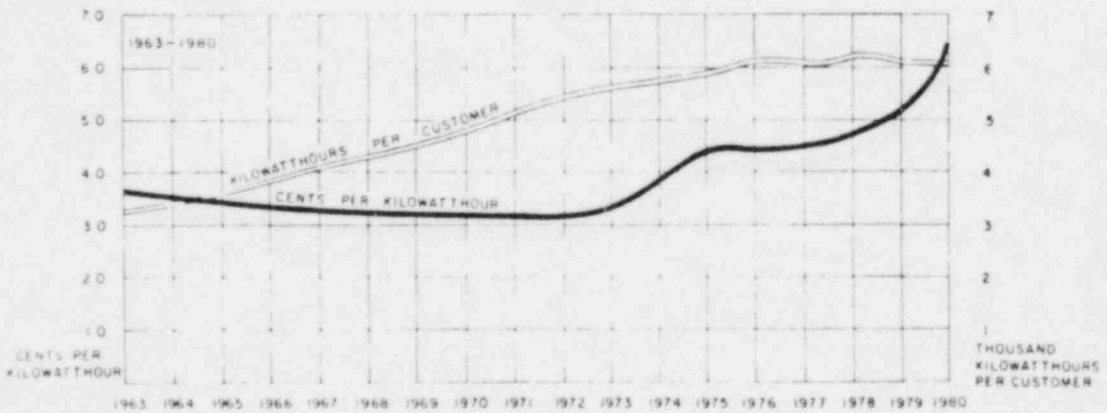
Millions of Dollars (Total $27.8) and percent of total



financial statistics

(Restated) 1977	(Restated) 1976	(Restated) 1975	1974	1973	1972	1971	1970
53.59%	[illegible] %	57.94%	56.08%	57.73%	55.64%	56.25%	56.89%
5.77%	6.07%	6.29%	6.76%	7.00%	7.56%	7.84%	7.95%
40.64%	37.54%	35.77%	37.16%	35.27%	36.80%	35.91%	35.16%
3.92	3.01	2.80	3.53	3.14	2.70	2.61	2.72
2.67	2.10	2.01	2.35	2.21	1.99	2.01	2.10
2.39	1.87	1.76	2.02	1.90	1.70	1.70	1.87
7.15%	7.12%	7.10%	5.88%	5.88%	5.57%	5.57%	5.57%
8.41%	8.32%	8.24%	8.16%	8.09%	8.01%	7.94%	7.88%
665,734	665,734	665,734	665,734	665,734	665,734	665,734	665,734
$ 3.54	$ 2.25	$ 1.79	$ 2.41	$ 1.87	$ 1.40	$ 1.34	$ 1.74
$ 1.46	$ 1.34	$ 1.31	$ 1.28	$ 1.26	$ 1.20	$ 1.19	$ 1.16
$ 1.43	$ 1.32	$ 1.30	$ 1.28	$ 1.24	$ 1.20	$ 1.18	$ 1.16
41.24%	[illegible]9.56%	73.18%	53.01%	67.51%	85.49%	88.86%	66.79%
$23.16	$20.91	$19.74	$19.54	$18.37	$17.76	$17.51	$17.33
$ 19[illegible]	$ 16⅛	$ 14¼	$ 15⅝	$ 16⅞	$ 17¾	$ 19	$ 18
$ 15⅛	$ 13¼	$ 9⅛	$ 8⅜	$ 13	$ 15½	$ 16¼	$ 15
$ 18⅛	$ 15⅞	$ 13⅛	$ 9	$ 14	$ 16	$ 16¾	$ 17½
5.12	7.06	7.47	3.73	7.49	11.43	12.50	10.06
3,616	3,683	3,753	3,807	3,835	3,821	3,801	3,832

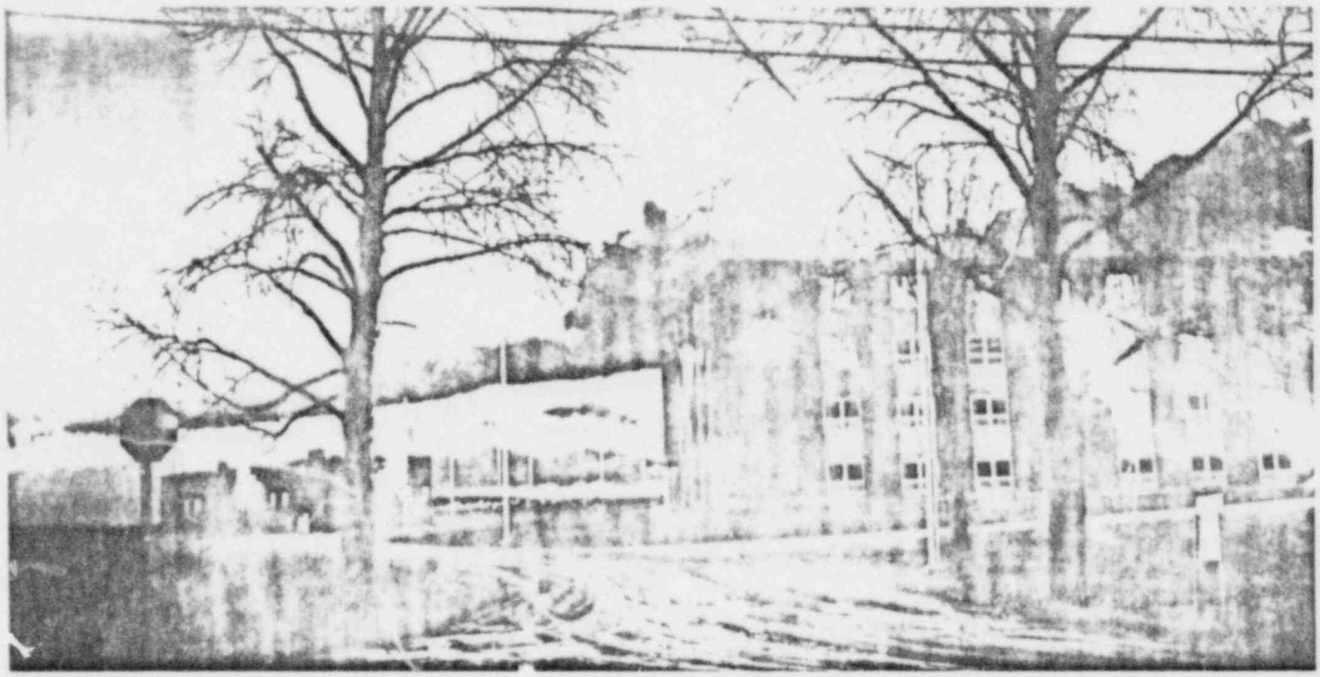
ANNUAL RESIDENTIAL CONSUMPTION



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

five-year summary of selected financial data

	1980	(Restated) 1979	(Restated) 1978	(Restated) 1977	(Restated) 1976
Operating Revenues	**$27,789,640**	$21,239,729	$19,868,765	$17,998,660	$17,002,445
Net Income	**$ 2,487,842**	$ 2,802,916	$ 2,826,036	$ 2,536,496	$ 1,685,431
Dividends on Preferred Stock	**556,509**	262,134	179,428	182,257	185,128
Net Income Available for Common Stock	**$ 1,931,333**	$ 2,540,782	$ 2,646,608	$ 2,354,239	$ 1,500,303
Earnings Per Share of Common Stock	**$2.86**	$3.80	$3.97	$3.54	$2.25
Dividends Per Share of Common Stock:					
Declared Basis	**$1.92**	$1.84	$1.61	$1.46	$1.34
Paid Basis	**$1.90**	$1.79	$1.58	$1.43	$1.32
Total Assets	**$68,613,583**	$62,879,849	$54,825,853	$42,403,039	$41,851,129
Long-Term Debt Outstanding	**$25,919,704**	$27,169,336	$19,670,472	$20,331,496	$20,907,021
Less amount due within one year	**505,664**	1,228,128	516,544	528,864	422,592
Long-Term Debt	**$25,414,040**	$25,941,208	$19,153,928	$19,802,632	$20,484,429
Redeemable Cumulative Preferred Stock	**$ 5,964,000**	$ 6,069,000	$ 2,129,000	$ 2,189,000	$ 2,249,000



Evening photo of part of campus, University of Maine at Presque Isle

Maine Public Service Company

consolidated

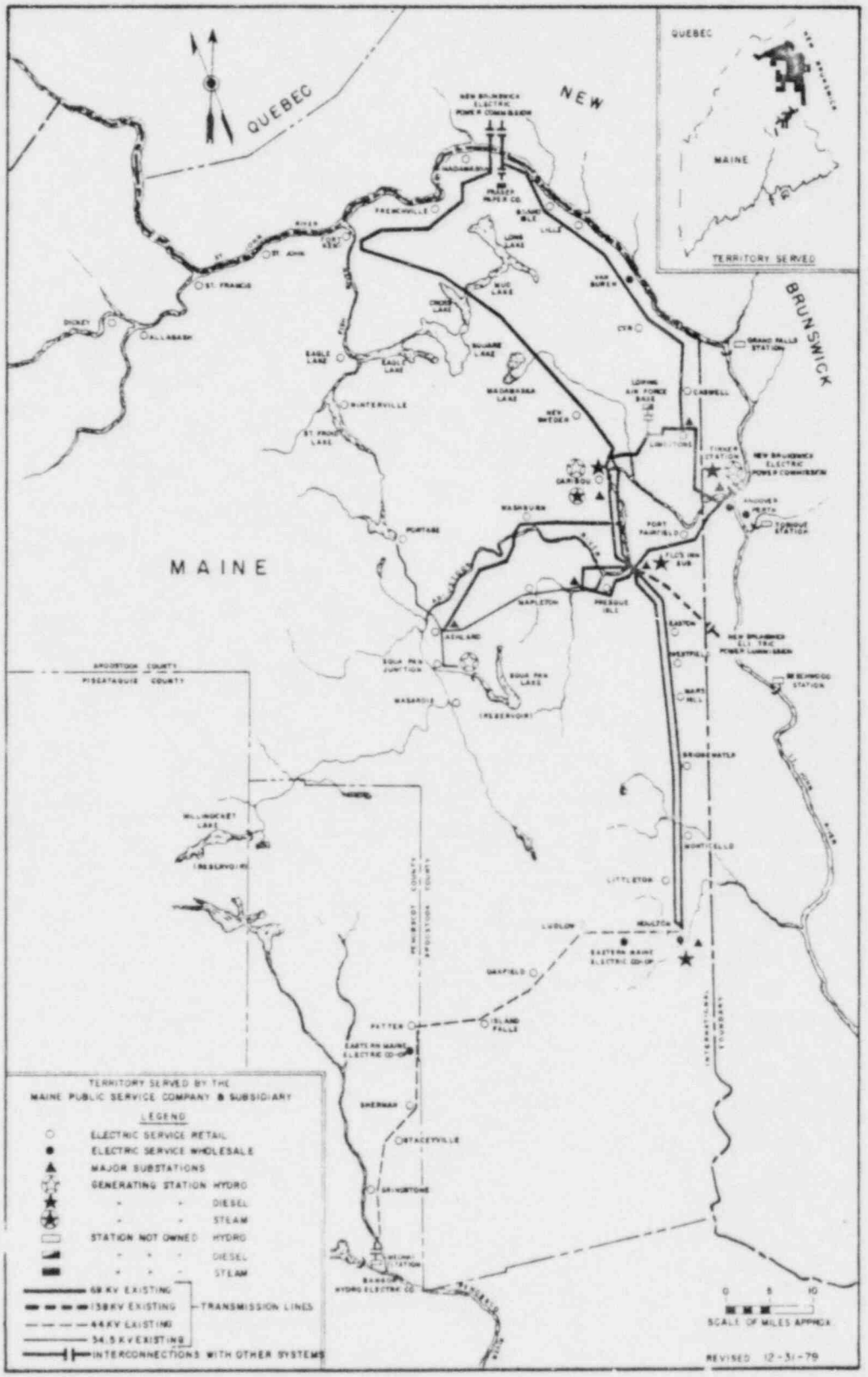
	1980 More or (Less) Than 1979 Amount	Average Annual Increase Percent	1980	1979	1978
Operating Revenues					
Residential	$ 6,875,405	12.1	$10,113,502	$ 8,033,191	$ 7,531,515
Commercial and Industrial—small	4,169,791	11.0	6,422,076	4,950,151	4,770,989
Commercial and Industrial—large	4,112,778	17.3	5,156,489	3,578,710	3,220,676
Municipal Street Lighting	196,073	9.0	339,557	293,577	282,505
Area Lighting	146,230	9.8	240,991	213,744	208,765
Other Municipal and Other Public Authorities	1,219,786	14.0	1,668,506	1,309,218	1,186,878
Other Electric Utilities	2,844,090	15.5	3,722,945	2,722,707	2,535,654
Other Operating Revenues	55,823	6.1	125,574	138,431	131,783
Total Operating Revenues	$19,619,976	13.0	$27,789,640	$21,239,729	$19,868,765
Number of Customers (average)					
Residential	333	1.3	25,516	25,537	25,470
Commercial and Industrial—small	(36)	(.1)	4,611	4,671	4,689
Commercial and Industrial—large	5	3.8	16	16	17
Municipal Street Lighting	—	—	36	36	36
Area Lighting	427	2.9	1,733	1,751	1,753
Other Municipal and Other Public Authorities	3	3.6	10	8	8
Other Electric Utilities	1	1.6	7	7	7
Total Customers	3,493	1.2	31,929	32,026	31,980
Net Generation, Purchases and Sales (thousands of kilowatt-hours)					
Net Generation:					
Steam	32,503	12.6	46,849	20,373	26,913
Hydro	(16,850)	(1.2)	127,630	162,107	116,894
Diesel	672	—	200	243	627
Purchases:					
Nuclear Generated	216,252	—	216,252	220,218	263,137
Fossil Fuel Generated	(43,291)	(2.1)	182,382	158,699	157,854
Total	189,286	4.1	573,313	561,640	565,425
Losses and Unaccounted for	3,141	1.0	32,447	38,706	30,040
Company Use	(331)	(2.1)	1,384	1,277	1,296
Electricity Sold	186,476	4.3	539,482	521,657	534,089
Sales:					
Residential	49,393	3.9	156,403	156,399	158,82
Commercial and Industrial—small	37,844	4.4	107,275	105,055	111,002
Commercial and Industrial—large	43,336	5.0	111,519	110,452	106,757
Municipal Street Lighting	477	1.7	3,012	2,981	2,944
Area Lighting	653	3.6	2,194	2,233	2,236
Other Municipal and Other Public Authorities	(4,825)	(1.2)	36,942	38,762	42,438
Other Electric Utilities	59,598	6.9	122,137	105,775	109,892
Total Sales	186,476	4.3	539,482	521,657	534,089
Average Use and Revenue Per Residential Customer					
Kilowatt-hours	1,358	2.5	6,130	6,124	6,236
Revenue	$251.95	10.6	$396.36	$314.57	$295.70
Revenue per Kilowatt-hour	3.44¢	7.9	6.47¢	5.14¢	4.74¢

operating statistics

1977	Restated 1976	Restated 1975	1974	1973	1972	1971	1970
$ 7,073,874	$ 6,617,492	$ 6,498,277	$ 5,241,793	$ 4,306,306	$3,876,884	$3,586,685	$3,238,097
4,148,247	4,258,303	4,153,889	3,317,147	2,870,766	2,647,987	2,452,033	2,252,285
2,765,238	2,859,436	2,752,432	1,874,967	1,434,155	1,330,711	1,215,867	1,043,711
273,902	213,590	197,190	189,980	174,618	153,962	153,138	143,484
207,990	161,924	147,531	140,239	128,587	113,472	104,4[illegible]5	94,761
1,045,997	926,200	889,789	744,038	538,689	490,793	424,343	448,720
2,334,404	1,820,155	1,855,254	1,415,135	1,191,488	1,169,430	1,005,892	878,855
149,008	145,342	149,690	145,385	103,841	91,086	[illegible]2,691	69,751
$17,998,660	$17,002,445	$16,644,052	$13,068,684	$10,748,450	$9,874,325	$9,025,12[illegible]	$8,169,664
25,272	24,990	24,709	24,421	23,805	23,238	22,654	22,423
4,731	4,756	4,778	4,710	4,691	4,715	4,672	4,647
17	15	14	13	13	12	12	11
35	34	34	34	34	34	34	36
1,824	1,825	1,763	1,723	1,681	1,546	1,386	1,306
8	8	8	8	8	8	8	7
6	6	6	6	6	7	6	6
31,893	31,634	31,312	30,915	30,238	29,560	28,772	28,436
6,193	14,791	50,748	32,385	33,263	55,617	84,437	14,346
167,874	173,421	105,726	140,362	153,898	157,488	102,275	144,480
(175)	(80)	78	(209)	875	10,741	6,854	(472)
252,829	52,978	—	—	—	—	—	—
127,109	275,731	319,334	286,649	262,210	214,708	200,079	225,673
553,830	516,841	475,886	459,187	450,246	438,554	393,645	384,027
34,536	33,462	32,313	32,401	27,391	30,033	24,012	29,306
1,229	1,281	1,312	1,396	1,537	1,712	1,591	1,715
518,065	482,098	442,261	425,390	421,318	406,809	368,042	353,006
154,420	154,060	145,361	140,702	134,747	127,834	117,460	107,010
98,999	96,910	90,211	86,304	86,464	81,411	75,063	69,431
100,122	96,499	87,712	79,504	78,414	80,284	74,057	68,183
2,952	2,889	2,804	2,706	2,744	2,707	2,775	2,535
2,269	2,305	2,182	2,085	1,992	1,835	1,647	1,541
42,493	41,157	34,752	35,617	39,754	35,820	29,121	41,767
116,810	88,278	79,239	78,472	77,203	76,918	67,919	62,539
518,065	482,098	442,261	425,390	421,318	406,809	368,042	353,006
6,110	6,165	5,883	5,762	5,660	5,501	5,185	4,772
$279.91	$264.81	$262.99	$214.64	$180.90	$166.83	$158.32	$144.41
4.58¢	4.30¢	4.47¢	3.73¢	3.20¢	3.03¢	3.05¢	3.03¢

MAINE PUBLIC SERVICE COMPANY

Maine and New Brunswick Electrical Power Company Ltd.



- Electric Service Retail
- Electric Service Wholesale
- Generating Stations
- Major Transmission Lines
- Interconnection with Other Systems

336-PRO-SYS-3

EXHIBIT C

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

Quarterly Report Under Section 13 or 15(d) of
The Securities Exchange Act of 1934

For Quarter Ended March 31, 1981 Commission file number 1-3429

MAINE PUBLIC SERVICE COMPANY
(Exact name of registrant as specified in its charter)

MAINE	01-011-3635
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
209 State Street, Presque Isle, Maine	04769
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code 207-768-5811

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes X No

(APPLICABLE ONLY TO CORPORATE ISSUERS:)

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

Common Stock, $7.00 par value - 678,631 shares

PART I. FINANCIAL INFORMATION

A. Financial Statements

See attached exhibit - Maine Public Service Company and Subsidiary Condensed Consolidated Financial Statements, including an income statement for the quarter ended March 31, 1981 and for the corresponding period of the preceding year; a balance sheet as of March 31, 1981 and as of December 31, 1980, the end of the Company's preceding fiscal year; and a statement of source of consolidated funds for plant additions and replacements for the period January 1 (beginning of the fiscal year) through March 31, 1981 and for the corresponding period of the preceding year.

The information furnished reflects all adjustments which are, in the opinion of management, necessary to a fair statement of the results for the interim periods.

B. Management's Analysis of Quarterly Income Statements

A comparison of the quarter ended March 31, 1981 with the same period of the preceding year shows that recoveries of fuel costs through revenues were up $732,635, while other revenues were up $212,819, due to an increase in energy sales of 14,351,000 kilowatt-hours. Thus, overall operating revenues showed a net increase of $945,454. Operation and maintenance expenses for the first quarter of 1981 were $570,522 above those of the corresponding period of 1980, principally due to fuel and purchased energy costs being $457,162 higher than the previous period. Deferred fuel cost accounting produced an expense of $679,050 against a negative ($2,589,631) in the prior year's first quarter. (A negative deferred fuel expense figure indicates that uncollected fuel costs have been deferred to a future period during which those costs will be collected. A positive deferred fuel expense indicates that previously deferred fuel costs have been currently collected through the fuel adjustment and are currently included in operating revenues.) Payroll charges to operation and maintenance were $26,252 over the first quarter of 1980 while overall payroll costs increased about $43,598. Interest expense in the first quarter of 1981 shows an increase of $168,524 over that of the previous year's first quarter, reflecting an increase of $303,313 in interest costs arising from bank loans offset by $118,999 of more credit to interest expense in 1980 for the interest portion of the Allowance for Funds Used During Construction and a decline in long-term debt and other interest of $15,790.

Construction expenditures for the quarter ended March 31, 1981 were $1,222,305 (excluding Allowance for Funds Used During Construction) most of which was for the Company's 1.46% share of the construction costs of Seabrook Units 1 and 2, nuclear units under construction by Public Service Company of New Hampshire. For the same quarter of 1980, $2,123,112 was expended on construction with about $1,600,000 of that amount also being spent on Seabrook Units 1 and 2.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

(a) Indian Land Claims

In its Form 10-Q commencing for the quarter ended September 30, 1977, acting on advice of its General Counsel, the Company discussed and disclosed the so-called "Indian Land Claims Cases" pending in the United States District Court for the District of Maine, Northern Division. (Civil Actions Nos. 1966-ND and 1069-ND). The Company's last report on the status of these cases was in its 10-K for the year ended December 31, 1980, to which reference should be made.

Item 1. Legal Proceedings (Continued)

The Indian Land Claims, so-called, have been settled. The State of Maine has passed appropriate legislation. (Chapter 732 of the Public Laws of Maine, 1979.)

On October 10, 1980, then President Carter signed the Maine Indian Land Claims Settlement Act. The Act provided that it would extinguish all aboriginal land claims in Maine, but said extinguishment did not become effective, however, until Congress appropriated the money, provided for in the Law to compensate the Indians. Congress appropriated these funds ($81,500,000.00) on December 12, 1980.

