

# SECURITIES AND EXCHANGE COMMISSION

## FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1995-05-10** | Period of Report: **1995-03-31**  
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### FILER

#### CENTRAL MAINE POWER CO

CIK: **18675** | IRS No.: **010042740** | State of Incorporation: **ME** | Fiscal Year End: **1231**  
Type: **10-Q** | Act: **34** | File No.: **001-05139** | Film No.: **95536007**  
SIC: **4911** Electric services

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AUGUSTA ME 04336  
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 1995

OR

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

For the transition period from to

Commission file number 1-5139

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

Incorporated in Maine  
(State or other jurisdiction of  
incorporation or organization)

01-0042740  
(I.R.S. Employer  
Identification No.)

83 Edison Drive, Augusta, Maine  
(Address of principal executive offices)

04336  
(Zip Code)

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

(Former name, former address and former fiscal year, if changed  
since last report.)

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

Yes X No

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

Class	Shares Outstanding as of May 10, 1995
Common Stock, \$5 Par Value	32,442,752

Central Maine Power Company

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PART I - FINANCIAL INFORMATION

## Item 1. Financial Statements

Central Maine Power Company  
CONSOLIDATED STATEMENT OF EARNINGS  
(Unaudited)

(Dollars in Thousands Except Per Share Amounts)

&lt;TABLE&gt;

<S>	<C>	<C>
		For the Three Months Ended March 31,
		1995          1994
ELECTRIC OPERATING REVENUES	\$263,312	\$241,026
OPERATING EXPENSES		
Fuel Used for Company Generation	4,610	5,388
Purchased Power		
Energy	114,358	122,932
Capacity	21,045	15,070
Other Operation	41,469	36,952
Maintenance	6,340	7,050
Depreciation and Amortization	14,277	13,881
Federal and State Income Taxes	16,642	8,328
Taxes Other Than Income Taxes	6,653	6,672
Total Operating Expenses	225,394	216,273
EQUITY IN EARNINGS OF ASSOCIATED COMPANIES	1,443	1,480
OPERATING INCOME	39,361	26,233
OTHER INCOME (EXPENSE)		
Allowance for Equity Funds Used During Construction	156	221
Other, Net	1,258	(4,357)
Income Taxes Applicable to Other Income (Expense)	(540)	1,512
Total Other Income (Expense)	874	(2,624)
INCOME BEFORE INTEREST CHARGES	40,235	23,609
INTEREST CHARGES		
Long-Term Debt	12,819	11,120
Other Interest	1,168	1,207
Allowance for Borrowed Funds Used During Construction	(128)	(134)
Total Interest Charges	13,859	12,193
NET INCOME	26,376	11,416
DIVIDENDS ON PREFERRED STOCK	2,532	2,628
EARNINGS APPLICABLE TO COMMON STOCK	\$ 23,844	\$ 8,788
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	32,442,752	31,441,356
EARNINGS PER SHARE OF COMMON STOCK	\$0.73	\$0.27
DIVIDENDS DECLARED PER SHARE OF COMMON STOCK	\$0.225	\$0.225

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

Central Maine Power Company  
CONSOLIDATED BALANCE SHEET  
(Dollars in Thousands)

&lt;TABLE&gt;

<S>