It should be noted that the two cases mentioned above have not been dismissed. The Federal Act extinguishing the Indian Land Claims in Maine provides, however, that none of the $81,500,000.00 appropriated by Congress to settle the cases may be spent until such time as the Passamaquoddy Tribe, the Penobscot Nation and the Houlton Band of Maliseet Indians execute certain releases required under the Act and also file stipulations as to the final judicial dismissal, with prejudice, of their claims. Thus, the foregoing cases are still on the Court's Docket as indicated. However, Counsel is of the opinion that the so-called "Indian Land Claims" have now been extinguished.

Counsel continues to advise that as of this writing the Company is not a party to the above litigation, it has not been a party to the above litigation, nor has any of the property of the Company become the direct subject of the litigation. Counsel further advises that from the Company's point-of-view this matter is closed.

(b) Maine Yankee Shutdown Replacement Power Costs, March - 1979 Shutdown

Reference is made to the 10-K for the year ending December 31, 1980. The continuing aspect of the Order in Maine PUC Docket U#3360 is that the Company must, every sixty days, describe in detail all actions taken by the Company with respect to seeking recovery from Stone & Webster Engineering Corporation for damages resulting from the March 15, 1979 shutdown of the Maine Yankee Atomic Power Station. The Company continues to file the reports; there is no action pending against Stone & Webster.

(c) Proposed Rate Increase, Maine PUC Docket No. 80-180

On September 2, 1980, the Company filed with the Maine Public Utilities Commission (the Commission) Proposed Revised Rates. The original filing requested approximately $4,675,000 in additional revenue and results in an approximate increase of 20% in annual electric operating revenues from Maine jurisdictional customers. The proceeding has been docketed by the Commission as indicated above.

Consistent with applicable law, the Commission has issued its Second Suspension Order which expires on June 1, 1981, unless otherwise ordered, suspending the effective date of the Proposed Rate Schedules.

The Company and the Intervenors have completed the presentation of the evidence in the rate proceeding. The parties are in the process of filing briefs and reply briefs on the issues that have been raised. The time within which the Commission must dispose of the filing is June 2, 1981.

Item 1. Legal Proceedings (Continued)

(d) Getty Uranium Contract Litigation

The Company became a Plaintiff in the following case: Wisconsin Electric Power Company (including Maine Public Service Company) v. Pancontinental Mining Ltd. et al (including Getty Oil Company), Docket No. 81-C506, United States District Court, Northern District of Illinois, Eastern Division, by a Complaint filed January 30, 1981.

This case arose out of another case entitled, Getty Oil Company v. Wisconsin Electric Power Company et al (not including Maine Public Service Company), United States District Court, Central District of California, Civil Action No. 81-0334-GPM(Mx). This Complaint was filed on January 21, 1981. The litigation arose out of a dispute in the price of uranium being supplied by Getty to the Seabrook project (and to another project in which Wisconsin Electric Power Company had an interest), said Agreement being dated March 23, 1976.

On January 21, 1981, Getty filed a Complaint, referred to above, against the Wisconsin and Seabrook utilities, alleging breach of contract and conspiratorial anticompetitive practices.

This action led to the filing of the case in the United States District Court for the Northern District of Illinois, referred to above. Here the utilities sought the same type of relief that they sought in their counterclaim against Getty in the California action, in summary that they, meaning the utilities, owed no duty to Getty under the Contract because of an alleged conspiracy of which Getty was a party. See Westinghouse Electric Corporation v. Rio Algom, Ltd. et al (including Getty Oil Company), filed in the United States District Court for the Northern District of Illinois, Eastern Division, Docket No. 76-C-3830 (now entitled In Re Uranium Antitrust Litigation, MDL 341). In this proceeding, Westinghouse alleged that the Defendants, including Getty, fixed and controlled prices and supplies of uranium to purchasers, including Westinghouse, all in violation of the Antitrust Laws of the United States.

Item 5. Other Information

(a) Seabrook Units 1 and 2

In December of 1978, the Company acquired 1.46056% interest in Seabrook Units 1 and 2 located in Seabrook, New Hampshire, a nuclear plant being built by Public Service Company of New Hampshire (PS of NH). Reference should be made to our last discussion of problems with regard to these two units set forth in our Form 10-K for the year ending December 31, 1980.

We can report further that the Public Utilities Commission of New Hampshire on April 13, 1981 in DF 81-52 authorized New Hampshire Electric Cooperative, Inc. (NH Coop) to borrow $75,750,000 through the Rural Electrificiation Administration. This will allow NH Coop to acquire a 2.17391% interest in Seabrook. We can further report that as of January 31, 1981, Central Maine Power Company commenced an adjustment of its ownership interest so that its total interest in Seabrook will eventually be 6.0417%.

Item 5. Other Information (Continued)

If all the interests indicated in the 10-K Report for year ended December 31, 1980 are finally approved, PS of NH's interest in the Seabrook Units will be reduced from 50% to 35.23497%.

PS of NH stated in its prospectus dated February 4, 1981, that while it is possible that future developments could lead to cancellation of Seabrook Units 1 and 2, PS of NH considers such a possibility unlikely, not only because the necessary construction permits and approvals have been received and the construction is proceeding, but also because of the projected need for the Plant's power in PS of NH's service area and in New England generally and the further need to reduce dependency on imported oil.

PS of NH has recently released revisions to its estimated construction budget and scheduled completion dates to give effect to the reduced level of construction and other factors. Such revisions increase the Company's share of the total estimated construction costs of Seabrook Units by approximately $5,550,000 (excluding AFC) and deferred the completion dates of the Units from 1983/85 to 1984/86.

On April 2, 1981, PS of NH filed a request for temporary rate relief to be effective at the earliest possible date. PS of NH stated that in order to obtain sufficient revenues to insure that the earnings coverage test applicable to the issuance of bonds under its mortgage bond indenture would be satisfied in connection with a planned issuance of bonds in the fourth quarter of 1981, it will be necessary for a substantial portion of the rates requested to become effective during the second quarter. In response to the rate filing by PS of NH the PUC of NH allowed a temporary rate increase of $17,435,268 to become effective on May 1, 1981.

Any delay in the construction of Seabrook Units 1 and 2 may adversely affect the completion and the cost of the two units under construction. Delay or deferral would reduce the immediate cash needs of PS of NH and other participants, including the Company, but would result in a deferral in the completion date of one or both units, and could result in substantially greater construction costs.

Item 6. Exhibits and Reports on Form 8-K

(b) Reports on Form 8-K. In the opinion of management there was no occurrence or event which required the filing of a Form 8-K during the quarter ended March 31, 1981.

SIGNATURES

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

MAINE PUBLIC SERVICE COMPANY
(Registrant)

Date May 12, 1981

/s/ R. A. Brown
R. A. Brown, President

Date May 12, 1981

/s/ F. E. Livingston
F. E. Livingston, Treasurer

March, 1981

MAINE PUBLIC SERVICE COMPANY

AND

SUBSIDIARY

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

MAINE PUBLIC SERVICE COMPANY AND SUBSIDIARY

COMPARATIVE CONSOLIDATED INCOME STATEMENTS

	Three Months Ended March 31	
	1981	1980
Operating Revenues	$7 670 770	$6 725 316
Operating Expenses:		
Operation	5 580 187	4 978 935
Maintenance	214 929	245 659
Depreciation and Amortization	436 758	442 642
Taxes - Other Than Income	240 885	222 571
- State Income	49 902	(176 637)
- Federal Income	79 102	157 881
Total	6 601 763	5 871 051
Operating Income	1 069 007	854 265
Operating Income and Deductions:		
Allowance for Equity Funds Used During Construction	241 379	154 661
Foreign Exchange Gain (Loss)	(14 120)	14 604
Equity in Earnings of Joint Venture Companies	86 580	86 617
Other-Net	1 098	(3 010)
Total	314 937	252 872
Income Before Interest Charges	1 383 944	1 107 137
Interest Charges:		
Long-Term Debt	526 738	541 990
Allowance for Funds Used During Construction	(382 342)	(263 343)
Other	465 152	162 377
Total	609 548	441 024
Net Income	$ 774 396	$ 666 113
Preferred Stock Dividend Requirements	138 214	140 038
Balance Available for Common Stock	$ 636 182	$ 526 075
Earnings Per Share of Common Stock (Based on 678,631 and 673,194 Average Shares Outstanding During 1981 and 1980, respectively	93.7¢	78.1¢

COMPARATIVE CONSOLIDATED BALANCE SHEET

	March 31 1981	December 31 1980
ASSETS		
Utility Plant and Other Investments:		
Utility Plant	$78 715 555	$76 606 216
Less Accumulated Provision for Depreciation	20 568 769	20 219 504
Net Utility Plant	58 146 786	56 386 712
Investment in Maine Yankee Atomic Power Plant	3 339 904	3 339 711
Investment in Maine Electric Power Co.	87 388	87 388
Nonutility Property and Other Investments	17 546	17 546
Total	61 591 624	59 831 357
Current Assets:		
Cash	596 868	733 970
Accounts Receivable-Customers and Other-Net	3 329 878	3 652 154
Materials and Supplies	1 855 627	1 810 348
Deferred Fuel and Purchased Energy Expense	644 437	1 323 487
Other	58 510	95 894
Total	6 485 320	7 615 853
Deferred Debits	710 829	702 571
Total	$68 787 773	$68 149 781
LIABILITIES		
Shareholders' Equity:		
Common Stock $7 Par Value, 678,631 Shares (678,307 in 1980)	$ 4 750 417	$ 4 748 149
Paid-In Capital	1 776 352	1 773 557
Retained Earnings	12 710 208	12 399 771
Total	19 236 977	18 921 477
Redeemable Preferred Stock:		
Preferred Stock 9-7/8%, $50 Par Value, 29,100 Shares	1 455 000	1 455 000
Preferred Stock 4.75%, $50 Par Value, 10,180 Shares	509 000	509 000
Preferred Stock 9-5/8%, $50 Par Value, 80,000 Shares	4 000 000	4 000 000
Total	5 964 000	5 964 000
Long-Term Debt (less current maturities):		
First Mortgage Bonds	23 646 480	23 686 040
Debentures	1 728 000	1 728 000
Total	25 374 480	25 414 040
Current Liabilities:		
Portion of Long-Term Debt Due Within One Year	506 368	505 664
Notes Payable	9 305 375	8 100 000
Accounts Payable	1 683 516	2 601 050
Taxes Accrued	597 048	67 859
Deferred Income Taxes Related to Deferred Fuel Expense	320 419	658 193
Other	361 632	645 536
Total	12 774 358	12 578 102
Deferred Credits	202 454	118 266
Accumulated Deferred Income Taxes	2 336 462	2 242 397
Accumulated Deferred Investment Tax Credits	2 899 052	2 911 499
Total	$68 787 773	$68 149 781

F. E. Livingston, Treasurer

STATEMENT OF SOURCE OF CONSOLIDATED FUNDS
FOR PLANT ADDITIONS AND REPLACEMENTS

	Three Months Ended March 31	
	1981	1980
Source of Funds		
Funds From Operations:		
Net Income	$ 774 396	$ 666 113
Charges (Credits) Not Affecting Working Capital:		
Depreciation & Amortization	436 758	442 642
Deferred Income Taxes - Net	94 065	93 233
Deferred Investment Tax Credits	(12 447)	84 783
Allowance For Equity Funds Used During Construction	(241 379)	(154 661)
Foreign Exchange Losses (Gains)	(14 120)	14 604
Other	103 265	114 536
Funds From Operations	1 140 538	1 261 250
Less Adjustment to Retained Earnings	-	52 984
Less Dividends Declared	463 959	463 172
Funds Retained in the Business	676 579	745 094
Funds From Financing - Net:		
Issuance of Long-Term Debt	-	-
Increase (Decrease) in Notes Payable to Banks	1 205 375	4 000 000
Issuance of Stock	5 063	2 831
Reduction on Long-Term Debt and Preferred Stock	(38 856)	(21 392)
Funds From Financing - Net	1 171 582	3 981 439
Total Available Funds	1 848 161	4 726 533
(Decrease) Increase in Available Funds		
Working Capital (see below)	120 710	(1 454 023)
Other - Net	12 675	(889 634)
Funds Used For Plant Additions and Replacements	$1 981 546	$2 382 876
Increase (Decrease) in Working Capital By Components (excluding long-term debt due within one year and notes payable to banks)		
Cash	$ (137 102)	$ (359 645)
Deposits for interest, dividends and bond proceeds held in escrow	-	(51 656)
Accounts Receivable - Net	(322 276)	(146 989)
Deferred Fuel and Purchased Energy Costs	(679 050)	2 589 631
Materials, Fuel, and Supplies	45 27[illegible]	123 568
Prepayments	(37 384)	1 562 335
Accounts Payable	917 534	(1 084 136)
Deferred Income Taxes Related to Deferred Fuel Costs	337 774	(1 288 420)
Taxes Accrued	(529 389)	(144 765)
Interest Accrued and Other Current Liabilities - Net	283 904	254 100
(Decrease) Increase in Working Capital	$ (120 710)	$1 454 023

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 80-180

June 1, 1981

MAINE PUBLIC SERVICE COMPANY
Re: Proposed Increase
in Rates

DECISION AND ORDER

GELDER, Chairman; SMITH and CARRIGAN, Commissioners

I. PROCEDURAL HISTORY

On September 2, 1980, the Maine Public Service Company (variously referred to herein as "MPS," "Maine Public" and "the Company") filed with this Commission a new Schedule of Rates carrying an effective date of October 1, 1980. Also filed were a series of amendments to the Company's Rules and Regulations. According to the Company's letter of transmittal, the new rates, which included a projected fuel cost adjustment were designed to produce a 20% increase in annual revenues, or a dollar increase of $4,675,000. The letter also stated that the Company was giving written notice of the proposed increase to all of its customers.

The new rates and rules are as follows:

EXHIBIT A

RATE	SHEET	REVISION
Rate A	Sheet No. 1	Eleventh
Rate A-1	Sheet No. 1	Second
Rate C	Sheet No. 1	Ninth
Rate C	Sheet No. 2	Original
Rate D-2	--	Sixth
Rate E	Sheet No. 1	Eighth
Rate E	Sheet No. 3	Sixth
Rate E	Sheet No. 4	Second
Rate F	Sheet No. 1	Ninth
Rate H	Sheet No. 1	Fourth
Rate H	Sheet No. 2	Second
Rate H	Sheet No. 3	Second
Rate H	Sheet No. 4	First
Rate S	Sheet No. 1	Seventh
Rate S	Sheet No. 2	Seventh
Rate T	Sheet No. 1	Fifth

EXHIBIT B

RULES & REGULATIONS	SHEET	REVISION
R. & R.	Sheet No. 3	Fourth
R. & R.	Sheet No. 4	Fourth
R & R.	Sheet No. 4-A	Original
R. & R.	Sheet No. 8	Third
R. & R.	Sheet No. 8-A	Original
R. & R.	Sheet No. 9	Third
R. & R.	Sheet No. 14	Fourth
R. & R.	Sheet No. 15	Fourth
R. & R.	Sheet No. 16	Fourth
R. & R.	Sheet No. 16-A	Original
R. & R.	Sheet No. 19	Sixth
R. & R.	Sheet No. 19-A	First
R. & R.	Sheet No. 22	Seventh

The Commission gave public notice of the increase in the September 11 and 12, 1980, editions of the Bangor Daily News, setting September 26, 1980, as the deadline for filing petitions to intervene.

Intervenor status was sought by the Aroostook County Committee for Utility Rate Reform (variously referred to herein as "the Committee" and "ACC"), by the Office of Consumer Services, under the auspices of the Attorney General of the State of Maine (variously referred to herein as "the OCS" and "the Attorney General"), and by the General Services Administration and Loring Air Force Base on behalf of the Executive Agencies of the United States (variously referred to herein as "Loring" or "the Air Force"). At a prehearing conference held, after due notice, on December 16, 1980, all three petitioners were granted intervenor status by the Presiding Officer.

Pursuant to 35 M.R.S.A. §69, the Commission twice suspended the effectiveness of the Company's new rates. The Commission's first Suspension Order was issued on September 24, 1980, suspending the rates for a period of three months from October 1, 1980. The Second Suspension Order was issued on December 29, 1980, suspending the votes for a period of five months from January 1, 1981.

At a prehearing conference held on February 23, 1981, the Examiner bifurcated the case, concluding that sufficient time did not exist prior to the expiration of the Commission's Second Suspension Order for the Commission to make an informed decision on the two basic issues of revenue requirement and rate design. In a Prehearing Order issued on March 2, 1981, the Examiner specified that the Commission would decide the revenue requirement issue during the suspension period. All parties were allowed to introduce testimony on permanent and temporary rate design questions during the hearings held on the revenue phase of the case. The Order further specified that if necessary, a second round of hearings would be held to take testimony on permanent rate design issues.

On March 10, 1981, the Staff filed a "Motion for Partial Summary Judgment or, in the Alternative, to Bifurcate." The Motion explained that Loring Air Force Base was in the process of becoming a firm service customer of MPS, but that the provisions of the Company's filed Rate H, the rate under which Loring would take, were unreasonable. The Staff asked that the Commission order Maine Public to insert certain modifications into the Company's Rate H, that such modifications were reasonable and in the public interest, and that such an Order would clear the way for Loring to become a firm service customer, augmenting the Company's revenues.

On March 13, 1981, the Company filed a new Rate H together with a Motion to allow the new rate to become effective on less than statutory notice. On April 8, 1981, the Commission issued an Order granting the Company's petition. The Order noted that all parties had orally indicated support for the Motion at a hearing held on March 19, 1981, and that at that hearing, the Company set forth an interpretation of certain portions of the rate to which all parties had agreed.

Early in the proceeding, the Staff identified as an issue the justness and reasonableness of including in the Company's fuel cost adjustment MPS's share of the incremented fuel expense of operating William F. Wyman Unit # 4 at the same time as Wyman Units #1, #2 and #3 are operating. The Company moved to sever this issue from the instant proceeding and asked that the Commission open a generic investigation to determine the proper treatment of these "fuel switching" costs. In an Order issued April 23, 1981, the Commission granted the Motion to Sever but declined to initiate a general investigation.

The Company prefiled its direct case in early October. Invoking the Commission's Alternate Hearing Procedure, the Examiner ordered all parties to prefile their direct, rebuttal and surrebuttal testimony at time set forth in the March 2, 1981, Prehearing Order.

Hearings were held on March 16 through 19, 1981, in Presque Isle, Maine, for the purpose of affording non-MPS parties the opportunity to cross-examine the utility's witnesses. During this portion of the case, the following individuals testified on behalf of the Company: G. Melvin Hovey, Vice President, MPS; Peter C. Louridas, Manager, Power Supply and Planning, MPS; Frank E. Livingston, Secretary, Treasurer and Clerk, MPS; Paul R. Cariani, Assistant Treasurer, MPS; Frederick C. Bustard, Assistant to the President, MPS; and Robert S. Jackson, Senior Vice President and Director, Stone & Webster Management Consultants, Inc. In addition, two sessions were set aside during the Presque Isle hearings for the purpose of taking testimony from the general public.

Hearings were resumed in Augusta, Maine, during the week of April 6, 1981, for the purpose of cross-examining those non-Company witnesses who had prefiled their direct testimony. These included: David J. Deprey, Financial Analyst, Maine Public Utilities Commission, for the Commission Staff; Elliot Toubman, Senior Fellow on Energy Law and Policy, Institute for the Study of Human Issues, for the ACC; John McCabe, Rate Consultant, McCabe Stevens, for Loring Air Force Base; and Alfred Maxwell, Maine Office of Energy Resources, for the OCS. Additionally, the ACC prefiled the testimony of: Charles E. Hewett, Director, Program in Forest Resource Policy, Resource Policy Center, Dartmouth College; and Melvin M. Eisenstadt, President, Mel Eisenstadt & Associates, Inc. Inasmuch as no party indicated a desire to cross-examine these witnesses, they did not appear in person at the hearings. Instead, by stipulation of the parties, their prefiled testimony, together with affidavits from each swearing to the truth of the facts asserted therein, were admitted into the record as though the witnesses had appeared and given the testimony under oath.

On April 23, 1981, the Commission held another day of hearing for the purpose of cross-examining the Company's rebuttal witnesses, whose testimony had been prefiled one week earlier. Present and testifying on this day were: Mr. Hovey, Mr. Louridas and Mr. Livingston of MPS; William R. Hopkins, Vice President, and Wah Sing Ng, Senior Consultant, Operations Division, both of Stone and Webster Management Consultants, Inc. and Charles W. Lockwood, Hydraulic Division Consultant, Stone and Webster Engineering Corporation.

Finally, on April 28, 1981, the Commission concluded its series of hearings with cross-examination of the surrebuttal testimony of Merle MacDonald, Utility Accountant, Commission Staff and Richard A. Ros[illegible], Executive Vice President, Energy Systems Research Group, for the OCS. Elliot Toubman filed surrebuttal testimony on behalf of the ACC, but since no party indicated a desire to cross-examine him, his surrebuttal testimony was received on the same basis as the direct testimony of Messrs. Hewitt and Eisenstadt.

Main Briefs were filed by all parties on May 4, 1981. Reply Briefs were filed on May 11, 1981. Pursuant to Commission Rule of Practice and Procedure 7(D), the Examiner filed his Report on May 19, 1981. Exceptions and Responses to the Report were filed on May 26, 1981. The Commission held public deliberations on this case on May 26, 27, and 28, 1981.

II. FAIR RATE OF RETURN

In setting a level of revenues sufficient to provide a fair rate of return on investment, the Commission must determine a capital structure for the utility, fix a rate of return for each component of the capital structure, and then compute the overall rate of return by taking the weighted average of all of the portions of the capital structure.

The following section deals with each of these issues.

A. Capital Structure

All parties accept the Company's proposal regarding capital structure. This is the actual capital structure as of December 31, 1980 which appears below. (MPS Exhibit 2; RSJ-Exhibit, Schedule 5, Revision)

	Amount ($000's)	Ratio
Long-term Debt	$24,631	42.75%
Short-term Debt	8,100	14.06
Preferred Stock	5,964	10.35
Common Equity	18,921	32.84
	$57,616	100.00%

The Commission finds this capital structure to be reasonable and adopts it for the purpose of determining the revenue requirement in this case.

B. Cost of Long-term Debt

All parties have stipulated to the embedded cost of long-term debt of 8.38%. The Commission finds this cost rate for the year ending 1980 to be reasonable.

C. Cost of Preferred Stock

No party has disputed Maine Public Service Company's proposed cost of preferred stock of 9.42%. The Commission finds this cost rate for the year ending 1980 to be reasonable.

D. Cost of Short-term Debt

The Staff computed the cost of short-term debt by averaging the prime interest rate for 1980, arriving at a figure of 15.18%. (See Deprey, Appendix 9A) The cost was then adjusted to reflect the additional cost above prime which the Company must pay. This yielded the proposed short-term cost rate of 16.86%. (See Deprey, Exhibit 9) Mr. Deprey also testified that it would be reasonable for the Commission to average the prime rate for both 1979 and 1980. On this basis the adjusted short-term debt cost for Maine Public Service would be 15.39%.

The Company's witness, Mr. Jackson, recommends a short-term debt cost of 17.21%. (See MPS Exhibit 2; Jackson, Schedule 5, Revision 1) This figure was computed by taking the average daily balance of short-term debt outstanding during the test year and dividing by the total interest paid on short-term debt during 1980.

The ACC recommends using 14.18% which is an average of the actual short-term debt costs to Maine Public Service Company over the past three years. (See the Committee's Brief, Pages 1-3) This figure is produced from the following: (G-12)

1980	17.21%
1979	13.63%
1978	11.69%

The Committee argues that the allowed rate for short-term debt which is to be an estimate of the future short-term rate, should not be skewed by an extraordinary year such as 1980.

The Attorney General's Office recommends using an adjusted average of the prime rate for 1979 and 1980 for the cost of short-term debt for Maine Public Service Company. (See Attorney General's Brief, Page 32) The cost rate recommended is 15.36%. However, the average prime rate for 1979 should be 13.94% not 13.86% as noted in the Brief. This change results in an average cost of short-term debt of 15.40%.

The Air Force's witness, Mr. McCabe, recommends use of a 12% short-term debt rate.

The following table was prepared by the Examiner to enable the Commission to review the volatility of prime interest rates for 1979 and 1980. (See Deprey, Appendix 8 and 8A)

Prime Interest Rates

(Source: The Weekly Bond Buyer).

Year	Month	Prime Rate (Daily Average)	
1979	January	11.74%	
	February	11.5	
	March	11.5	
	April	11.5	
	May	11.71	
	June	11.61	
	July	11.56	
	August	11.92	
	September	12.86	
	October	14.37	
	November	15.13	
	December	15.17	
	$\bar{x}$ =	12.55%	s = 1.47
			$v = \frac{S}{\bar{x}} \times 100$
			v = 11.71%
1980	January	15.03%	
	February	15.67	
	March	18.32	
	April	19.77	
	May	16.36	
	June	12.43	
	July	11.00	
	August	11.13	
	September	12.28	
	October	13.79	
	November	16.03	
	December	20.32	
	$\bar{x}$ =	15.18%	s = 3.18
			v = 20.95%

The average daily prime figures for 1979 and 1980 are the same as those used by Mr. Deprey. The coefficient of variation was computed for both of these periods in order to enable a comparison of variability.

The coefficient of variation measures the relative dispersion of data from the means of different samples or groups of data, and, as such, provides a useful statistical tool for comparing the variance of two different sets of data. (Valentine and Mennis, Quantitative Techniques for Financial Analysis, pp. 78-81 (1980)) The Company's witness, Mr. Jackson, also used the coefficient of variation in his prefiled testimony. (See Jackson, Appendix C)

With respect to the prime rate, the coefficient of variation for 1979 was 11.71% as compared to 20.95% for 1980. Thus, there is higher variability in the prime rate for 1980. However, consideration of the movement of the prime rate for 1981 is also an important factor when setting a cost for short-term debt for this Company. As a result of recent increases and variation in the prime interest rate, the January 1980 - April 1981 period will be used to estimate the cost of short-term debt to MPS.

The Commission must establish a reasonable estimate for the cost of short-term debt for the expected life of the rates authorized by this Order. The major determining factor in computing the average short-term debt rate is the average prime rate. The Commission concludes, therefore, that averaging the prime rate over the longer test period of January 1980 to April 1981 will yield a more reliable result. Averaging the prime rate for this period and adjusting this average, yields a figure of 17.9%. This number was adjusted to reflect MPS's cost rate for short-term borrowing which exceeds prime. The Commission finds that Maine Public Service Company's cost of short-term debt is 17.9%. (See Exhibits 1 and 2)

E. Cost of Common Equity

A utility's cost of debt and preferred stock is generally a matter of little controversy. The cost of these forms of capital is calculated by taking the weighted average of the actual cost of the utility's senior securities, usually an embedded cost.

Determining the cost of common equity, however, requires the exercise of judgment at several crucial stages: What methodology should be employed? What assumptions must be made? Are the assumptions sound? Of the hard data available, what is relevant and how should it be analyzed? In pondering these matters, the Commission must bring its analysis within the framework of Bluefield Water Works and Improvement Company v. Public Service Commission of West Virginia, 262 U.S. 679 (1923); Federal Power Commission v. Hope Natural Gas Company, 320 U.S. 591 (1944); and New England Telephone and Telegraph Company v. Public Utilities Commission, 390 A.2d 8, pp. 34-35. (Me. 1978) As interpreted by the Law Court in the NET case, the decisions of the United States Supreme Court require that the utility's return "must be commensurate with returns on investments in other business enterprises having corresponding risks and uncertainties," and must be "sufficient to assure confidence in the financial integrity of the business enterprise so as to maintain its credit and enable it to attract capital." Id. at 35. Finally, we are directed by statute, §51, that in determining just and reasonable rates, the Commission must "provide such revenues to the utility as may be required to perform its public service and to attract necessary capital on just and reasonable terms."

Maine Public Service Company introduced the testimony of Robert Jackson on the topic of the Company's cost of common equity. Mr. Jackson testified to a cost of common equity of 16% based upon a comparable earnings analysis, a discounted cash flow analysis, and a study of bond yield plus risk premiums. (See MPS Exhibit 1; Jackson, Pages 3, 20)

Mr. Jackson's comparable earnings study consisted of a group of forty-one electric companies traded on the New York Stock Exchange and a group of nine utilities not traded on this Exchange. He concentrated on the smaller group because the companies are small and, in his view, more comparable to the Maine Public Service Company. Mr. Jackson measured the average return on common equity for the past five years at 12.0% to 13.3%. No specific cost of equity was quantified based upon this analysis. (See Jackson, Pages 6-11)

In the past, this Commission has found fault with the comparable earnings approach for a variety of reasons which, in our judgment, remain valid today. The primary weakness of the comparable earnings approach is that it ignores the single most

important factor in determining the cost of attracting equity capital, the market price of the Company's stock.

> What the investor requires in the way of return in order to induce him to buy a share of stock is the cost of equity. It is clear that this cost rate cannot logically be determined without some reference to the market price of the stock of the particular company involved. Yet the comparable earnings method makes no such reference. Re: Central Maine Power Company, 8 PUR 4th 277, 285 (Me. 1975).

The Commission will not rely upon this analysis.

Mr. Jackson also performed a discounted cash flow analysis on the same two groups of companies. Emphasis again was placed on the group of nine companies. Maine Public Service Company is not included in either group.

For the group of nine companies, Mr. Jackson computed a 9.82% yield based upon the average yield for 1979. This yield was then adjusted by a range of 1.1 to 1.2 to reflect issuance costs, market pressure, market fluctuation, and inflation. He then added a growth rate of 4.39% to the adjusted dividend yield. This growth rate was based upon a weighted average of growth in earnings per share, dividends per share, and book value per share for the same nine companies for short-term and for long-term periods. The computations and results follow (See Jackson, Pages 12-16):

Growth Component of DCF

	Per Share		
	Earnings	Dividends	Book Value
9 Comparison Companies			
Long-term Growth Rates:			
1969-1979	5.25%	3.03%	2.92%
1970-1979	6.56	3.23	3.00
1971-1979	7.98	3.43	3.12
1972-1979	9.27	3.79	3.16
1973-1979	14.75	4.21	3.19
Average	8.76	3.54	3.08
Short-term Growth Rates:			
1974-1979	4.53	5.00	3.19
1975-1979	3.46	5.50	3.16
1976-1979	4.19	5.40	3.50
1977-1979	4.62	5.55	4.17
1978-1979	(1.26)	6.39	4.03
Average	3.11	5.57	3.61
Growth Rate		4.39%	

The indicated cost of equity based on Mr. Jackson's DCF analysis is 15.19% to 16.17%.

The Staff agrees with Mr. Jackson's calculations of the dividend yield component but questions the adjustment for issuance costs and other factors, as well as his 4.39% growth rate. The Staff recommends use of a growth rate between 3.11% and 3.61%, since "a realistic investor evaluating this data would not expect future growth as high as 4.39%." The diminished expectations are reflected in the dividend yield, as Mr. Jackson acknowledged. (E-88) Also, the Staff recommends no adjustment for market fluctuation, a risk of which according to Mr. Jackson investors are aware, and which is, therefore, reflected in the market price of the stock. (E-94, 95) An adjustment to reflect the fact that the market-to-book ratio "itself compares current dollars of market value to historic dollars of book value," is also not recommended by the Staff. As Jackson explained, the impact of inflation would have already been reflected in the market price. (E-95, 96) The Staff recommends reducing the allowance for issuance costs to 2.5%, since Mr. Livingston testified that Maine Public Service does not plan to issue equity in the near future. The Staff supported Jackson's adjustment for market pressure, yielding a range of .9% to 3%. Thus, the Staff recommends a 14% cost of equity based on the following: (See Staff Brief, Page 9)

9.82% (1.03% to 1.06%) + 3.61% =
(10.11% to 10.40%) + 3.61 = 13.72% to 14.01%

The Committee also advocates use of the DCF method, accepting the 9.82% dividend yield figure. The ACC points out that growth in book value per share for the group of nine companies during the 1975 to 1979 period was 3.15% to 3.61%. The ACC adjusts these figures by 1.015 to reflect issuance costs. (See G-92, E-100, E-119) No adjustment was recommended for market pressure, on the ground that it can be either negative or positive on a random basis and cannot be reliably forecasted. (E-120; McCabe, Page 41) The ACC computations result in a recommended cost of equity of 13.25% to 13.75%.

The Attorney General's Office supports the findings of the Staff with regard to the cost of equity.

The Air Force recommends use of a DCF analysis, rejecting comparable earnings and bond risk premium methods as poor substitutes for analysis of the market itself. Mr. McCabe, witness for the Air Force, accepted the 1979

average dividend yield of 9.82% for the nine comparison companies and the short-term growth in book value of 3.61% and increased that sum by .55% to reflect issuance costs, based on the 3.7% cost of issuance from Mr. Jackson's study. (See McCabe, Schedule 4) Mr. McCabe recommended a 14% cost of equity based on this analysis.

Mr. Jackson also performed a bond yield plus risk premium analysis to support his recommendation.

We have considered the arguments of the parties and the testimony of Mr. Jackson and Mr. McCabe, and believe that the DFC method is the appropriate one to use in this case. However, we feel a number of modifications are necessary.

Although we find the determination of the cost of equity based on an average of a group of companies to be useful for comparison purposes, we prefer to rely upon a DCF computation for Maine Public Service Company itself. This calculation focuses upon and attempts to quantify MPS's actual cost of equity as perceived by the investor in the market place. By relying upon the group of nine companies, Mr. Jackson's analysis appears to take on some of the characteristics of a comparable earnings test rather than being strictly a discounted cash flow test. It is not clear from the record that these companies are, in fact, comparable to MPS.

We have computed a DCF analysis for MPS based upon data available in the 1980 Annual Report to Stockholders, Pages 16, 17. In finding the DCF-determined cost of equity for MPS, the dividend yield for 1980 was computed as 11.09% and found to be reasonable. (See Exhibit 3) Since we are setting rates for 1981-1982, it appears more appropriate to include 1980 data in the DCF computation.

An adjustment to reflect issuance costs should be made and we accept as reasonable the 3.7% cost determined by Mr. Jackson. However, our adjustment will be applied in a manner consistent with the Staff's recommendation. (See Staff Brief, Pages 8, 9) The 3.7% issuance cost will be applied only to a portion of common equity that the Company may reasonably be expected to sell during the period for which these rates will be in effect. The $12,000,000 recommended by the Staff appears reasonable since Mr. Livingston testified that Maine Public Service Company has no plans to issue equity in the near future. The computation appears in the conclusion of this section.

We reject any adjustment for market pressure finding no evidence on the record sufficiently substantiating that such a factor is significant for MPS. The market fluctuation and inflation adjustments are also rejected for the reasons presented by the Staff, as discussed previously.

Growth in dividends per share, book value per share, and earnings per share were computed for MPS for the period 1970 to 1980. (See Exhibit 3) This data shows that earnings per share have fluctuated widely and that growth in dividends per share has increased dramatically. We agree with Mr. Jackson that growth in dividends can only be supported over time by growth in earnings and/or book value. (E-87, 91) We do not feel that the more recent growth in dividends is sustainable. For example, growth in dividends for 1977 to 1980 was 10.02%, growth in book value was 6.52%, and growth in earnings per share was (6.61%).

Because of the extreme variation in the growth of earnings per share, over this short period, we do not believe that this data should be used to compute the growth component of the DCF formula. We conclude that the longer period of time of 1970 to 1980 should produce a more reliable growth component, free of the derangements caused by temporary fluctuations in the economy. The growth rate of 5.11%, will be used in the computation of the cost of equity for MPS. This growth rate compares well with 5.43% growth in book value for the same period.

Taking the 11.09% dividend yield and adding the growth rate of 5.11% yields a cost of equity of 16.20% for existing common equity. Using a 3.7% floatation cost and substituting the other variables into the following formula yields a cost of equity for newly issued equity:

$$K_e = \frac{D_1}{P_o(1-F)} + g$$

$$= \frac{11.09\%}{(1 - .037} + 5.11\%$$

$$= 16.63\%$$

Weighting these costs by their respective portion of the total common equity for MPS, we find a cost of common equity of 16.37% which we will round to 16.5%:

		Weight	Cost	Weighted Cost
Present Common Equity	$18,921,000	61%	16.20%	9.88%
Possible New Equity	12,000,000	39	16.63	6.49
	30,921,000	100%		16.37%

We find based on the record in this case, that Maine Public Service Company's cost of equity is 16.5%.

F. Fair Rate of Return

The Commission determines the overall fair rate of return for Maine Public Service Company to be 12.49% as calculated in Exhibit 4.

III. RATE BASE

In setting rates, the Commission must "fix a reasonable value upon all the property of any public utility used or required to be used in its service to the public within the State and a fair return thereon." 35 M.R.S.A. §52. In addition to the items traditionally included in an electric utility's rate base, MPS has asked that 25% of its investment in the as yet uncompleted Seabrook, New Hampshire, nuclear generating station be considered without offsetting AFUDC. Traditionally, the Commission has included all of a utility's Construction Work in Progress ("CWIP") in its rate base, but has made an allowance for funds used during construction ("AFUDC"). Central Maine Power Company, Docket No. 80-25, 80-66 (October 31, 1980). At such time as the capital item is placed in service, the corresponding AFUDC that has accrued during the construction period and which has been considered, in effect, as non-cash earnings, is included as a portion of the cost of the item. The Company now asks the Commission to depart from this practice and to allow MPS to receive actual cash earnings on 25% of its Seabrook investment. We are also asked to normalize the tax deduction on the interest component of the remaining 75% of the AFUDC.

The sum and substance of the Company's presentation is that in financing its share of Seabrook, the Company has exhausted its ability to attract capital on any terms, that so-called normal regulatory revenues will not be sufficient, and that only by receiving the requested extraordinary relief can the Company continue to finance its position in Seabrook.

The Staff and the intervenors are in general agreement with the Company's appraisal of its financing capacity; however, they disagree with the utility's assertion that its investment is a prudent one. The Staff takes the view that in the context of this rate case MPS has failed to meet its burden of showing the necessity of this investment, that the extraordinary relief requested should be denied, but that the Commission should undertake an investigation under 35 M.R.S.A.

§296 to explore the question further. The Attorney General and the ACC generally concur, but doubt the wisdom of beginning an investigation.

Because of the unusual nature of this case, we discuss the implications of the Seabrook problem separately in Part VI of this Order. The remainder of this part will deal with the remaining rate base issues.

A. Property Held for Future Use

The Company has included in its rate base the sum of $90,010 representing its investment in a transmission right-of-way running between Houlton and Haynesville in the State of Maine. The right-of-way was obtained shortly after the Company bought into the Maine Yankee Atomic Power Company plant in Wiscasset, and was then conceived as necessary in order to create a means of bringing energy from Maine Yankee into MPS's territory. After the right-of-way was obtained, the Maine Electric Power Company (MEPCO) came into being. MEPCO built and currently operates a transmission line by which power from Maine Yankee is transmitted into the New Brunswick Electric Power Commission's (NBEPCo) system at Orient, Maine. The power is then wheeled north over NBEPCo's lines and back into the MPS system. Thus, 100% of the power obtained by MPS from Maine Yankee is delivered by means of the Canadian interconnection.

The non-MPS parties argue that, under the formula set forth in Re: Central Maine Power Co., 26 PUR 4th 388, 3[illegible] (Me. PUC 1978), the Company has not met its burden of proof to show that a sufficiently definite plan exists for the future use of this property, and that, accordingly, it would be unjust to compel ratepayers to pay a return on assets which "confer no immediate benefit on and provide no guarantee of future benefit to them." Id. at 400-401.

The Company concedes that the right-of-way has no definite in-service date, and implies that, in fact, it may never be needed for the transmission of power. Instead, it argues that the property is presently conferring a benefit on the Company's ratepayers by providing the Company with a useful bargaining tool in its negotiations with NBEPCo over interconnection fees. In his rebuttal testimony, Mr. Hovey insisted that the existence of the right-of-way had saved MPS ratepayers substantial sums by lowering the interconnection fee that would otherwise be imposed by New Brunswick. MPS Exhibit 5, Hovey Rebuttal at 13. He explained that without the standby transmission right-of-way, MPS would be in a weaker negotiating position with its Canadian counterpart.

Although the Company's position is not without some merit, we cannot conclude on this record that it has met its burden of showing the reasonableness of the expense. It is certainly logical to conclude that the existence of the standby transmission right-of-way would be a useful bargaining tool in this situation. However, on this record we cannot conclude that the benefits to be derived are outweighed by the added expense to the ratepayer stemming from the Company's ownership of the right-of-way. Accordingly, we reject the adjustment and delete $90,010 from the Company's proposed rate base.

B. Seabrook Educational Center

The Company includes in rate base $28,653, reflecting its investment in the Seabrook Educational Center. The Commission disallowed expenses associated with this project in Public Service Company of New Hampshire, Re: Proposed Increase in Rates, Docket No. F.C. 2548 (July 31, 1980), holding that to do so would violate chapter 83 of the Commission's rules governing corporate promotional expenses. Nothing in the record of this case suggests the necessity for a departure from this position, and we decline to do so. Accordingly, we disallow both the investment and test year expenses associated with the Center.

C. Inclusion of Canadian Subsidiary

For the purposes of this rate case, Maine Public Service Company has included in rate base 100% of the investment associated with its Canadian subsidiary, a Canadian corporation subject to the regulation of Canadian authorities. The chief asset of the subsidiary is a hydroelectric facility, 85% of whose power is exported to Maine for the use of Maine Public Service Company's customers. The remaining 15% is transmitted to Canadian distribution systems serving the communities of Carlingford and Perth-Andover, New Brunswick. The Company treats this situation by including all of the subsidiary's plant in its rate base, together with 100% of the subsidiary's revenues.

The Staff opposes the inclusion of 100% of the Canadian subsidiary's plant in MPS's rate base on two grounds: first, that the subsidiary is not recovering its cost of capital with respect to its Canadian sales; and second, that 35 M.R.S.A. §52 forbids the inclusion in rate base of any property not used or useful in serving Maine jurisdictional customers. The Company appears to concede both points, but argues that by selling a limited amount of hydroelectric power

to the Canadians at bargain rates, the Company can preserve its excellent relationship with the NBEPCo. Increasing the rates on the subsidiary's Canadian sales, the Company implies, might trigger an unfortunate reaction by the Canadian authorities, leading to a complete ban on the export of the subsidiary's hydroelectric power, to the severe detriment of MPS's ratepayers.

Although we fully appreciate the Company's position, we conclude that §52 interposes a clear legal barrier to the Company's proposed treatment of its Canadian investment. The Law Court has ruled, in unequivocal terms, that this Commission's rate setting must take into account only so much of the utility's plant as is used and useful in providing service to its Maine jurisdictional customers. Calais v. Calais Water and Power Co., 157 Me. 467, 472-474 (1961). There appears to be no dispute that a portion of the Canadian plant is devoted to the service of Canadian, and not Maine, customers. In light of the Calais case, that portion cannot lawfully be included in a Maine jurisdictional rate base.

The record supports an allocation of 85% of the Canadian subsidiary's plant to MPS's rate base. Accordingly, we disallow 15% of this investment. The record also supports an allocation of 16.2% of the subsidiary's test year net revenues to Canadian sales. (F-79-80)

D. Acquisition Adjustment

Between 1951 and 1963, Maine Public acquired five electric utilities in Aroostook County. The Commission approved each acquisition in the following cases:

Fort Fairfield Light and Power Company,
Docket No. U. 2075, May 10, 1951

Mars Hill Electric Company,
Docket No. U. 2148, September 7, 1954

Washburn Electric Company,
Docket No. U. 2388, February 10, 1960

Monticello Electric Company,
Docket No. U. 2469, June 26, 1961

Limestone Electric Company,
Docket No. U. 2468, July 19, 1962

... the first four of these cases, the Commission reviewed and approved of the acquisition. In the Limestone case, the Commission approved the acquisition, but determined that a portion of the acquisition cost -- the difference between the net book value of the acquired utility and the purchase price paid by MPS -- was excessive. The excess was charged against the Company's shareholders. The acquisition cost of the other four utilities together with the non-excessive portion of the acquisition cost of the Limestone utility have been amortized by the Company for ratemaking purposes with the unamortized balance remaining in rate base. The net book value of the acquired utilities has been included in rate base. This treatment has received Commission sanction in the Company's past two rate cases.

Mr. McCabe testified that the unamortized balance of the acquisition cost should not be included in rate base, but that the total cost should be amortized as an allowable expense. We believe that the Commission's specific approval of the purchase of these properties under 35 M.R.S.A. §211 constitutes a judgment by the Commission that the purchases, as consummated, were in the best interests of the ratepayers involved and that the acquisition was reasonable and prudent within the meaning of 35 M.R.S.A. §52. We accept the Company's adjustment.

E. Wyman Unit #4 Adjustment

In the recent Central Maine Power case, the Commission deducted from CMP's rate base the capital costs associated with a defective muffler on William F. Wyman Unit #4, a 600 MW oil-fired generating station located in Yarmouth, Maine. (Order at 26-27) With respect to the replacement muffler, the Commission found that "[s]ince the new muffler is used and useful, the Company is entitled to earn a return on the full value of the muffler." Order at 27. The Commission left in rate base the full cost of the new muffler. The Commission removed from rate base the capital costs associated with a damaged feed water heater, finding that imprudence on CMP's part had contributed to the malfunctioning of the plant.

The ACC asks that Maine Public's share of the replacement muffler and feed water heater should be removed from its rate base, advancing essentially the same arguments made by the Maine Committee for Utility Rate Reform in the CMP case. We concur that Maine Public's share of the defective muffler (amounting to $2,776.37) and its share of the feed water heater (amounting to $425.82) should be deducted from rate base. However, with respect to the cost of the replacement muffler, we adhere to the finding made in our CMP decision and reject the adjustment proposed by the ACC.

F. Calculation of AFUDC

The Staff proposes adjustments to the Company's method of calculating AFUDC. The testimony of Staff Accountant Merle A. MacDonald provides the basis for this change. Maine Public Service currently computes its AFUDC rate using the FERC formula. This formula results in an excessive weighting of the cost of short-term debt which is already considered in the short-term debt component of the capital structure. Mr. MacDonald recommends use of a formula developed by Mr. Bruce Louiselle which is simply the weighted cost of capital. (See MacDonald Surrebuttal; Staff Exhibit 17, Pages 3, 4) This adjustment was found to be reasonable by the Commission in Central Maine Power, Re: Proposed Increase in Rates, Docket No. 80-25. The Commission finds this adjustment to be reasonable for Maine Public Service Company.

Also, Mr. MacDonald recommended that the Company compute its AFUDC rate by using an average monthly balance at the end of the month plus one-half of the current month's additions. The Company currently computes the AFUDC rate on the basis of a monthly ending balance. The Commission agrees with the Staff with regard to this adjustment. The $2,118,786 AFUDC amount reflected in the Adjusted Test Year column of the Pro Forma Income Statement includes these recommendations.

MAINE PUBLIC SERVICE COMPANY
AFUDC ADJUSTMENT

Seabrook at 12/31/80	$20,020,741
Less - 1980 Actual AFUDC	2,125,593
Amount for Rate Base	$17,895,148
Allowed Rate of Return	12.49%
Offset to Income	$ 2,235,104
1980 Actual AFUDC-Seabrook	$ 2,125,593
Adjusted Test Year AFUDC	2,235,104
Adjustment	$ 109,511

G. Working Capital

"Working capital represents the amount of funds which investors must provide to meet day-to-day operations involving the delivery of [utility] service. To the extent it is unnecessary for investors to supply those funds, there is no need for a working capital allowance in rate base." Re: Continental Telephone Company of Maine, 18 PUR 4th 636, 643 (Me. Public Utilities Commission, 1977).

Mr. Livingston, the Company's witness, developed a "lead-lag" study which demonstrated the amount of investor supplied capital required to cover the costs of day-to-day operations between the time the Company pays such costs and the time the Company receives revenues from those operations. Mr. Deprey, the Staff's witness, also developed a "lead-lag" study which differs from MPS's presentation in a number of aspects.

The Staff and the Attorney General's Office propose that the $100,000 compensating balance requirement for short-term borrowing should be eliminated 1) because it is not formalized by a written contract and 2) because the Company has failed to prove that maintenance of the compensating balance is a prerequisite to obtaining less costly financing. See Camden and Rockland Water Company, Docket No. F.C. 2556 (Me. PUC, August 8, 1980). Mr. Livingston testified on rebuttal that the Company's bank requires a compensating balance. However, there is nothing in the record to suggest that maintaining the balance gives the Company access to financing at a cost less than could otherwise be obtained. Finding that MPS has failed to meet its burden of proof on this issue, we agree with the Staff and the Attorney General's Office, and eliminate the $100,000 compensating balance requirement for short-term borrowing from the working capital allowance.

The Staff had three adjustments to the test year purchased power expense component of working capital. First, the exclusion of Maine Yankee decommissioning costs has been updated to include that portion consistent with the amount allowed in the recent Central Maine Power Company rate case, Docket No. 80-25. We find this adjustment reasonable.

Mr. Deprey has included consideration of the MEPCO capacity charge which begins November 1, 1981 as an element of his attrition analysis. This is an out-of-period adjustment which we believe is more properly considered as part of an attrition analysis since an offset for associated revenue growth is not made.

The Staff also recommends removal of fuel for generation in the amount of $1,900,123 from the purchased power expense of $15,656,549. The propriety of this adjustment, which we find reasonable, was acknowledged by Mr. Livingston on rebuttal. (Tr. J-144) The amount of purchased power expense component of working capital is therefore $13,864,484.

The "other operation and maintenance" component of working capital is simply the recommended adjusted test year other operating and maintenance expenses.

The Staff has one major adjustment to the lead days for real estate and personal property taxes. Mr. Cariani, the Company's witness, used October 1 as the midpoint of the service period, based on a taxable year of April 1 to April 1. He uses this period because he contacted the assessors' and they said that April 1 to April 1 was their taxable year. (Tr. at F-87) He also testified that he did not know the actual fiscal years of the towns providing municipal services to the Company.

The Staff recommends use of the actual fiscal years for the towns providing municipal services to the Company. Staff Exhibit No. 10 shows copies of all property tax bills paid by the Company in 1980. Other than Easton and Fort Fairfield the fiscal years are January 1 to December 31. As a result, Mr. Deprey used July 1 as the midpoint for this category with the exception of Easton and Fort Fairfield. August 1 and October 1 were applied, respectively. The number of lead days was computed to be 111.21 by the Staff. (See Deprey, Exhibits 1 and 5)

Working capital for local taxes is appropriately based on the time during which the Company actually received the municipal services for which it paid. Mr. Deprey is, therefore, correct when he bases his analysis upon a calendar year which is the year to which the towns apply these payments and the period during which service is financed by these payments. Thus, consistent with other recent decisions such as Camden and Rockland Water Company, Docket No. F.C. 2556, we accept 111.21 lead days for real estate taxes and personal property taxes to be just and reasonable.

The Staff recalculated the number of lead days for the other expense items in order to reflect actual test year 1980 data. Mr. Cariani derived his lead days by using a mixture of 1979 and 1980 data which was available at the time the testimony was prepared.

We find the Staff's lead day calculation for these other expense items reasonable as they provide a better match of the working capital allowance.

The Attorney General's Office recommends that the cash accrued on interest on long-term debt and preferred stock dividends be considered in the working capital allowance. (See Attorney General's Brief, Pages 24-31) Payment of long-term debt interest occurs in arrears every six months. (G-48, Page 15 of Exhibit GMH-1) Preferred stock dividends are paid in arrears on a quarterly basis. (G-48) Inasmuch as the preferred stock issued by the Company is cumulative, it possesses many of the attributes of debt securities. Cash that is collected to pay these costs is available to the Company between time of collection and time of payment. (See Deprey, G-25 and G-28) If this is not considered as an adjustment to working capital, ratepayers may be charged twice, once when the funds are provided through rates and again where a rate of return is collected on those funds for costs paid in arrears. (See Deprey, G-26 and G-28)

The proper date of service for computing lead days is the mid-point between the time of collection and the time of payment. (See Deprey, G-27)

The Company argues that these are investor supplied funds and should not be reflected in working capital. The Attorney General's Office argues that the source of the funds is irrelevant and that what is important is whether there is cash available which can offset other costs or uses of funds and the associated carrying costs. After reviewing these arguments in light of our policy announced in the above-noted Continental Telephone case, we find the adjustment proposed by the Attorney General's Office to be reasonable. The working capital allowance will be adjusted to deduct $258,345 representing interest on long-term debt and $6,590 for preferred stock dividends. (See Attorney General's Brief, Pages 30, 31)

Incorporating these revisions to the Company's working capital analysis, the proper working capital allowance is $1,694,807. (See Exhibit 5)

IV. TEST YEAR EXPENSES AND REVENUES

A. Postage Expenses

We accept the recommendation of all parties that MPS's test year be adjusted to account for an increase in postage costs. The adjustment amounts to $3,790, net after taxes.

B. Amortization of Investment in Abandoned Plants

The record indicates that the Company invested $196,470 in a nuclear generating station project sponsored chiefly by the New England Power Company ("NEPCO"). The NEPCO project would have consisted of two units located in Rhode Island. The project was abandoned, however, when it became clear that NEPCO could not obtain title to the land upon which it desired to locate the plant. The $196,470 sum reflect MPS's share of the engineering and preliminary planning costs as well as the cost of filing for preliminary approval. The Company initially proposed that the costs associated with this investment should be amortized over a three-year period. It now has adjusted that approach, and instead calls for a four-year amortization period.

The Staff supports a four-year amortization, but argues that the amount to be amortized should be reduced by removing the accrued AFUDC. This approach was used by the Commission in determining the appropriate rate treatment of Central Maine Power Company's investment in the abandoned Sears Island nuclear project. Central Maine Power Company, Re: Proposed Increase in Rates, Docket No. 80-25 at 38-39 (Oct. 31, 1980).

The ACC and OCS argues that NEPCO acted imprudently in paying engineering, planning, and preliminary approval costs without first securing clear title to the proposed site. The ACC asks that no recovery be allowed; the OCS that a five-year amortization be allowed.

We do not believe that NEPCO's failure to obtain title to its proposed site constitutes imprudence per se, as the ACC and OCS appear to argue. The engineering, planning and construction of a major generating facility is a complicated and time-consuming process, as can be the obtaining of appropriate regulatory approvals. It might well have been imprudent for NEPCO to have bought title to the site before undertaking an engineering analysis to determine its feasability, or without first securing the necessary regulatory

sanctions. We do not believe that t ecord discloses imprudence, and, accordingly, we conclude that the four-year amortization proposed by the Company and supported by the Staff constitutes a just and reasonable apportionment of the costs of the project between ratepayers and shareholders. Furthermore, we see no reason to depart from our recently-announced policy of excluding AFUDC from the balance to be amortized. Accordingly, we accept the Staff's proposed adjustment.

C. Rate Case Expenses

The Company entered a late-filed exhibit showing an adjusted rate case expense of $188,804, composed of actual expenses, unbilled but known charges, and expenses which the Company estimates it will incur in connection with the rate design portion of this proceeding. Maine Public Service Company asks that the charges be amortized over a two-year period. The Staff accepts this adjustment.

The Attorney General recommends a three-year amortization, noting that historically, MPS has sought general rate adjustments in four-year intervals. We believe that the two-year period proposed by the Staff and the Company should be adopted. It is an unfortunate fact of life that over the past several years, electric utilities in Maine have generally proposed and received rate increases in two-year intervals. In setting rates for an indefinite future, we must acknowledge that the economic environment which contributes to these relatively frequent rate adjustments is not likely to show marked improvement in the next few years. In short, a two-year amortization of rate case expenses appears just and reasonable.

D. Maine Yankee Decommissioning Costs

In the recent Central Maine Power case, we allowed Central Maine to recover in rates its estimated annual costs associated with the decommissioning of the Maine Yankee nuclear generating station. In doing so, the Commission noted that at such time as the Maine Yankee plant is taken out of service, the owners of the plant will be called upon to finance the decommissioning. In order to insure that these costs are met by ratepayers who are currently deriving the benefit of the plant, the Commission accepted the notion of including decommissioning expenses as a current expense, and adjusted Central Maine's rates accordingly.

Maine Public Service Company is also a part owner of Maine Yankee and has likewise included in its rates an adjustment for decommissioning patterned after that proposed by Central Maine Power. The ACC urges disallowance of this adjustment on the ground that the Company has not been billed for such expenses and that, furthermore, the Federal Energy Regulatory Commission ("FERC") has not ruled on the propriety of the billings. The Staff, OCS and Loring support the inclusion of decommissioning expenses, but argue that the Commission should adjust the expense figure to account for the compounding of the pure rate of interest. This approach was adopted by the Commission in the Central Maine Power case.

It is certainly true that the decommissioning expenses have not been incurred and, therefore, will not be known with certainty until the actual decommissioning has concluded. On the other hand, there would appear to be no disagreement that the plant will have to be decommissioned, that the owners of the plant, including MPS, will be called upon to meet these costs when due, that such costs are reasonably associated with the provision of service, that ratepayers taking service after Maine Yankee's usefulness has expired should not be called upon to underwrite the expenses associated with the plant, and that to continue to delay the recovery of decommissioning expenses merely shifts the burden of meeting these costs from the ratepayers who take service in the early years of the plant's life to those who take service in the later years. In that context, we find it just and reasonable to estimate the costs and initiate recovery.

We see no reason to deviate from our postion, set forth in Central Maine, that the compounding of the pure rate of interest should be accounted for in computing the allowance. In its Reply Brief, the Company raises the issue that Maine Yankee Atomic Power Company's Form 10-K, filed with the Securities and Exchange Commission, discloses that Maine Yankee proposes to bill its customers, including MPS, an amount "equal to the current estimate of decommissioning." (See MPS Exhibit 5, Livingston Exhibit L-9) Maine Public then argues that such a bill would be rendered pursuant to a tariff amendment filed with the Federal Energy Regulatory Commission (FERC), and as such could not be rescinded, not even questioned, by this Commission. Narragansett Electric Company v. Burke, 381 A.2d 1358 (R.I. 1977) cert. denied, 435 U.S. 972 (1978).

We find that the Company's argument is premised on the assumption that FERC will approve the rate as filed. Were we presented with a FERC tariff as a fait accompli, the Narragansett case might be instructive. In the meantime, however, we will make the adjustment based upon our own conception of justness and reasonableness.

E. Sales to NBPCO and Loring AFB

For many years, the Company has had substantial non-firm power sales to the NBEPCo. The parties have reached an agreement, which we accept, that a four-year average of these sales should be included as an adjustment to the Company's test year revenues. The adjustment, net after taxes, amounts to $62,878.

The record also indicates that Loring Air Force Base will shortly become a firm service customer of MPS. The parties recommend that $229,659 be added to the Company's test year revenues to account for this known change. We concur.

F. Seabrook Educational Center

Having concluded that the Seabrook center should not properly be included in rate base, we are drawn to the conclusion that the test year expenses should also be disallowed as unreasonable for the same reason.

G. MEPCO Purchase

The circumstances surrounding this proposed adjustment were outlined by Mr. Hovey in his prefiled direct testimony (MPS Exhibit 1):

> The Maine Electric Power Company, Inc., had agreements with The New Brunswick Electric Power Commission by which it received 400 megawatts of capacity and associated energy from three oil fired units located at Coleson Cove, New Brunswick, Canada. The energy received by Mepco from the Coleson Cove units was being subsidized significantly by the Canadian Government. Mepco, on July 3, 1980, received nocification from The New Brunswick Electric Power Commission to the effect that the Petroleum Compensation Board of Canada was going to reduce, and eventually phase out completely, the compensation applicable to

fuel used to generate Mepco's entitlement under the terms of the Unit Participation Agreement. The Mepco participants considered this to be in violation of the basic pricing provisions of the Unit Participation Agreement dated November 15, 1971, and in response to this notice, filed a complaint for Declaratory Judgment with the United States District Court for the District of Maine. In an effort to resolve this matter out of Court, Mepco and the New Brunswick Electric Power Commission entered into negotiations, and as a result of these negotiations, an agreement was reached which reduced Mepco's entitlement in the Coleson Cove units from 490 megawatts to 133 megawatts, effective January 1, 1981, and changed the contract expiration date from October, 1986, to October, 1985. Maine Public Service Company therefore had the option of reducing its previously committed capacity entitlements to approximately one-third. An analysis of our power supply alternatives convinced us it was economical to maintain the original 13.4 MW entitlement. Since some Mepco participants did not want their full entitlement, the Company was able to maintain its full 3.4 megawatt entitlement from Mepco. Maine Public Service Company had contracted on August 1, 1977, to purchase an additional 5 megawatts of Mepco capacity from Northeast Utilities starting November 1, 1980, and another 5 megawatts starting November 1, 1981. Each of these 5 megawatt entitlements, under the amended Unit Participation Agreement, was reduced to 1.385 megawatts. Maine Public Service Company therefore has contracted with the Central Maine Power Company for an additional 3.615 megawatts starting January 1, 1981, and another 3.615 megawatts starting November 1, 1981, expiring at the conclusion of the Mepco contract on October 31, 1985. These assignments from Central Maine Power were negotiated subject to the capacity costs being allowed in the Company's base rates in these rate proceedings.

After contracting for the entitlement, MPS determined that it would not need the capacity to meet increased load during the term of the contract, but that the purchase remained a sound one because, according to Maine Public's analysis of the cost of the MEPCO energy and capacity, the MEPCO energy would be "less expensive in total than the fuel cost from other sources." (D-57) This analysis was presented by Mr. Louridas in his rebuttal testimony. On cross-examination, however, Mr. Louridas confirmed that his estimates for the per-barrel fuel costs of the MEPCO purchase were understated for all of 1981, the only year for which Mr. Louridas performed an analysis. Furthermore, although the record shows that the Canadian Petroleum Compensation Board ended its oil subsidy in March of 1981, it is unclear whether and to what extent Mr. Louridas used the subsidized oil price for Coleson Cove in his analysis or whether he assumed a nonsubsidized price. With the record in this rather confused state, we are unable to determine whether the Company is correct in its analysis of the economics of its additional 10 MW participation in MEPCO. Given the Company's concession that this capacity is not needed to meet load, and given the lack of unambiguous support in the record for the Company's economic argument, we are constrained to conclude that MPS has not met its burden of showing the justness and reasonableness of the charges for 10 MW of MEPCO capacity. We accordingly disallow the adjustment.*

H. Normalization of AFUDC

Maine Public proposes, in addition to eliminating the AFUDC offset on 25% of its CWIP, to normalize the interest component of the remaining AFUDC. (See MPS Exhibit 1, Livingston Prefiled) Mr. McCabe supported this position on philosophical grounds, (McCabe prefiled at 36), while the

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* In the event that we have misperceived the import of the record, or if it concludes that further information will clarify matters, MPS has the option of petitioning for reconsideration of this, or any other, aspect of our decision.

Company frankly asks for this treatment in order to improve its cash earnings. The Commission continues to believe that its position on this issue, most recently articulated in Central Maine Power Company, Re: Proposed Increase in Rates, Docket No. 80-25, at 44 (October 31, 1980), remains basically sound. Current ratepayers who provide the revenue against which the interest tax deduction is taken should enjoy the benefits of the deduction. As was true of the Company's CWIP argument and its flow-through argument we think it best for the purposes of this case to treat the Company's cash flow requirements in a later section of this Decision.

I. Flow-through

The Staff and the ACC advocate that the Commission should continue to flow through to the ratepayers the benefits derived by the Company from accelerated depreciation on all property subject to state income tax. They also argue that the Commission should flow through the tax benefits of accelerated depreciation with respect to all pre-1970 property as well as all post-1969 replacement property. The Company, while conceding that the Commission has the legal right to accept the ratemaking treatment proposed by the Staff, urges the Commission to change its long standing policy and allow the Company to improve its cash flow by normalizing. MPS also asserts, for the first time in its Reply Brief, that if the Commission adopts flow-through, then the Company is entitled to have its accumulated deferred income taxes added to rate base.

In the first place, we continue to adhere to our flow-through policy, and will deal with the Company's cash flow problem in a later section. Furthermore, we cannot understand why the Company should be allowed to earn a return on taxes that neither the investors nor the ratepayers have paid. We accept the position taken by the Staff and the ACC.

J. Interest Synchronization

In its Brief, the Staff computes the Company's revenue requirement using an adjustment which calculates the level of annual interest payments which MPS will be making in the future. (Brief Exhibit 4, Page 13 of 16) As we explained in Re: Central Maine Power Company, 8 PUR 4th 277, 291 (Me. PUC 1975, Docket No. F.C.2072):

> The cost rate of debt and debt ratio used to determine the fair rate of return produce [] a weighted debt component. That percentage times the rate base produced the appropriate amount of interest to use in computing income taxes. Only in this way will tax expense be in balance with the other components of the revenue requirement.

Applying this very familiar adjustment, the Staff was able to determine the amount of federal income taxes which the Company will be called upon to pay given the level of earnings to be produced by the new rates.

In its Reply Brief, the Company complains bitterly that the Staff never informed the Company that it would be proposing the same interest synchronization adjustment which the Commission has been making for many, many years. We reject the argument, apparently offered by the Company, that it had no notice of this issue. Interest synchronization is a basic adjustment accepted by this Commission in many published decisions. The utility, and not the Staff, had the burden to show that for some reason the adjustment is improper in this case.

The Company further argues that since its test year federal income taxes were $68,312, the Staff's adjustment unrealistically "takes the taxes down to zero." The flaw in this argument is that the adjustment is made not to test year taxes, but to the taxes that the Company will be paying given the revenue requirement authorized by the new rates. Not to make the adjustment would be to deny to ratepayers the benefits flowing from the fact that interest payments are legitimate tax deductions. We reject Maine Public's assertion.

K. Regulatory Expense

During the Company's 1980 test year, two unusual regulatory expense items occurred. One, amounting to $28,838, stemmed from the Company's involvement in the Maine Yankee shutdown case; the other, amounting to $29,794, from litigation before the Federal Energy Regulatory Commission over Maine Public's wholesale fuel surcharge. Mr. Livingston testified (F-36-38) that the federal action had concluded, and that such a proceeding was not likely to reoccur. He also indicated that MPS did not anticipate that its legal expenses associated with the Maine Yankee case would continue at test year levels.

The Staff recommends a two-year amortization of these costs. The ACC characterizes them as unusual and non-recurring and argues that they should be disallowed for ratemaking purposes.

We concur with the position advanced by the ACC. The utility has the burden of demonstrating that the costs incurred during its test year are reasonably likely to recur in future years. Nothing in this record suggests that these expenses are of a recurring nature.

The Company complains that it did not have sufficient notice that the reasonableness of its regulatory expenses was an issue in this case, and cites Intermountain Gas Company v. Idaho Public Utilities Commission, 97 Idaho 113, 540 P.2d 775 (1975) for the proposition that the mere cross-examination of a utility's witness on an issue does not constitute sufficient notice to one utility that the issue is being raised.

There can be no question that "absent some prior notice [the utility] cannot be called upon to account for every allocation made, property purchased or other action taken." Central Maine Power Company v. Public Utilities Commission, 405 A.2d 153, 185 (Me. 1979)(emphasis supplied). However, we hold that the specific and detailed cross-examination of MPS's treasurer, Frank E. Livingston, conducted by counsel for the ACC with regard to these matters should have been sufficient to place MPS on notice that the reasonableness of its test year regulatory expenses was in issue. The questioning elicited the purpose for the expenditures and the likelihood that further expenditures for the same purpose would have to be made in the future. Indeed, Mr. Livingston was asked if the FERC proceeding was "non-recurring" (F-38) To anyone familiar with the basic principles of utility ratemaking, it should have been clear that the "recurring" nature of the Company's regulatory expenses was in issue. Maine Public had ample opportunity to put in evidence on the reasonableness of this expense by means of redirect examination of its witness or by filing rebuttal testimony. Thus, the opportunity to "meet the issue" was available, a condition apparently different from that prevailing in the Intermountain case.

We accept the ACC adjustment.

V. ATTRITION

The Staff and the Company appear to agree in important respects as to what attrition is and how it should be computed.

> "Attrition results from changes in the relationship among revenues, expenses, and rate base." (See Deprey Prefiled Testimony, Page 11)

The Staff and the Company both agree that attrition exists and that there should be compensation therefor. There is disagreement as to how much compensation should be allowed. The Air Force proposes that there be no adjustment for attrition since past high inflation is not expected to continue. The Commission disagrees with the Air Force. The

Committee recommends that there be no attrition adjustment because of anticipated reforms in rate structure which could produce favorable results, thus eliminating the need for an attrition allowance. The Commission disagrees with the Committee. The Attorney General's Office is opposed to allowing any attrition adjustment as it is speculative. The Commission does not agree with the Attorney General's Office. A regulated utility should be allowed a reasonable opportunity to earn a fair rate of return. In this case, the evidence presented shows that attrition exists. The remaining question then is the amount of attrition that exists.

The methodology used by the Staff and the Company was similar. Both witnesses started with the applicable adjusted 1980 test year results, developed growth rates for each, and applied the growth rates to the test year results in order to project the change in revenues, rate base, and expenses to May 31, 1982.

The Staff accepts all of the Company's projected growth rates in revenues and expenses except the .32% growth for jurisdictional sales. This figure was derived by comparing base revenues for the test year with those projected in the Company's budget. (See Cariani, Exhibit C-2, Schedule 1) Mr. Deprey, the Staff's witness, analyzed historical data in order to compute a 1.18% growth rate. (See Deprey, Page 14 and Appendix 13) After review of these growth rates, we find the Staff analysis and selection of a 1.18% growth rate to be just and reasonable.

There is one remaining disagreement between the Staff and the Company's attrition studies. This concerns the handling of a proposed adjustment to the test year to reflect increased MEPCO purchased power costs.

The Company proposes that the purchase power capacity item in the attrition allowance be adjusted by $300,000 to reflect twelve months of the unit purchase which commences November 1, 1981. The Staff proposes that this same component be increased by $175,000 in order to reflect the expense for seven months which coincides with its twelve-month analysis, June 1, 1981, through May 31, 1982. The attrition analysis would be distorted if this adjustment were included for the twelve-month period as recommended by the Company. Also, the specific impact of growth in revenues for the remaining five months was

not included. In addition, the Company would be collecting for this expense in advance of its occurrence on November 1, 1981. The $175,000 would have been appropriate if this expense were found reasonable. Since this adjustment was not allowed at this time, the $175,000 adjustment will be removed from Mr. Deprey's attrition analysis.

Mr. Deprey's attrition analysis is accepted by the Commission and only modified to reflect the rate base, test year, and cost of capital adjustments made elsewhere in this report.

The resulting analysis produces an attrition allowance of 0% through May 31, 1982. See Exhibits 11-13 for support of these results.

VI. THE SEABROOK SITUATION

The Attorney General and the Aroostook Committee urge that Maine Public Service should sell all or at least part of its entitlement in Seabrook, and that the Commission should deny the Company's request for an inclusion of 25% of Seabrook CWIP in rate base with no AFUDC offset plus a normalization of the tax deduction on the interest component of the remaining CWIP. The Staff takes the position that the Company has failed to meet its burden of proof as to the reasonableness of these requests, that, accordingly, the Commission should deny the extra relief but that the Commission should initiate and quickly conclude an investigation, pursuant to 35 M.R.S.A. §296, into the relative merits of having MPS sell all or a part of its Seabrook interest. The OCS and the ACC oppose any investigation.

The Company insists that the record in this docket supports its decision to continue its Seabrook investment as being in the best interest of present and future ratepayers. The Company also argues that for various reasons the ratemaking treatment advocated by the other parties is unrealistic given the current situation and would, in effect, put Maine Public Service to the financial sword. We proceed to evaluate the Company's fiscal integrity.

A. Financial Overview of Maine Public Service

No party in this docket has questioned the Company's assertion that its current financial picture is grim. The testimony of the Company's treasurer, Frank E. Livingston, on

this point stands uncontradicted: MPS's participation in the Seabrook project has exhausted its capacity to issue senior securities of any kind. Worse still, even if its rate request is granted in full, the Company's ability to meet the $5-8 million annual cash requirements of its construction program is uncertain.

As of November 30, 1980, the Company's common stock was selling at 53.4% of book value, precluding, for all practical purposes, any new issuance of common stock. (MPS Exhibit #1, Livingston Supplemental at 1) Because of poor earnings during the test year, Maine Public is legally precluded from issuing bonds. As explained by Livingston, the Company's Indenture of Mortgage and Deed of Trust requires that prior to the issuance of new long-term debt, the Company must be in a position to certify that its actual pre-tax earnings over the twelve-month period prior to the issuance of its new debt were at least sufficient to cover two times the interest on the Company's outstanding long-term debt, adjusted to account for the issuance of the new debt. (Id. at 3) Test year 1980 showed a 1.9 coverage, legally precluding the Company from issuing bonds. Preferred stock financing, which requires an even greater coverage ratio, is also out of the question. (Id. at 1)

The prospects for short-term debt financing are no more encouraging. On December 31, 1980, the Company had outstanding $8,100,000 in short-term bank loans. Mr. Livingston indicated that the banks holding the Company's paper are balking at the notion of extending further credit since the Company cannot give supportable assurances that the existing debt will be repaid from the proceeds of permanent financing. (Id.) Test year financial results also show storm signals to potential creditors. Cash earnings per share stood at minus twenty-nine cents and AFUDC comprised 110% of earnings. Again, no party disputes this picture, and we find Mr. Livingston's testimony on this point to be entirely plausible.

The Company's plans call for building up a level of earnings that will reach two and one-half times interest coverage, a level which Mr. Livingston concludes will allow the Company to issue 12 million dollars of mortgage bonds at 15-1/2 percent by mid-1982 with a BBB rat ng by Standard and Poor. He believes that if the Company can demonstrate to the banks a reasonable prospect for achieving these earnings, further short-term credit could be obtained sufficient to

permit the Company to meet its Seabrook construction payments. (Id. at 2) For the long term, until both Seabrook units are operational, Mr. Livingston flatly states that increasing amounts of CWIP will have to be included in the Company's rate base to preserve its ability to finance Seabrook.

Loring's witness, John McCabe, agreed with Mr. Livingston that so-called normal regulatory revenues would not permit the Company to continue its construction program. After normalizing the income tax deduction on AFUDC -- producing additional cash revenues of $524,827 for the Company -- Mr. McCabe advocated that the Company be allowed "extraordinary cash rate relief" amounting to $564,843, an amount he felt was sufficient to permit the Company to issue long-term debt with a 2.1 coverage ratio.

Our review of the record convinces us that the parties are correct in their assertion that the magnitude of the Company's Seabrook construction program has reached the point where normal regulatory revenues -- the level of revenues to which the Company would be entitled after the Commission implements all of the adjustment it normally and appropriately makes -- will leave the Company unable to continue its participation in Seabrook. Accordingly, we must now decide what standards should govern in such situations.

B. Standard of Review

The Staff, the Attorney General and the ACC all assert, in one form or another, that all or part of Maine Public's investment in Seabrook represents an investment in unneeded capacity. From this, it follows that the expenses associated with the plant should not be borne by ratepayers, be it in the form of CWIP, extraordinary cash rate relief, normalization adjustments or in any other form.

In establishing the standard of review which ought be used to evaluate the reasonableness of the utility's construction policies, a general review of Title 35 proves useful. As a general rule, electric utilities need not seek approval from this Commission prior to the construction of plant. It is true that the Commission must approve the encumbering of utility property, 35 M.R.S.A. §211, and therefore has some measure of control over the utility's financing practices. However, in the normal course of events

the utility finances its construction on a short-term basis without Commission approval and then applies for authority to issue bonds at a time just prior to the issuance of the debt, the proceeds of which are used to retire the short-term debt. In short, the plant is all but built before the Commission enters the picture.

Without any requirement that utilities receive Commission approval prior to constructing plant, few statutory checks on over-capitalization exist. One is found in §52. There, the Legislature has directed that the utility is entitled to a fair return only on property "used or required to be used in its service to the public within the State ... ." If in a rate proceeding a utility cannot meet its burden of showing that a particular item of plant fits §52's standard, then the Commission will not permit the utility to earn a return on the investment. In a sense, therefore, utilities are free to construct whatever plant they deem necessary to provide service, but face the risk that in a subsequent rate proceeding, occurring after the plant has been built, an investment will be judged to be needless.

A second check on over-capitalization can be said to exist within the Commission's inherent power to control the acts and practices of utilities. Thus, if in the context of an investigation undertaken pursuant to §§291 or 296, the Commission were to determine that the utility's construction policies were resulting in over-capitalization or that a particular construction project represented a needless investment, §292 would appear to afford the Commission sufficient authority to order that different practices be adopted. As was true of the §52 check, however, there exists a substantial likelihood under the §291-296 scenario that the investment will be committed in substantial part before Commission action is forthcoming. And, of course, this check can only function if a ten-party complaint is filed under §291, or if the Commission, after summary investigation, elects to initiate a formal investigation under §296.

Thus, with one notable exception, an electric utility may proceed to construct plant -- unless, after notice and an opportunity to be heard, it is ordered to do otherwise -- with the proviso that if the construction is held to be unnecessary in a rate proceeding, no return may be earned on the investment. The exception concerns the construction of certain electric generating and transmission facilities within the State of Maine. 35 M.R.S.A. §13-A. Under §13-A, an electric utility proposing to construct a large generating facility must

first secure a certificate of public convenience and necessity from this Commission. The purpose of the precertification requirement, as explained in ou Sears Island decision, is to "prevent the over allocation of resources to public service and the inefficiencies and costs that would result from such over allocation." Order at 5-6. The statute recognizes the massive capital investment required to construct such a facility and furnishes the Commission with a vehicle to forestall a needless investment before it is made. The Commission must, under §13-A, specifically find that the proposed plant meets a r d for capacity in the most economical and reasonable matter. Id. at 6.

Placing §13-A in the context of Title 35's general scheme, we see that with respect to most investments, the Legislature has decided that §§52 and 294, discussed previously, provide sufficient checks against over-capitalization. In §13-A, however, it appears to recognize that given the potential magnitude of an investment in a generating facility, the Commission should be satisfied that the investment is necessary before the utility actually commits the funds. This requirement, however, applies only to projects being constructed within the State of Maine. It does not apply to investments in out-of-state facilities such as the Seabrook generating plant. Thus, an electric utility can commit itself to an investment that will significantly increase its rate base without first submitting its plans to the Commission for review and approval.

This case illustrates the potential consequences of such a legal anomaly. Maine Public Service estimates that it will invest some 57 million dollars in Seabrook, while its present rate base is roughly half of that figure. Issues are now being raised, after the fact, about the necessity or wisdom of that investment. And yet the Company has already made substantial financial commitments to the project, commitments which it may not be able to alter or abandon without grave consequences to its credit standing, its future costs of borrowing, and, therefore, to its ratepayers. Such a situation places the Commission in a position wherein the scope of its power to remedy the problem is severely limited by the lack of previous analysis of the wisdom of the Company's plans and by the practical consequences to the Company and its ratepayers of any immediate and drastic action to reverse those plans before their wisdom can be fully assessed.

Nevertheless, the problem is before us, and we must consider what standard should apply where, as here, the wisdom of a utility's investment in an out-of-state generating facility is placed in issue. Practically speaking, the same issues that must be explored in a §13-A proceeding are also relevant: has the utility met its burden of showing that its investment will meet a need for power, and that purchasing the proposed capacity is the most reasonable and economical step to take considering all available alternatives? This, of course, leads us to the question whether a §13-A-style proceeding should obtain within the confines of a rate case. We think not.

Under §§64 and 69, the Commission has a total of nine months during which it may investigate the reasonableness of the utility's proposed rate change. That is the maximum amount of time allowed the Commission to consider each of the many complex issues that have commonly arisen in rate cases. Until recently, however, no limit was placed on the amount of time which the Commission could spend investigating the need for constructing in this State a large generating station. Only recently has such a limit been added, 1979 Me. Laws, ch. 265, and that limit is, in the aggregate, eighteen months -- precisely double the amount of time allotted the Commission to investigate and decide a rate case. In light of that fact, is it reasonable to cast upon the utility the same burden which it would shoulder in a §13-A proceeding? We conclude that it is not.

The Commission's experience in the Sears Island case shows that evaluating load forecasts and reviewing alternative sources of energy can and should be a painstaking and very difficult process. From the time Central Maine filed its petition until the issuance of the final Order, the Sears Island case remained on the docket of this Commission for thirty-one months, roughly three-and-one-half times as long as the maximum statutory rate suspension period. The extremely hectic schedule that obtained in this rate case is argument enough that a full blown §13-A proceeding simply cannot be conducted within the time fixed by law for a §69 investigation where all the usual revenue requirement issues must also be addressed.

What, then, should our standard be where, as here, a utility asks the Commission to change its ratemaking policies in order to improve the utility's cash flow and so make possible its continued participation in the construction of an out-of-state generating facility? We believe that the utility must show, first of all, that normal regulatory revenues such

as would result from our ordering implemented the adjustments usually made in such cases, will preclude further participation by the utility in the plant. Obviously, if no extraordinary cash requirements are shown, then none should be allowed for any reason. The Commission may be motivated by what it learns in the course of a rate proceeding to initiate an investigation to determine the wisdom of such an investment. If, after such an investigation, the Commission finds that the utility's construction policies will result in a needless financial firestorm, then appropriate action can be taken.

If, as here, the extra cash rate relief is shown to be necessary to keep alive the investment and the necessity of the investment is questioned, then the utility must show that the capacity under construction will be needed either to meet future load or to displace less economical capacity already on the utility's system and so significantly minimize the long-run costs of electricity. Such a standard allows parties to inquire into the basic soundness of the utility's load forecasting. It also leaves room for the kind of economic analysis performed in this case on the Seabrook plant. With respect to conservation, cogeneration and load management, these factors will be considered in assessing the need for capacity in the future. The standard precludes an exhaustive analysis of all conceivable alternatives. We believe that this standard adequately accommodates all parties to a rate proceeding, while recognizing the inherent impossibility of performing the exhaustive analysis required by 35 M.R.S.A. §13-A.

If the utility meets its burden under this standard, then it would follow that the investment is required and that the utility should be permitted an opportunity to achieve a level of earnings sufficient to support the investment by means of permanent rate relief. Again, the Commission will most likely conclude that although the utility has met its burden of proof under §69, further investigation under §296 should be had to determine in a more thorough manner the necessity of the investment.

If the utility fails to meet its burden of proof, then permanent relief should not be granted and the extra cash rate relief should be denied. The utility will be, practically speaking, compelled to divest itself of the investment with a consequent reduction of its need for cash earnings.

There may be some instances in which the record indicates that even though the utility has failed to meet its burden of showing that the out-of-state facility is required, some measure of relief beyond that generally granted should be awarded to prevent a financial disaster injurious to the ratepayers and/or the utility. The Commission's authority to authorize such relief as well as the statutory standard governing the exercise of that authority is found in 35 M.R.S.A. §311.

With these standards in mind, we proceed to evaluate MPS's request for extra cash rate relief beyond that which would normally and usually be allowed.

C. The Need For Power - The Company's Load Forecasting

In June of 1977, MPS completed a load forecast which called for an annual compounded rate of growth of the Company's peak demand amounting to 5.7%. (Staff Exhibit 1) The forecast was premised upon an exponential extrapolation of historical data, in conjunction with the MPS planning department's evaluation of other factors. (D-14) From this forecast, the Company concluded that additional capacity would be required in the future. After considering a variety of alternative capacity purchases, the Company, in 1978, committed to a 1.46056% share of Seabrook units #1 and #2, entitling it to 16.8 MWs in each unit, or a total of 33.6 MWs.

In 1979, the Company performed another load forecast again based chiefly on the extrapolation of historical growth data. Staff Exhibit 3. This forecast predicted a 3.7% growth rate, down significantly from the 5.7% projection made in 1977.

The Company's most recent forecast projects a somewhat slower general growth rate of 2%, adjusted for the inclusion of two "spot loads" -- Loring Air Force Base (1981) and Superior Mining (1985). (Exhibit GMH-4)

As explained by Mr. Hovey, the 2% figure could more accurately be described as a target, rather than a prediction. (D-31) He stated that the Company doubted that it could finance sufficient new generating capacity to meet much more than the 2% figure, and characterized that level as "the lowest end of a forecast we believe that is prudent." The Company's current load and capacity forecast under its 2%-plus-spot-load view, are set forth in Exhibit GMH-4, which assumes the availability of Seabrook Unit 1 in 1984 and Unit 2 in 1986:

MAINE PUBLIC SERVICE COMPANY
LOAD & CAPACITY FORECAST
2% PEAK LOAD GROWTH PLUS SPOT LOAD

	Peak Load -MW-	Spot Load -MW-	Total Peak Load -MW-	Required Reserve -%-	Capability Responsibility -MW-	Available Capacity* -MW-	Surplus (Deficiency) -MW-
1981	110.1	7.5	117.6	15	135.2	148.5	13.3
1982	112.3	7.5	119.8	15	137.8	148.5	10.7
1983	114.5	7.5	122.0	15	140.3	151.9	11.6
1984	116.8	7.5	124.3	15	142.9	165.9	23.0
1985	119.1	15.0	134.1	16	155.6	155.3	(.3)
1986	121.5	15.0	136.5	17	159.7	172.1	12.4
1987	124.0	15.0	139.0	18	164.0	172.1	8.1
1988	126.4	15.0	141.4	19	168.3	172.1	3.8
1989	129.0	15.0	144.0	20	172.8	172.1	(.7)
1990	131.5	15.0	146.5	20	175.8	172.1	(3.7)

*Available Capacity consists of all existing and committed generation, entitlements, and purchases. See Exhibit GMH-2.

The reliability of the Company's load forecasting methodology is undercut by several factors. The Company's consolidated system peak load has remained fairly constant for the past four years, as the following chart indicates:

YEAR	PEAK (MW)
1976	104.3 (per GMH-5)
1977	98.7 "
1978	104.0 "
1979	101.8 "
1980	104.7 (D-10)

Had the Company employed the load forecasting method used prior to its 1977 forecast -- which consisted basically of extrapolating five years' of historical growth data -- in its most recent projection, a zero load growth forecast would emerge.

The Company's apparent continued reliance on the historical growth method of load forecasting does not seem to be well placed. In the first place, the Company itself has had very little success using the method to compile accurate load forecasts. Over the years, projected annual load increases of 5.7% in 1977 and 3.7% in 1979 have simply not materialized.

It would also seem that the historical growth extrapolation method is inherently suspect given the current economic climate. If all of the variables that contributed to a particular rate of growth over a particular period remain constant, then extrapolating a level of growth using available load data might represent an acceptable approach. However, when significant new forces emerge to alter the old rules of the marketplace, a different type of forecast -- one that attempts to identify and account for the effect of these forces -- should be implemented.

There can be no doubt that the economic, legal and regulatory environment for electric utilities has changed greatly in the past ten years. The Arab oil embargo followed by a chronic oil price spiral, dislocations in the capital markets attended by wildly fluctuating interest rates and the general onslaught of price inflation have had a profound effect upon electric utilities and their customers. Predictably, and

understandably, utilities have sought and received steady increases in base rates and fuel charges. The consumer, finding himself facing increasing electric rates and a shrinking disposable income, appears to have reacted by using less electricity and, perhaps, producing some for his or her own use. A straightforward application of the historical projection method could not hope to capture this crucial effect, particularly since in constant dollars electric rates had decreased for many years.

In fairness to the Company, it should be pointed out that Mr. Hovey and Mr. Louridas insisted that forecasting calls for the exercise of judgment, that they had not blindly made a linear projection from the past, and that they had, in fact, identified several new loads other than Superior Mining and Loring which they anticipate serving in the near future. (Hovey Rebuttal Testimony at 3) The Company also complains that it "does not have the 'luxury' of predicting a zero load growth as some of our intervenors have suggested." (Brief at 49)

We believe that the consequences of an overstated load forecast to the utility, as well as its consumers, is comparable in severity to the consequences of an understated load forecast. If the Company fails to have sufficient capacity to meet load in the future, consumers can expect to pay higher rates as the Company buys whatever power is available on the regional grid. Generally speaking, this power, if available, will be the most expensive power in the region, since the more economical power will have been dispatched to those utilities having the necessary commitments. Under some circumstances, there may be no power available at any price, and brownouts or blackouts may precede the exodus of industrial and commercial customers disillusioned about the ready availability of reasonably priced electricity in the service territory.

Drastic as such a scenario may be, it is equally clear that neither MPS nor its consumers have the "luxury" of following an overstated load forecast and purchasing fabulously expensive capacity which fails to help minimize the cost of power. The testimony given by members of the public in this docket indicates that many consumers believe they are approaching the limit of their capacity to meet the charges now imposed by MPS for electric service. A needless investment in expensive capacity translates into needless rate increases.

Ever more sobering, as the price of electricity increases, stimulating conservation and cogeneration, the utility may find itself spreading mounting costs over shrinking energy sales, which, in turn, further stimulates conservation and cogeneration, further aggravating the problem of excess capacity.

The economic revolution stimulated by the aftermath of the 1973 energy crisis coupled with the staggering increase in generating capacity construction costs makes the load forecast a crucial tool in system planning. These same factors, and others of near equal significance, render the traditional historic growth analysis method of load forecasting inherently unreliable. Finding Maine Public's projections to be based chiefly on this method, we are compelled to reject the forecast.

The Spot Loads

In addition to a 2% compounded general increase in load, the Company adjusted its forecast to account for two spot loads - Loring Air Force Base and Superior Mining. The treatment in load forecasting of major known accretions to load expected to occur in the future depends upon the type of load forecast employed. With some methods, an adjustment can be proper. With others, the forecast may be structured in such a way that the inclusion of all or part of the load would serve to overstate growth. In short, a spot load adjustment should be made or not made depending upon the methodology underlying the particular forecast. Thus, our rejection of the Company's base line load forecast leaves us without occasion to determine whether such adjustments were proper, or whether the general projected increase in load already contained an allowance for the spot loads. In any event, our review of the record leads us to question the process by which the loads were integrated into the MPS forecast.

Loring's witness, Mr. McCabe, indicated that Loring had substantial reserve capacity and that the use of that capacity to "peak shave" was currently under study by the appropriate authorities. (G-59) He indicated that Loring would have 4 MW of its own capacity and that these units could be used to shave 800 KW off of the peak. (G-59) He also indicated that in the rate structure phase of this proceeding, he would propose an interruptible rate for Loring. (G-60) Furthermore, the evidence in the record suggests that Loring's load at time of MPS system peak may be less than the 7.5 MW projected by the Company.

The notion that Loring will be able to take service on an interruptible basis should be developed to the maximum extent possible by both MPS and Loring. In fact, 35 M.R.S.A. §92 contains an express legislative finding that improved rate design has "great potential for reducing the cost of electric utility service to consumers ... and for minimizing the need for expensive, new electrical generating and transmission capacity." If an nterruptible rate can be designed under which Loring's load can be deleted during system peak hours, the Legislature's findings and the policy stemming therefrom can be implemented. We will expect MPS to propose such a rate in the course of the upcoming rate structure investigation which recognizes the avoided cost principles embodied in Maine's Small Power Production Facilities Act and Chapter 36 of the Commission's Regulations. These precepts may prove to be a useful tool in the design of an interruptible rate.

Our review of the record suggests that the Company's other spot load adjustment also has uncertainties attached. The Company predicts that in 1985, Superior Mining will begin exploitation of a massive copper deposit on Bald Mountain, a locale within the Company's service territory. Superior has placed $50,000 in a trust account with the provision that Maine Public may draw on it to defray preliminary engineering costs associated with the construction of a transmission line into the mining site. Company officials again estimate a 7.5 MW Superior load coincident with Maine Public's system peak; although Mr. Louridas conceded that a lower figure could be used. (C-34)

The record shows that a variety of factors could intervene to undercut the validity of the Superior Mining adjustment. The project is dependent upon the tax and environmental approach taken by the State of Maine, Superior's ability to acquire the land on reasonable terms, (Exhibit GMH-8), and the soundness of the world's copper market. Also unclear is whether Superior will be in a position to cogenerate. Mr. Hovey indicated that Superior does not "know as yet whether it will be [cogenerating] or not," although it appeared to Mr. Hovey that cogeneration is not likely. (D-146)

Again, we will expect that in connection with Phase II of this proceeding, the Company will pursue all reasonable means to encourage Superior to cogenerate, peak shave, or configure its operation in such a way as to make an

interruptible rate possible. Unless some financial contribution from Superior to aid in the construction of Seabrook is obtained, Maine Public's current customers may be compelled to pay today for generating facilities required, in Mr. McCabe's words "to service a speculative new customer." (McCabe prefiled at 51-52)

Reserve Requirement

The Company's capacity planning calls for a gradual increase in its reserve requirement from the current 15% to 20% by 1990. Three reasons are advanced to justify the increase. First, the MPS system relies on the New Brunswick Electric Power Commission as a source of backup generation. By contractual agreement with NBEPCo, Maine Public must retain a 15% reserve, although New Brunswick's reserve is 20%. The Company takes the position that NBEPCo may, in the future, require MPS to match its 20% reserve. Second, the Company does not have complete confidence in its load forecast and believes a higher reserve should be implemented to guard against capacity shortages. Finally, the Company believes that its increasing dependence on large nuclear plants -- Seabrook and Maine Yankee -- requires a higher reserve.

Whether or not NBEPCo will require MPS to increase its reserve to 20% is highly speculative. Given the high cost of generating facilities, MPS should bargain very hard to avoid such an imposition, particularly where no clear need to improve reliability exists.

The Company's decision to expand its reserve capacity to offset for the possibility of understated load forecasting appears to us to confuse two separate principles. A utility's level of reserve capacity should be calculated in relation to the existing system reliability. A utility heavily dependent on a limited number of large generating facilities should have a larger reserve capacity than a system with a well-dispersed generation mix. The strength of the utility's interconnections must also be closely evaluated. If the utility's reserve capacity meets the requirements of system reliability, then the analysis is complete. Difficulties in load forecasting should be met by appropriate adjustments to the load forecast, not by adjusting the reserve requirement.

We are also somewhat skeptical about the Company's assertion that its position in Seabrook will decrease system reliability. Seabrook consists of two separate units, MPS

having 16.8 MW entitlements in each. The per-unit Seabrook entitlement is less than half of the Company's 40.9 MW entitlement in Maine Yankee. Even in the extremely unlikely event that both units of Seabrook were to be forced out simultaneously, the chances that Maine Yankee would also be down during peak periods is slight. We cannot conclude that a position in Seabrook I and II would significantly lower Maine Public's system reliability.

The Maxwell Forecast

Alfred Maxwell, of the Maine Office of Energy Resources, presented a Technical Report entitled, Electricity Demand in the Maine Public Service Marketing Area: An Econometric Forecast. (See Attorney General's Exhibits 37 and 38) The Maxwell forecast employs the same methodology used by Dr. Thomas H. Tietenberg and Mr. Maxwell in the recent Sears Island case.* The econometric forecast begins with an analysis of historical data in an attempt to establish the existence of relationships between electric energy consumption and certain exogenous variables, such as population, employment, income and prices. The forecast then proceeds on the notion that

> the combination of economic and demographic variables used to form the statistical relationships in the forecasting equations have pronounced impacts on the demand for energy and power; and that since these variables can be projected with a relatively greater level of certainty future energy and power demand can be determined within a margin which can indicate the magnitude of financial investment necessary to meet that margin.

Technical Report at 1.

The Commission, in the Sears Island decision, condoned as "sound" the econometric forecast. Order at 11.

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* Central Maine Power Company, Re: Petition for Certificate of Public Convenience and Necessity to Erect a Permanently Installed Power Generating Facility of More than 1,000 Kilowatts at Sears Island, Maine, Docket No. U. 3238 (Me. PUC December 31, 1979).

The Company makes three specific objections to Mr. Maxwell's forecast which we proceed to discuss. First, MPS asserts that Mr. Maxwell mistakenly included the Company's non-firm sales to NBEPCo in this forecast of the Company load. Our review of the Technical Report shows that the Company's non-firm sales to NBEPCo was treated properly. Mr. Maxwell's forecast of the Company's energy sales includes a reasonable estimate of the level of non-firm sales to NBEPCo. (See Technical Report, at Pages 39 and 40) With respect to the forecast of MPS's peak demand, however, the Technical Report clearly states at Page 40, that non-firm sales to NBEPCo were assumed to take place during off-peak periods and, therefore, do not contribute to the Company's forecasted system peak. We believe that this assumption is reasonable and thus, conclude that MPS's concern regarding the treatment of non-firm sales to NBEPCo is misplaced.*

MPS also asserts that Mr. Maxwell's peak load forecast excludes two important loads: Company uses and losses, and firm sales to two Canadian municipalities. The Attorney General in response asserts that its forecast does reflect these two loads.

The resolution of this dispute requires an understanding of the forecasting methods used by Mr. Maxwell. Mr. Maxwell obtained historical energy consumption and peak demand data from the Company. (See Attorney General's Exhibit 13) He then analyzed this data to derive a forecasting equation which reliably expressed the relationship between the Company's historical peak load and the major components of its actual energy sales and the historical weather conditions. The final forecasting equation is shown on page 26 of the Technical Report. A review of this equation and the underlying data shows that Company uses and losses, and its sales for resale to Canadian municipalities are not included as exogenous

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* It should be noted that this conclusion is based upon the belief that the historical peak loads analyzed by Mr. Maxwell do not include non-firm sales to the NBEPCo. As discussed above, Mr. Maxwell's peak load forecast implicitly includes all loads which are reflected in the historical data.

variables. This might lead one to conclude that the resulting peak load forecast fails to reflect these two components of the Company's load. Such a conclusion, however, would be wrong. The forecasting equation expresses the mathematical relationship between an independent variable, in this instance peak load, and several exogenous variables. Whether the list of exogenous variables includes every factor which might affect the independent variable is not important, rather the inquiries are, 1) whether the exogenous variables selected by the forecaster bear some logical relationship to the independent variable, 2) whether the exogenous variables explain the historical variations in the independent variable to a statistically significant extent, and 3) whether the exogenous variables and the forecasting equation are statistically reliable.

If these tests are met, as they are in this case, then the forecasted values of the independent variable will be reasonable. To determine precisely what components of the Company's load are reflected in the forecasted peak depends not on the exogenous variables but rather upon the components that were included in the historical peak load data used to derive the equation. Our review of the data underlying Mr. Maxwell's forecasting equation shows that the data represented the Company's consolidated system peaks. Mr. Hovey's testimony and the Company's established data, reports and procedures (See 1979 Report to Stockholders, MPS Exhibit 2, Exhibit GMH-2), show that Company uses and losses as well as its sales to the Towns of Perth-Andover and Carlingford, are included in the Company's consolidated operating statistics.* Therefore, we find that the three errors asserted by the Company do not exist.

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* We note, however, that there is a discrepancy between the data reported in the Company's FERC Form One and the data contained in Attorney General Exhibit 13.

As acknowedged by Mr. Maxwell, the pure econometric load forecast must be modified to reflect the effects of structual changes which tend to change the relationships included in the model. The Commission recognized this as an inherent limitation of econometric load forecasting in the Sears Island case. Order at 24. Mr. Maxwell identified several such structural changes that were not fully captured in the forecast. They include the improved climate for cogeneration, the effects of PURPA, the effects of enlightened load management, implementation of building and lighting standards, and improvements in rate structure. (H-20-23) Mr. Maxwell conceded that his forecast failed to capture the full effect of any of these changes, and that the net result was a forecast tending to over-predict load growth. (H-42) With this provision in mind, Mr. Maxwell characterized his forecast as "somewhere between the middle and a maximum projection." (H-15)

The record shows that Maine Public's load forecast similarly failed to quantify the likely effects of these changes. (C-40, 100, 108, 109, 111, 114) The uncontradicted testimony of the ACC's three expert witnesses tends to suggest that the failure to assess the impact of these changes would throw the reliability of any load forecast into substantial doubt. Melvin Eisenstadt's testimony tends to support the conclusion that potential conservation measures in conjunction with the use of certain alternative renewable energy resources alone could result in a 14 MW savings. Mr. Eisenstadt and Mr. Hewitt discussed the strong possibility that cogeneration among the Company's consumers could have a drastic impact on MPS's system planning. Changes in the regulatory and tax climate now render investments in small scale power production facilities extremely attractive according to the testimony, also uncontradicted, of Elliot Taubman. Mr. Taubman also reviewed a broad range of progressive rate structure measures and load management techniques that could be implemented to reduce peak load growth and energy usage. This testimony, in light of Mr. Maxwell's frank acknowledgment that his failure to capture structual charges would tend to overstate projected load growth, lead us to the conclusion that Mr. Maxwell's forecast is in fact overstated. Given that finding, we deem it proper to evaluate the Company's Seabrook Economic Study assuming that the zero load growth assumption used in the study may come to pass.

D. Seabrook Economic Analysis

The Company, through Mr. Wah Sing Ng, presented an analysis of the economics of using Seabrook to displace energy which would have been generated by burning oil. The study purports to show that under a wide range of assumptions the construction and operation of Seabrook units 1 & 2 will result in savings approaching one billion dollars as compared to producing a similar amount of energy using oil-fired capacity. Ng prefiled at 10. In other words, one of the assumptions made for the purpose of the study was that MPS would not experience load growth during Seabrook's lifetime.

We have reviewed the Company's analysis of the economic benefits of retaining its ownership of 33.6 MW of the Seabrook units and, except as discussed below, find it to be a reasonable approach to the issue. In our opinion, however, the analysis is deficient in several areas. We proceed to discuss these areas as well as portions of the analysis with which we agree.

Fuel Costs

The Company analyzed the sensitivity of its conclusions by using escalation rates for nuclear fuel and oil which range from 7% to 15%. We believe that the Company's assumptions in this regard reasonably bracket the expected range of escalation of these fuels.

Cost of Money

MPS provided an analysis of the savings associated with its Seabrook investment using a weighted cost of capital of 11.53% and an alternative series of calculations assuming a 14.1% cost of capital. These costs were calculated as follows:

	Rate %	Ratio	Weighted
Debt	10.5	.55	5.775
Pro formed	11.0	.1	1.10
Common	13.25	.35	4.638
			11.513

	Rate %	Ratio	Weighted
Debt	13.0	.55	7.15
Pro formed	13.5	.1	1.35
Common	16.0	.35	5.6
			14.1

In addition, in response to a Staff data request, the Company provided as a late-filed exhibit yet another series of calculations based upon a 15.5% weighted cost of money.* In its Brief, the Company insists that the 15.5% figure is unrealistic.

The record shows that the Company intended to issue approximately 12 million dollars of long-term bonds during the next 12 months and that the interest rate is expected to be about 15.5%. The record also indicates that thus far MPS has invested $20 million in the Seabrook plant and that from $40 million to $90 million dollars of capital will have to be raised before the plant will be ready for service. (MPS Exhibit 1 and E-75) Interest rates have been at exceptionally high levels for many months and all indications are that these rates will drop slowly in the future. Given the fact that a substantial portion of MPS's investment in Seabrook will be made in the next few years we believe that the weighted cost of capital necessary to complete the Company's portion of the plant will be closer to 15.5% than the 11.1% assumed in the first portion of the Company's analysis.

Construction Costs

MPS's estimate of the total cost of its share of the Seabrook plant based upon data supplied to it by Public Service of New Hampshire is $57 million, of which $20 million has already been invested. The record indicates that Seabrook's construction costs have been estimated by architect-engineers using a so-called engineering approach. This method of estimating construction costs attempts to: 1) identify the costs of all major pieces of equipment, 2) quantify the amounts and costs of materials (wire, concrete, pipe, etc.) and, 3) estimate the amount of labor necessary to install equipment and materials. The sum total of all the costs of all of these "nuts and bolts" plus the Company's capital costs is the estimated cost of the plant.

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* The Examiner hereby admits the late-filed exhibit.

Dr. Richard Rosen testifying on behalf of the Attorney General estimated that the total cost of Seabrook will be approximately 7.7 billion dollars and that MPS's share will be $110 million or approximately four times Company's current rate base. Dr. Rosen reached his conclusion using a relatively new and interesting approach. He analyzed the construction costs of all commercial nuclear power plants except a limited number of older plants that were constructed pursuant to relatively fixed-cost contracts. Regression analyses performed on this data were used to determine how the cost of nuclear power plants varied with time, size and several other factors. Using these historical relationships, Dr. Rosen estimated the cost of the Seabrook units.

Dr. Rosen testified that the estimates prepared by architect engineers using an engineering approach have uniformly underestimated the final cost of nuclear power plants. He explained that this type of plant more than any other is subject to changing regulatory requirements and other factors which tend to increase the cost of the plant. In his view, traditional cost estimating techniques have simply proven to be unreliable for nuclear power plants.

We believe that Dr. Rosen has presented a well-reasoned approach to estimating the cost of nuclear power plants. We also note that cost estimates prepared by the constructors of these plants have been revised upward on a regular basis. It is hard to believe this trend will stop today and that, henceforth, all estimates of the cost of Seabrook will be accurate.

The Company's economic analyses of Seabrook were made using three construction cost estimates; the Company's current estimate, a 50% increase in construction costs, and a 100% increase in construction costs. In light of the discussion above, we believe that prudent planning requires MPS and the Commission to focus upon construction cost estimates which exceed the current estimate of $57 million and that increases in the range of 50% to 100% are not unreasonable.

Economy Purchases

The Company's witness, Mr. Ng, calculated the extent to which the Seabrook units would be used to meet the Company's load under two assumptions - zero load growth plus the load attributable to Loring Air Force Base and zero load growth without Loring Air Force Base. Under these assumptions, the

Company estimates that to meet its own load the Seabrook units will operate at an average annual capacity factor of 43.3% and 37.1%, respectively. The difference between the annual energy production at these capacity factors and the annual energy production at a 70% capacity factor was assumed to be excess nuclear energy which would be sold on an economy basis.*

The price which the purchasing utility usually pays for these economy transactions is midway between the purchasing utility's production costs and the supplying utility's production cost. For example, if the Seabrook production costs were 10 mils per KWH and the purchasing utility's incremental production costs were 40 mils per KWH, the selling price of economy sales would be 25 mils per KWH.

The rates for these types of sales, however, do not reflect the capital costs of the generating facility.. Thus, although the rate which the supplying utility receives will more than recover the operating costs, it may be less than the total bus bar costs of the generating plant which produced the power. Usually, this is not a concern because generating stations are constructed to meet the demands of the utility's customers and the customers can reasonably be expected to pay for the capacity-related costs. If a necessary plant can be utilized to produce energy for sale at a price above its production costs the revenue will reduce the cost to the utility's ratepayer. However, where the generating plant is not required to meet the demands of the utility's customers, ratepayers do not benefit from economy sales made at a price below the full bus bar cost of the plant except to the extent that they may realize a reduction in the costs which they would otherwise be asked to pay. Furthermore, the economic benefit derived from economy sales may not overcome the economic penalty engendered by the investment in excess of that required to meet load or displace oil-fired capacity.

We are therefore confronted for the first time with the question of whether a utility's current ratepayers should be required to pay for the construction of a plant a

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* Thus, with no load growth, approximately 40% of the energy MPS expects the Seabrook units to produce will be sold on an economy basis.

significant portion of which will be used to produce energy for sales to others. We believe the answer is "no". Where a utility is asking current ratepayers to help finance the construction of new generating facilities for the purposes of displacing oil-fired capacity, the new facilities should be sized in relation to the needs of utilities' ratepayers.

Capacity Factor

MPS's analysis is based upon the Seabrook units achieving a 70% capacity factor. Dr. Rosen testified that, based upon his review of historical data, a 60% capacity factor is a more reasonable estimate of the long-term capacity factor for plants of this size. We see no reason to base utility planning on the assumption that a new or proposed generating facility will perform significantly better than similar plants have performed in the past. Accordingly, on the basis of the record compiled in this case, we find that a 60% capacity factor is a reasonable assumption in analyzing a utility's proposed construction of a large nuclear generating facility.

Consumer Cost of Capital

The Company's analysis compares the future cost of energy from the Seabrook units including the Company's cost of capital with the future cost of energy from existing oil-fired generating units. It concluded that since the total cost of power from Seabrook is less than the production cost of oil-fired units, that it would be in the ratepayers' interest to construct the nuclear power plant. This analysis omits one important element of cost to the ratepayer - his/her cost of capital.

MPS is asking the Commission to require current ratepayers to pay a cost which, under our existing ratemaking policies, they would not have to pay until some future date. These ratepayer-supplied dollars must be raised by ratepayers from one source or another and can be done only at a cost to the ratepayer.

For some ratepayers the added cost may be met by withdrawing the dollars from interest bearing checking or savings accounts in which case the customer's cost of capital will be approximately 5%. Other ratepayers may be forced to increase their borrowings on credit cards which carry an interest rate in excess of 18%. Irrespective of the exact source of capital it is clear that a determination of the

savings to ratepayers which might result from the construction of the Seabrook units should take into consideration the consumers' cost of capital.

Castle Hill Cost Comparison

The Company also prepared an economic analysis of the development of a hydroelectric site known as Castle Hill and compared this project to the Seabrook units. As discussed earlier, we believe that the resolution of issues raised by the Company's investment in the Seabrook Nuclear Generating Station need not include an in-depth review of alternatives to this continued construction. Nevertheless, since the analysis was presented, we will comment briefly on two aspects. First, the cost comparisons presented by the Company contrast a 33.6 MW ownership in Seabrook with an 18 MW hydroelectric facility. Based on a comparison of the benefits of displacing oil by these two options, MPS concluded that the Seabrook alternative was superior. We believe that a more reasonable analysis would compare the economics of these alternatives on a per-unit basis. The question should be: what magnitude of savings would result from the construction and operation of 1 MW of Seabrook as compared to 1 MW of Castle Hill. In addition, the analysis should include a review of the comparative risks of the projects and the sensitivity of the results to various scenarios regarding future fuel prices and inflation rates.

Second, we agree with the Staff that the tax benefits recently granted by Congress to developers of hydroelectric facilities should be reflected in any comparison of these two alternatives.

E. Conclusion

Having discussed the standards which the Commission will apply to the issues raised by this proceeding and the evidence presented by the parties we are compelled to reach the following conclusions.

1. The Company's load forecast falls short of the type of analysis upon which investments of the magnitude of Seabrook can reasonably be based.

2. Mr. Maxwell's load forecast is a reasonable starting point, but due to the inherent limitations of econometrics, probably overstates the Company's future load growth.

3. MPS has not shown that its ownership of 33.6 MW of capacity of the Seabrook units is not required to meet the Company's future load growth.

4. Some level of ownership of the Seabrook units, but probably not the full 33.6 MW, may be justified based upon the savings which are likely to accrue to future ratepayers.

Based upon these conclusions, the Commission will immediately initiate an investigation limited to the following issues.

1. What portion of the Company's investment in the Seabrook units is required to meet the demands that the consumers will place on the Company's system?

2. What portion of the Company's investment in the Seabrook units is required to displace oil-fired generating capacity?

3. Are investments in alternative sources of power, superior to the Company's investment in the Seabrook units?

4. Can the Company divest itself of a portion of its investment in Seabrook on a reasonable basis?

VII. EXTRAORDINARY CASH RATE RELIEF

The ACC and the Attorney General urge a denial of any additional cash rate relief, taking the position that since Seabrook does not represent a wise investment, the Commission should not allow revenues sufficient to support it. Loring would have us grant some measure of extra relief, taking no position on the legitimacy of the Seabrook purchase. The Staff would deny the relief and press ahead with an investigation with the possibility of relief in the future. Maine Public argues that unless it is given sufficient revenues now to continue its Seabrook participation, it will be forced into bankruptcy, with a resulting permanent impairment of its credit worthiness.

Our calculations show that if no extra cash rate relief is granted, the Company will not be in a position to issue the secured debt which it must issue in 1982 in order to keep afloat its investment in Seabrook. It is certainly true that

if the Company were to sell one-half of its interest in Seabrook, its cash requirements would be greatly diminished. This, however, raises the questions (1) whether the Company could sell any part of Seabrook, (2) what price it might receive for its entitlement, (3) how long such a sale would take to consummate, (4) how soon after the sale would the Company receive the proceeds, (5) what portion of the proceeds would be available to MPS after all bondholders had been satisfied, and (6) what financing problems would the Company encounter pending its receipt of the proceeds of a sale? In short, if the Commission's rate treatment in this case were such that MPS would be forced to sell all or part of Seabrook, what sequence of events might take place?

In the period immediately following such a rate order, the Company might have severe difficulty obtaining credit from its bankers. This would be so, since the Company's ability to fund out an acceptable portion of its existing short-term debt would depend on its ability to unload at least part of its Seabrook commitment and lower the level of its regular construction payments. The record certainly discloses that the banks would not be acting with an excess of caution were they to conclude that the sell-down and pay-off solution might not prove workable.

Nothing in the record suggests that a ready market for Seabrook entitlements exists. Mr. Hovey, on cross-examination, stated that although Maine Public's management had given no thought to the possibility of selling its share of Seabrook, "when there are other companies that have amounts of it for sale and are having trouble selling it, then it would seem as though we could make a judgment that it would be fairly difficult for us to sell ours." (D-64) Attorney General's Exhibit 34, a February 4, 1981, Stock Prospectus issued by Public Service Company of New Hampshire, Seabrook's lead owner, suggests that sales of Seabrook shares might prove difficult and time-consuming. PSNH's storied struggle to divest itself of a portion of Seabrook is discussed at pages 5 to 6 of the Prospectus. The discussion reveals that although PSNH began offering shares in 1979, it was not until January 31, 1981 that some of the utilities that had committed to buy were able to begin their participation in the plant. Three of the utilities seeking an interest -- Massachusetts Municipal Wholesale Electric Company ("MMWEC"), Taunton Municipal Lighting Plant Commission and the New Hampshire Electric Cooperative, Inc. -- had not received their required regulatory approvals at the time the Prospectus was issued, some eighteen months after PSNH's initial offering. MMWEC's participation was conditioned

both on its obtaining regulatory approval and sufficient financing. Given the general notoriety and controversy surrounding Seabrook, the difficulty actually experienced by PSNH in selling shares, the fact that by the terms of the Seabrook Joint Ownership Agreement, ACC Exhibit 6, the market for Seabrook consists only of New England electric utilities, and the possible need for securing regulatory approval on the part of the purchasing utility, we are driven to conclude that a sale of any significant portion of MPS's share would take many months to consummate. We believe on the basis of the record now before us that one year is a best-case time frame for the period between offering and closing.

Without objection, official notice was taken of the various cases in which Commission approval of MPS mortgages were sought and granted pursuant to 35 M.R.S.A. §211. The text of the mortgages makes plain the fact that the proceeds of any sale of Maine Public's Seabrook interest would not flow immediately into the Company's coffers. The Company's 1945 Indenture of Mortgage and Deed of Trust continues to govern the disposition of the proceeds of any sale of property subject to the lien of any MPS bond. Section 7.02 of the 1945 Indenture indicates that prior to releasing any bonded property from the operation of the lien, the Trustee representing the interests of the debt holders must receive cash in an amount equal to the fair market value of the property released. It would therefore appear that at the closing of the sale of Seabrook, the Trustee would issue his or her release only upon receipt of the cash derived from the sale.

Under what circumstances could the Trustee make the cash available to MPS? The portions of Article 8 of the 1945 Indenture relevant to our discussion provide that the cash can be released if the Company certifies that new bondable additions have been added to the Company's plant or that bond retirements or redemptions can be made. Logically enough, it does not authorize the Trustee to release the property to pay down Maine Public's short-term debt, since that would cause a shrinking of the bondholders' security. It would thus seem that the Company would be forced to redeem or retire all of its long-term debt before it could pay down its high-interest, short-term obligations.

Redemption of outstanding debt would seem to be the most likely course to take, but once again time constraints must be considered. Cash could be released for redemption only upon the presentation of a variety of certifications to the

Trustee. Also required would be an opinion of bond counsel sanctioning the release, an opinion that would take some time to prepare.

Completely aside from these factors, complications also exist stemming from the Tenth Supplemental Indenture issued in conjunction with certain bonds by MPS on October 1, 1979. This instrument specifically pledges Seabrook as security for the long-term debt and also, in §2.02, forbids the redemption of the 1979 bonds until 1989, except under certain circumstances. We are not prepared to speculate how this provision might affect the Company's ability to secure the proceeds of a Seabrook sale from the Trustee, except to conclude that it would render the preparation of a reliable bond counsel's opinion somewhat difficult and time-consuming.

In the interval between the issuance of our rate decision in this case and the consummation of a sale of all or a portion of the Company's Seabrook entitlement, the ability of the Company to maintain its interest in Seabrook is questionable. The Company's commercial lenders would understand that Maine Public's financial viability would depend upon a hasty sale of its Seabrook interest, stanching the flow of cash from MPS to PSNH. They would also understand that the proceeds of the sale could only be used to retire bonds with relatively low interest rates by today's standards, and not the high-interest paper taken by the commercial lenders.

In any event, it does not seem to be possible for the Company both to issue the long-term debt it must issue in 1982 in order to reacquire its access to the short-term credit market and also to continue its payments to PSNH for one full year. Since we have found that it would take at least one year for the Company to locate a buyer, negotiate a sale and close the deal, MPS might have to default on its Seabrook payments or on its credit obligations. Leaving entirely aside the question of the effect of either type of default on Maine Public's standing in the capital markets, we proceed to review the default provisions of the Seabrook Joint Ownership Agreement ("JOA"), ACC Exhibit 6.

Under Article 25, paragraph 2, of the JOA as it presently stands, after a participant has failed for five months to make its payments when due, PSNH may declare that a default has occurred and terminate the participant's interest in the plant. The termination has the effect of disenfranchising the defaulting utility from any interest in the power or capacity

of Seabrook, and the defaulter's interest passes to PSNH. The defaulter must pay over all sums due under the JOA, or in other words almost one-half of a year's construction advances. In addition, it must pay as liquidated damages the lesser of (a) 25% of its net investment in the plant, or (b) 25% of the fair market value of the plant. After the defaulting utility has made good on its arrears and paid over the liquidated damages, PSNH is then required to pay over the lesser of (a) 75% of the defaulting utility's net investment, or (b) 75% of the fair market value of the defaulter's interest. If these provisions were invoked today and a net investment approach were taken, MPS would lose on the order of 5 million dollars based on its December 31, 1980 investment. Furthermore, it is difficult for us to believe that the Company's bond holders would remain on the sidelines while a significant piece of their pledged security was being forfeited. Litigation would be a likely course to pursue.

The Examiner recommended that we grant Maine Public Service additional rate relief at this time to enable it to maintain its credit and to restore its ability to attract capital pending a Commission investigation of the Company's power supply planning. The Examiner suggested that these rates be temporary and remain in effect for no longer than one year.

After reviewing the exceptions filed by the parties, we conclude that such temporary rates are not clearly warranted on the basis of the record at this time. The hearings in this case have focused on the Company's permanent rates, including rates to support its construction program, assuming that that program continued unchanged. The issue of temporary rates to sustain the Company's financial viability pending an investigation of the wisdom of that construction program has not been specifically addressed, except in the Examiner's Report.

As the Staff points out in its exceptions, a variety of factors should be considered before the Commission makes a decision on the need for, and the level and duration of, any such temporary rates. The Commission should consider the length of time required to complete the power supply investigation, the Company's actual need for cash during that time, other sources of funds available to the Company, the effect of the Seabrook Joint Ownership Agreement's five-month grace period, and the likelihood and consequences of any default by the Company. In addition, particularly since this Order differs in some respects from the Examiner's Report, it is conceivable that the Company may conclude that its earnings under the new revenue requirement will permit it to continue without additional relief.

Thus, we conclude that temporary relief should not be granted at this time. Maine Public Service is, of course, free to petition the Commission under 35 M.R.S.A. §311 for temporary rate relief at any time, and if it decides to do so, we have enumerated the issues which we believe should be addressed in considering whether such relief should be awarded.

VIII. FUEL CONSIDERATIONS

The Maine Fuel Charge Statute, 35 M.R.S.A. §131, requires electric utilities such as MPS to include as part of its base rates a reasonable fuel cost. The base rate unit fuel cost, according to Section 131, "shall be based upon the utility's reasonable cost of fuel during the test year used for the rate adjustment." We have included in Maine Public's base rates the reasonable test year fuel costs, consistent with Section 131(2).

The Company's currently-effective fuel cost adjustment was put into effect by our Order entered on August 29, 1980 in Maine Public Service Company, Re: Implementation of Fuel Adjustment Regulations, Docket No. U.3388. That fuel rate was authorized in accordance with the transition language of 1977 Me. Laws Ch. 689, §2, which empowered the Commission to establish a levelized fuel clause pending the electric utility's next general rate adjustment pursuant to Section 64 or 296. Since this case constitutes the Company's first general rate adjustment since the enactment of the currently-effective Section 131, any new fuel cost adjustments must be implemented in a manner consistent with the terms of that Section and of Chapter 34 of the Commission's Rules and Regulations governing fuel adjustments.

The Company's Fuel Cost Adjustment Computation was filed with this Commission on May 22, 1980, some ten days prior to the expiration of the second suspension period for the general rate adjustment case. Since the fuel filing, given the existence of a general rate adjustment, must comply with the provisions of Section 131, and Chapter 34, the filing must be separately docketed and noticed as intended by that statute and rule. See Central Maine Power Company, Docket No. 80-25, Order at 72 (M.P.U.C. 1980). The current MPS fuel adjustment proceeding has been given Docket No. 81-103. We repeat the same instructions given in the latest CMP case with regard to fuel adjustments pending the outcome of Maine Public's May 22

fuel filing:

> Should the Company file new rates pursuant to this Order prior to the issuance of any fuel Order in [Docket No. 8[illegible]-103], the Company is ordered to file with its new rates an adjustment to its existing fuel adjustment clause which will ensure that the Company will not collect revenues for its fuel costs greater than the amount now being collected.

IX. INTERIM RATE DESIGN

As noted in the first portion of this Decision and Order, the proceedings have been bifurcated in order to allow timely consideration of the revenue requirement issues in this docket. Phase II of this proceeding will focus upon the Company's proposed rate design. A Notice of Investigation in this matter will be issued shortly. During the period between the implementation of the new revenue requirement and the conclusion of our investigation of the Company's rate design, an interim rate design must be implemented. The Company proposes to increase its customer service charge and alter its energy charge structure from three declining blocks to two. The ACC, the Staff and the Attorney General recommend that the customer service charge remain constant and that the declining block energy charge be eliminated in favor of a "flat" rate.

Although given the opportunity to do so, the Company did not present a cost of service study justifying an alteration of the customer service charge. We are not able to consider, consistent with 35 M.R.S.A. §96, whether the costs of a minimum distribution system should be included in the customer charge. By the same token, we are not able to evaluate whether the Company's declining block proposal has cost justification. We are also unable to determine whether the revenue requirement is correctly allocated among the customer classes.

Under these circumstances, we believe the only fair method of implementing the rate increase is by increasing the revenue contribution of each customer class by the percentage increase allowed. With respect to the customer charge, we believe that the Commission is legally precluded from altering that charge absent the kind of investigation contemplated by Section 96. Consistent with our determination in the previous CMP case, we will keep the customer charge at its current level pending the conclusion of our investigation. We also conclude, based on the arguments made by the parties, that a flat energy charge should be instituted.

X. CONCLUSION

Accordingly, it is

O R D E R E D

1. That the Schedule of Rates filed by the Maine Public Service Company, filed with this Commission on September 2, 1980, and specified at the outset of this Decision and Order is found to be unjust and unreasonable and shall not take effect;

2. That the Maine Public Service Company's revenue requirement for Maine jurisdictional sales is $27,467,592;

3. That the Maine Public Service Company shall file a new Schedule of Rates designed to generate the level of revenues hereby found to be just and reasonable, structured in a manner consistent with the body of this Order;

4. That the Commission shall, in the near future, initiate investigations of Maine Public Service Company's rate design and of its power supply planning and future capacity requirements;

5. That the Secretary of the Commission shall forward by regular United States mail, postage prepaid, a copy of this Decision and Order to all persons on the attached service list.

Dated at Augusta, Maine, this 1st day of June, 1981.

BY ORDER OF THE COMMISSION

Marjorie Marcotte Walo
Marjorie Marcotte Walo
Acting Secretary

A true copy.
Attest: Marjorie Marcotte Walo
Acting Secretary

COMMISSIONERS VOTING FOR: Gelder
Smith
Carrigan

COMMISSIONER CONCURRING IN
PART AND DISSENTING IN PART: Smith

Review of this Order by the Commission may be requested under Section 6(N) of the Commission's Rules of Practice and Procedure (65-407 C.M.R.11) within 20 days of the date of this Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.

Review by the Law Court may be requested by filing, within 30 days of the date of this Order, a Notice of Appeal with the Secretary of the Commission, pursuant to 35 M.R.S.A. Sec. 303, and the Maine Rules of Civil Procedure, Rule 73 et seq.

Additional court review of constitutional issues or issues involving rates may be had by filing a complaint with the Clerk of the Law Court and with the Secretary of the Commission, both within 30 days of the date of this Order, pursuant to 35 M.R.S.A. Sec. 305.

Commissioner Smith concurring in part, dissenting in part:

The Examiner's Report and decision of the majority involve issues this Commissioner addressed in the last Central Maine Power Company and New England Telephone Company rate cases, as well as the Sears Island decision--opinions in which this Commissioner filed minority reports, in whole or in part. This Commissioner adheres to his previous stands in these cases, and consequently dissents once more on responsibility for the mechanical defect in the Wyman Unit No. 4 muffler, and assumptions and methodology in energy forecasts, and reaffirms his positions on flow-through tax issues.

I disagree strongly with the decisions of the majority to set cost of equity at 16.12 percent, and short-term debt at 17.9 percent. Both are considerably higher than amounts requested by Company witnesses, namely 16 percent and 17.21 percent. In fact, the Company brief of exceptions to the Examiner's Report agreed to his recommendations, namely 15 percent and 16.75 percent. Despite the interesting methodology used by the majority, the record does not support this generosity. The Company is not expected to appeal conclusions on these two issues!

I must reject the decision of the majority on the so-called MEPCO purchase. When insufficient information is in the record after a protracted hearing, as happens altogether too frequently in recent years, the Commission probably must share responsibility for the shortcoming. The Hearings Examiner and staff participated in the hearings throughout, and I am well satisfied in the reasonableness of their recommendation here.

In my opinion, many of the conclusions on the Seabrook purchases are off base. It is largely the estimates of one set of experts against those of another. In the final analysis, outside experts, Commission staff, and Commissioners lack experience in corporate management. Commissioners, jointly and individually, must exercise independent judgments as to the reasonableness of alternatives presented by experts and self-styled experts. And, alas, Commission conclusions, majority and minority, can aspire to little more than (hopefully) educated guesses. It simply reveals that this sector of public regulation, despite reams of testimony, is one man's estimate against that of another. Finally, credibility of learned witnesses depend upon Commission judgments as to objectivity, plausibility, and realism of the contradictory witnesses.

Although the Company has the burden of proof, forecasts, wise or otherwise, are not legal matters to be proved or disproved. The task is for the Company to convince the Commission of the reasonableness of its prognostications--akin to substantive due process. Adverse witnesses, likewise, need to convince us of the reasonableness of their forecasts. Then the Commission selects the one considered to be the more reasonable, or perhaps manufacture a composite of its own.

Lacking the expertise within the Commission to appraise or refute Company estimates, we must look to the recommendations of outside consultants and intervenors. All have responded enthusiastically to the challenges. Yet we have numerous alternatives covering a wide range, some of which are highly speculative and lack firm foundation. In my opinion, the Company forecasts by experts on the scene, generally appear to be logically superior to the others.

Likewise, I must reject the estimates supported by the majority on the cost of nuclear power plants. Here again there is a wide variance in the conclusions of the experts, and I reject a new (but interesting) approach as being more speculative than well reasoned. The same holds for growth forecasts.

Although originally opposed to interim rates, the realistic view today, with so many electrical utilities in dire economic straits, is that need for temporary rates sometimes is a fact of life. Our Hearing Examiner recommended additional relief in the amount of $1,800,000 to prevent injury to the utility company and its ratepayers. It is very unfortunate for the public interest that this recommendation is repudiated. Denial entails several real business risks which may prove to be false economy for the company and its customers in the long run.

Lincoln S. Smith
Commissioner

EXHIBIT 1

MAINE PUBLIC SERVICE COMPANY
COST OF SHORT-TERM DEBT

(Source: The Weekly Bond Buyer)

	Date	Daily Average
1979	May	11.71
	June	11.61
	July	11.56
	August	11.92
	September	12.86
	October	14.37
	November	15.13
	December	15.17
1980	January	15.03
	February	15.67
	March	18.32
	April	19.77
	May	16.36
	June	12.43
	July	11.00
	August	11.13
	September	12.28
	October	13.79
	November	16.03
	December	20.32
1981	January	20.39
	February	19.43
	March	18.29
	April	17.67
	1980-1981 $\bar{x}$ =	16.12

EXHIBIT 2

MAINE PUBLIC SERVICE COMPANY
COST OF SHORT-TERM DEBT

Average Prime Rate for May 1979 to April 1981 — 16.12%

Average borrowing rate:

Northern National Bank:		16.12%
Manufacturers Hanover Trust Company:	(16.12%)(1.08 + .05)	= 18.22%

Weighted Average Short-Term Debt Cost:

	Balance Outstanding	Percent of Total	Cost Rate	Weighted Average Cost
Northern National Bank	$1,200,000	14.81%	16.12%	2.39%
Manufacturers Hanover Trust Co.	6,900,000	85.19	18.22	15.52
	$8,100,000	100.00%		17.91%

EXHIBIT 3

MAINE PUBLIC SERVICE COMPANY
COST OF CAPITAL

Source: 1980 Annual Report to Stockholders pp. 16, 17

	DPS (Declared)	Book Value (Yr. End)	EPS (Year)	Derived Price (Avg. Hi-Lo)
1969	1.16	16.77	1.66	18.25
1970	1.16	17.33	1.74	16.50
1971	1.19	17.51	1.34	17.63
1972	1.20	17.76	1.40	16.63
1973	1.26	18.37	1.87	14.94
1974	1.28	19.54	2.41	12.00
1975	1.31	19.74*	1.79*	11.69
1976	1.34	20.91*	2.25*	14.69
1977	1.46	23.16*	3.54*	17.75
1978	1.61	25.57*	3.97*	19.00
1979	1.84	27.50*	3.80*	18.19
1980	1.92	27.90	2.86	15.94

*Restated

Year-to-Year Change %				Yield %	
69-70	0	3.34	4.82	69	6.36
70-71	2.59	1.04	(22.99)	70	7.03
71-72	.84	1.49	4.48	71	6.75
72-73	5.00	3.43	33.57	72	7.22
73-74	1.59	6.37	28.88	73	8.43
74-75	2.34	1.02	(25.73)	74	10.67
75-76	2.29	5.93	25.70	75	11.21
76-77	8.96	10.76	57.33	76	9.12
77-78	10.27	10.41	12.15	77	8.23
78-79	14.29	7.55	(4.28)	78	8.47
79-80	4.35	1.45	(24.74)	79	10.12
				80	12.05

Year to Final Year Growth Rate			
69-80	4.65%	5.07%	9.33%
70-80	5.11	5.43	10.51
71-80	5.62	5.91	12.18
72-80	6.15	6.19	11.75
73-80	6.73	6.78	10.12
74-80	7.71	7.15	8.26
75-80	8.83	7.74	12.20
76-80	9.97	7.46	5.66
77-80	10.02	6.52	(6.61)
78-80	8.81	4.46	(15.12)
79-80	4.35	1.45	(24.74)

* DPS/Derived Price

EXHIBIT 4

MAINE PUBLIC SERVICE COMPANY
WEIGHTED AVERAGE COST OF CAPITAL

Source: RJS-Exhibit, Schedule 5, Revision 1

	Amount (000's)	Weight	Cost	Weighted Cost
Long-term Debt	$24,631	42.75%	8.38%	3.58%
Short-term Debt	8,100	14.06	17.90	2.52
Preferred Stock	5,964	10.35	9.42	.97
Common Stock	18,921	32.84	16.50	5.42
	$57,616	100.00%		12.49%

EXHIBIT 5

MAINE PUBLIC SERVICE COMPANY
CALCULATION OF WORKING CAPITAL
LEAD/LAG METHOD

Description	Test Year as Adjusted	Other Working Capital Items	Daily Amount	Revenue Lag Days	Lead Days	Net (Lead) Lag Days	Cash Required
Purchased Power	$13,846,484		$37,936	41.28	40.50	0.78	$ 29,590
Fuel for Generation	1,900,123		5,206	41.28	14.94	26.34	137,126
O & M Labor	2,410,575		6,604	41.28	7.55	33.73	222,753
Other Operation and Maintenance	3,168,147		8,680	41.28	24.92	16.36	142,002
Taxes Other Than Income Taxes:							
Federal Pension Guaranty	421		1	---	---	---	---
Federal Social Security	164,795		451	41.28	11.44	29.84	13,458
Federal Unemployment	2,625		7	41.28	70.70	(29.42)	(206)
Federal Highway Use	2,573		7	41.28	(135.15)	176.43	1,235
State Unemployment	9,023		25	41.28	69.92	(28.64)	(716)
State Excise	7,684		21	41.28	(172.88)	214.16	4,497
State PUC Assessment	5,530		15	41.28	(101.55)	142.83	2,142
Real Estate and Personal Property	672,248		1,842	41.28	111.21	(69.93)	(128,811)
Taxes Accrued and Tax Collection Payable:							
State Sales and Use Tax	453,584		1,243	41.28	30.02	11.26	13,996
Social Security Withholding	164,795		451	---	11.44	(11.44)	(5,159)
Federal Withholding	384,547		1,054	---	11.16	(11.16)	(11,763)
State Withholding	66,395		181	---	36.80	(36.80)	(6,661)
Federal and State Income Tax			---	41.28	---	---	---
Fuel Inventory	---	$ 839,319	---	---	---	---	839,319
Materials and Supplies	---	706,940	---	---	---	---	706,940
Long-term Debt Interest (Attorney General's Brief, Exh. B	---	1,887,083	5,170	41.28	91.25	(49.97)	(258,345)
Preferred Stock Dividends (Attorney General's Brief, Exh. B	---	552,859	1,515	41.28	45.63	(4.35)	(6,590)
Working Capital Required							$1,694,807

EXHIBIT 6

MAINE PUBLIC SERVICE COMPANY
WORKING CAPITAL ALLOWANCE
SUMMARY OF OTHER O & M ADJUSTMENTS

	Adjustment
Payroll	$135,589
NEPCO Abandonment	40,653
Rate Case Expenses	31,994
Pension	33,994
Medical Plan	42,726
Load Research Expenses	25,879
Postage	7,541
Regulatory Commission Expense	(58,632)
Seabrook Education Center	(3,688)
Total	$256,056

EXHIBIT 7

MAINE PUBLIC SERVICE COMPANY
WORKING CAPITAL ALLOWANCE
PRO FORMA ADJUSTMENT FOR OTHER O & M

Company's Adjusted Test-Year Amount	$3,286,185
Plus: Total of Exhibit 6	256,056
Less: Total of Livingston's Adjustment (4, 6-13)	(374,094)
Adjusted Test-Year Other O & M	$3,168,147

EXHIBIT 8

Maine Public Service Company
Test Year Rate Base

	Per Company	Adjustments	Allowed
Plant in Service	$ 47,139,729	-	$ 47,139,729
Utility Plant Acquisition Adjustment	159,254	-	159,254
Less: Reserve for Depreciation & Amort.	(16,959,246)	-	(16,959,246)
Net Plant in Service	$ 30,339,737	$ -	$ 30,339,737
Plant Held for Future Use	90,010	(90,010)	-
Investment in Subsidiary	3,582,696	(537,404)[1]	3,045,292
Investment in Maine Yankee	3,369,170	-	3,369,170
Investment in MEPCO	91,618	-	91,618
Working Capital Requirement	2,257,909	(563,102)	1,694,807
Less: Investment in Seabrook Ed. Ctr.	-	(28,653)	(28,653)
Wyman #4 Adjustment	-	(3,202)	(3,202)
Less: Non-Investor Supplied Capital			
Customer Deposits	(19,078)	-	(19,078)
Accumulated Deferred Income Tax	(2,292,964)	274,969[2]	(2,017,995)
Customer Advances	(52,017)	-	(52,017)
	$ 37,367,081	$ (947,402)	$ 36,419,679
Rate Base			
Construction Work in Progress - Seabrook	5,005,185	12,889,963[3]	17,895,148
Adjusted Rate Base	$ 42,372,266	$11,942,561	$ 54,314,827

1 Elimination of 15% applicable to Canadian customers

2 Elimination of Company adjustment for tax effect of AFUDC

3 To adjust CWIP to amount of investment at 12/31/80 less AFUDC added in test year

EXHIBIT 9

MAINE PUBLIC SERVICE COMPANY
DETERMINATION OF REVENUE REQUIREMENT
TEST YEAR ENDED DECEMBER 31, 1980

Net Operating Income for Rate Purposes (Excluding AFUDC)		$3,541,847
Adjustments to Net Operating Income:		
1. NBEPC Sales	$(26,667)	
2. Loring Firm Power Increase	229,659	
3. Decommissioning Costs - MY	(45,263)	
4. Wage Increases	(68,147)	
5. NEPCO Abandonment Amortization	(20,432)	
6. Rate Case Expense	(16,080)	
7. Pension Increases	(16,643)	
8. Medical Plan Increases	(21,474)	
9. Load Research Expenses	(13,007)	
10. Postage Increase	(3,790)	
11. Regulatory Commission Expense Adjustment	29,468	
12. Depreciation	23,461	
13. Acquisition Amortization	(16,764)	
14. FICA Taxes	(10,822)	
15. Construction Payroll Cost Increase	5,717	
16. Accelerated Depreciation for S.I.T.	31,563	
17. Accelerated Depreciation on Replacement parts	42,029	
18. Pro Forma Interest	173,980	
19. Adjustment to Earnings of J.V.Co.	(18,589)	
20. Hydro Normalization	14,330	
21. Elimination of Canadian Revenue	(17,995)	
22. AFUDC	2,235,104	
23. Seabrook Education Center	1,854	
Total Adjustments		$2,491,492
Adjustment for rounding		(441)
Adjusted Net Operating Income for Rate Purposes		$6,032,898
Required Net Operating Income (54,314,827 x 12.49%)		6,783,922
Return Deficiency		751,024
Revenue Deficiency (751,024 ÷ .5026)		1,494,278
Portion Allocated to Resale		97,525
Test Year Retail Revenue Deficiency		1,396,753
Attrition Allowance		--
Total Retail Revenue Requirement		1,396,753

EXHIBIT 10

MAINE PUBLIC SERVICE COMPANY
SUMMARY OF TEST-YEAR ADJUSTMENTS

	No.	Adjustment	Income Taxes
REVENUE ADJUSTMENT			
NBEPCo. Sales	1	$ (53,058)	
Loring Rate H	2	456,942	
PURCHASED POWER ADJUSTMENTS			
MY Decommissioning	3	90,058	
OTHER O & M ADJUSTMENTS			
Payroll	4	135,589	
NEPCO Abandonment	5	40,653	
Rate Case Expense	6	31,994	
Pension	7	33,994	
Medical Plan	8	42,726	
Load Research Expenses	9	25,879	
Postage	10	7,541	
Regulatory Commission Expense	11	(58,632)	
Seabrook Education Center	23	(3,688)	
DEPRECIATION AND AMORTIZATION ADJUSTMENTS			
Depreciation Expense	12	(23,461)	
Amort. of Acquisition Adj.	13	16,764	
TAXES OTHER THAN INCOME TAX			
Employment Taxes	14	21,532	
INCOME TAXES			
Increased Costs Chg.to Const.	15		$ (5,717)
Accel. Depr. for State Taxes	16		(31,563)
Accel. Depr. for Replacement Prop. (F.I.T.)	17		(42,029)
Pro Forma Interest Adj.	18		(173,980)
Adjustment in Earning of J.V.Co.	19	(18,589)	
Adjustment in Earnings of Subsid.			
Normal Hydro	20	(14,330)	
Elimination Canadian Portion	21	(17,995)	
ADJUSTMENT TO NET INCOME			
AFUDC	22	(109,511)	

Maine Public Service Company
Pro Forma Income Statement

EXHIBIT 10A

	Test Year Ended 12/31/80	Pro Forma & Normalizing Adjustments Debit		Credit		Adjusted Test Year	Additional Revenue	Pro Forma Year Inc'l Revenue
Operating Revenues:								
Jurisdictional Sales - Base Rates	$12,627,412					$12,627,412		
Sales for Resale - Base Rates	1,348,097					1,348,097		
Loring Sales	1,313,871			456,942	(2)	1,770,813		
NBLCC Sales	569,871	$ 169,712	(1)			400,159		
Fuel Revenues	11,655,055					11,655,055		
Other Operating Revenues	204,333					204,333		
Total Operating Revenues	$27,718,639	$ 169,712		$ 456,942		$28,005,869	$1,494,278	$29,500,147
Operating Expenses:								
Fuel and Purchased Energy	$12,017,948			$ 116,654	(1)	$11,901,294		$11,901,294
Deferred Fuel	929,114					929,114		929,114
Purchased Power Capacity	3,780,302	90,058	(3)			3,870,360		3,870,360
Other O & M	5,322,666	256,056	(4-11, 23)			5,578,722		5,578,722
Depreciation & Amortization	1,636,815			6,697	(12, 13)	1,630,118		1,630,118
Taxes - Other	843,367	21,532	(14)			864,899		864,899
Taxes - Income	68,312	227,283	(2)	462,549	(1, 3-11, 14-18, 23)	(166,954)	$ 743,254	576,300
Provision for Deferred Income Taxes	(3,666)					(3,666)		(3,666)
Investment Tax Credit Adj.	18,317					18,317		18,317
Total Operating Expenses	$24,613,175	$ 594,929		$ 585,900		$24,622,204	$ 743,254	$25,365,458
Operating Income	$ 3,105,464	$ 764,641		$1,042,842		$ 3,383,665	$ 751,024	$ 4,134,689
Transfers from Other Income:								
Equity Earnings of Subsidiary	96,748	3,665	(20, 21)			93,083		93,083
Equity Earnings of J.V. Companies	339,635	18,589	(23)			321,046		321,046
Total Operating Income	$ 3,541,847	$ 786,895		$1,042,842		$ 3,797,794	$ 751,024	$ 4,548,818
AFUDC - Seabrook	2,125,593	(109,571)	(22)			2,235,104		2,235,104
Operating Income for Rate Purposes	$ 5,667,440	$ 677,384		$1,042,842		$ 6,032,898	$ 751,024	$ 6,783,922

EXHIBIT 10B

MAINE PUBLIC SERVICE COMPANY
INCOME TAX ADJUSTMENT FORM
CALCULATED INTEREST DEDUCTION ADJUSTMENT

Debt Interest Cost		
Long-Term Debt	$24,631,000 x 8.38% =	$2,064,077
Short-Term Debt	8,100,000 x 17.9% =	1,449,900
		$3,513,977
Less-Test-Year Interest		
Long-Term Debt	$2,063,000	
Notes Payable to Banks	1,101,199	$3,164,199
Increase in Deductible Interest		349,778
Tax Rate		49.74%
Income Tax Reduction		$ 173,980

MAINE PUBLIC SERVICE COMPANY
ATTRITION ANALYSIS
(December 31, 1980 to May 31, 1982)

	Test Year Adjusted To	Test Year Amount ($)	Growth Rate Annual Rate %	Growth Rate Compound Rate %	Amount ($) Adjusted To 5/31/82
Operating Revenues:					
Base Revenues (Jurisdictional)	12/31/80	$13,459,480	1.18	1.0168	$13,685,599
Base Revenue (Resale)	12/31/80	2,032,535	0.3?	1.0044	2,041,498
Loring	12/31/80	1,770,832			1,770,832
Fuel Revenues	12/31/80	11,655,055			11,655,055
NBEPC Sales	12/31/80	400,159			400,159
Other Operating Revenues	12/31/80	182,066			182,066
Total Operating Revenues	12/31/80	$29,500,147			$29,735,209
Operating Expenses:					
Fuel Purchased Energy	12/31/80	$11,901,294			$11,901,294
Deferred Fuel	12/31/80	929,114			929,114
Purchased Power Capacity	12/31/80	3,870,360			3,870,360
Depreciation	12/31/81	1,583,964	2.63	1.0109	1,601,229
Amortization	12/31/80	46,154			46,154
O & M Wages	11/30/81	2,410,575	7.5	1.0368	2,499,284
O & M Fringe Benefits	12/31/81	451,785	14.65	1.0586	478,260
Other O & M	12/31/80	2,716,362	8.0	1.1152	3,029,287
Payroll Taxes	12/31/81	176,443			177,950
Taxes Other Than Income Taxes	12/31/80	703,107	7.44	1.1070	778,339
Income Taxes - Federal & State	12/31/80	576,300			433,514
Total Operating Expenses		$25,365,458			$25,744,785
Operating Income		$ 4,134,689			$ 3,990,424
Transfer From Other Income:					
Equity in Earnings of Subsidiary	12/31/80	93,083			93,083
Equity in Earnings of J.V. Cos.	12/31/80	321,046			321,046
Operating Income for Rate Purposes		$ 4,548,818			$ 4,404,553
Rate Base:					
Prod. & Transmission Plant	12/31/80	$23,907,825	0.88	1.0125	$24,267,423
Dist. General & Intangible Plant	12/31/80	23,171,904	2.79	1.0398	24,094,146
Land Held For Future Use	12/31/80	-			-
Plant Acquisition Adjustment	12/31/80	159,254			137,247
Accum. Provision for Depreciation	12/31/80	(16,801,652)	7.33	1.1054	(18,572,546)
Accum. Provision for Amortization	12/31/80	(157,594)			(225,272)
Cust. Advances for Construction	12/31/80	(52,017)			(52,017)
Net Utility Plant	12/31/80	$30,287,720			$29,648,981
Investment in J.V. & Subsidiary	12/31/80	$ 6,506,080			$ 6,506,080
Investment in Seabrook	12/31/80	-			-
Working Capital	12/31/80	1,694,807	8.08	1.1152	1,890,049
Less: Accum. Deferred Income Tax	12/31/80	(2,017,995)	24.38	1.3622	(2,748,913)
Customer Deposits	12/31/80	(19,078)			(19,078)
Investment Seabrook Educational Center	12/31/80	(28,653)			(28,653)
Wyman Unit #4 Adjustment	12/31/80	(3,202)			(3,202)
Total Rate Base		$36,419,679			$35,245,264
Rate of Return		12.490%			12.497%
Attrition					0%

EXHIBIT 12

MAINE PUBLIC SERVICE COMPANY
ATTRITION ANALYSIS
INCREASED REVENUE REQUIREMENT

	Total	Retail	Sales For Resale
Rate Base	$36,419,679		
Rate of Return	12.49%		
Return Required*	4,548,818	$3,952,013	$596,805
Test Year Return As Adjusted	3,797,794	3,250,005	547,789
Deficiency	751,024	702,008	49,016
Income Taxes	743,254	694,745	48,509
Revenue Requirement	1,494,278	1,396,753	97,525

*
86.88% Retail
13.12% Resale

EXHIBIT 3

MAINE PUBLIC SERVICE COMPANY
ATTRITION ANALYSIS
INCOME TAX COMPUTATION

Net Before Tax Operating Income - Attrition Year	$4,838,067
Net Before Tax Operating Income - Test Year	5,125,118
Increase (Decrease) In Before Tax Operating Income	(287,051)
Increase (Decrease) In Income Taxes:	
State Income Tax @ 6.93%	(19,893)
Federal Income Tax @ 46%	(122,893)
Increase (Decrease) In Income Taxes	(142,786)

MAINE PUBLIC SERVICE COMPANY
BOND COVERAGE COMPUTATION

EXHIBIT 15

		Pro Forma Test Year (Includes Attrition)
Net Earnings Available for Interest		
Total Revenues		$29,500,147
Deductions:		
Operation & Maintenance		22,279,490
Depreciation & Amortization		1,630,118
Taxes Other Than Income		864,899
Total Deductions		$24,774,507
		$ 4,725,640
Operating Income		
Other Income:		
AFUDC		$ 2,235,104
Interest and Dividend Income		133,800
Equity in Earnings of J.V. Co.'s		321,046
Other Income Deductions (Debit)		(54,960)
Net Other Income		$ 2,634,990
Other Income Limit*		$ 833,936
Net Earnings Available for Interest (BT)		$ 5,559,576
Earnings Required for 2.25 x Coverage on Outstanding Bond Debt	$4,245,937	
Earnings available to cover pro forma bond debt ($5,559,576 - $4,245,937)	$1,313,639	
Maximum principal amount of bond debt issuable @ 15-1/2% with 2.25 x interest coverage	$3,766,707	
Earnings BT, Required to cover $8 million bond debt @ 15-1/2%, 2.25 x coverage	$2,790,000	
Less: Earnings available to cover pro forma debt	1,313,639	
Earnings deficiency to cover pro forma debt	$1,476,361	

*Limited to 15% of NET Earnings Available for Interest

MASSACHUSETTS MUNICIPAL WHOLESALE ELECTRIC COMPANY

Units No. 1 and No. 2

Seabrook Nuclear Power Station

Seabrook, New Hampshire

Information furnished pursuant to § 50.33 of Commission's Rules and Regulations with respect to the particular Applicant named above as part of Final Safety Analysis Report and Operating License Application for the above Units.

July 1981

I. ORGANIZATION AND CONTROL

(a) Name of Applicant

Massachusetts Municipal Wholesale Electric Company (MMWEC).

(b) Address of Applicant

Post Office Box 426
Ludlow, Massachusetts 01056

(c) Description of Business of Applicant

MMWEC was originally established as a coordinating and planning agency in 1969 and became a public corporation in 1976 with the power to acquire, construct and finance ownership interests in electric generating units to meet the power requirements of its members. MMWEC's level of operations has been increasing since its formation. Operations currently include the delivery of power from its share of W. F. Wyman Unit No. 4, the construction of its Stony Brook Units with 504 MW of intermediate and peaking capacity and the acquisition and financing of future electric generating capacity. MMWEC is also providing power supply planning and load forecasting for its members and negotiating short term and interim power supply arrangements to meet their power needs. MMWEC is a member of the New England Power Pool. MMWEC's activities and operations are more fully described in its 1980 Annual Report and the Official Statement of Massachusetts Municipal Wholesale Electric Company relating to $100,000,000 Power Supply System Revenue Bonds, 1981 Series A.

(d) Corporate Organization

MMWEC is a public corporation and political sub-division of the Commonwealth of Massachusetts formed under Chapter 775 of the Massachusetts Acts of 1975. As of June 1, 1981, 32 Massachusetts municipal electric systems are members of MMWEC.

(e) Corporate Officers and Directors

MMWEC is governed by a nine member Board of Directors, seven of whom are elected by MMWEC's members and two of whom are appointed by the Governor of the Commonwealth.

The names and residence addresses of MMWEC's directors and principal officers are as follows:

Directors

	Residence Address
James E. Baker, Chairman	72 Holman Street Shrewsbury, MA 01545
Richard L. Bailey	166 Jersey Street Marblehead, MA 01945

Directors

	Residence Address
Horst Huehmer	23 Plant Avenue Hudson, MA 01749
Francis H. King	38 Pleasant Street Holyoke, MA 01040
Curtis J. Lanciani	16 Beaver Brook Road Littleton, MA 01460
Neil E. Murray	Manning Street Jefferson, MA 02178
Bruce Patton	70 Birch Street Peabody, MA 01960
Nathan S. Paven	40 Wollaston Avenue Quincy, MA 02170
Norbert D. Rhinerson	87 Belmont Street Reading, MA 01867

Principal Officers

James E. Baker, Chairman of the Board	72 Holden Street Shrewsbury, MA 01545
Francis H. King, President	38 Pleasant Street Holyoke, MA 01040
George E. Leary, Treasurer	168 Madison Avenue Holyoke, MA 01040
Phillip C. Otness, General Manager and Secretary	124 North Street Granby, MA 01033
Walter Gaebler II, Assistant Treasurer	1892 Memorial Drive Chicopee, MA 01020
Maurice J. Ferriter, General Counsel and Assistant Secretary	31 Longfellow Road Holyoke, MA 01040

All of the directors and principal officers of MMWEC are citizens of the United States of America. MMWEC is not owned, controlled or dominated by an alien, foreign corporation or foreign government.

II. FINANCIAL QUALIFICATIONS

Under the Joint Ownership Agreement, MMWEC is responsible for its Ownership Share of the operation and m . 'enance cost of the Units which, when the pending transactions described herein have been consummated prior to commercial operation, will be 11.59340% of those costs, and a similar percentage of the ultimate cost of decommissioning the Units.

Based upon the estimates set forth above under Part IV of the General Information, MMWEC's share of these costs should amount approximately to $17,390,000 and $17,390,000 for the first five years of operations of Units 1 and 2, respectively; and approximately $4,869,000 to $9,970,000 for the decommissioning of the two units. In addition, MMWEC's share of fuel expenses during the period would be $59,474,000.

As evidence of its financial qualifications to meet these costs, MMWEC submits herewith:

(i) MMWEC 1980 Annual Report, including MMWEC 1981 First Quarter Report (Exhibit M-1).

(ii) Official Statement of Massachusetts Municipal Wholesale Electric Company relating to $100,000,000 Power Supply System Revenue Bonds, 1981 Series A (Exhibit M-2).

III. REGULATORY AGENCIES AND PUBLICATIONS

(a) Regulatory Agencies

There are no regulatory agencies having specific jurisdiction over the rates and services of MMWEC. The Massachusetts Department of Public Utilities must approve MMWEC Financing except for obligations maturing within one year of issuance. MMWEC is required to file with the Massachusetts Energy Facilities Siting Council long-range forecasts of the electric power needs and actions planned to meet those needs over a ten-year period. These forecasts are to be filed every five years and supplemented annually.

(b) Publications

The following trade and news publications are used by MMWEC for official notifications, and/or are otherwise appropriate for notices regarding this unit:

The Boston Globe
Boston, MA

Athol News
225 Exchange Street
Athol, MA 01331

Hudson Daily Sun
16 Washington Street
Hudson, MA 01749

Quincy Patriot Ledger
13 Temple Street
Quincy, MA 02169

Gardner News
309 Central Street
Gardner, MA 01440

Worcester Evening Gazette
20 Franklin Street
Worcester, MA 01613

Boston Herald American
300 Harrison Avenue
Boston, MA 02106

Salem Evening News
155 Washington Street
Salem, MA 01970

Sun Chronicle
34 South Main Street
Attleboro, MA 02703

Middleboro Gazette
45 Wareham Street
Middleborough, MA 02346

Ludlow Register
59 King Street
Ludlow, MA 01056

Manchester Union Leader
P. O. Box 780
Manchester, NH 03105

Reading Chronicle
531 Main Street
Reading, MA 01867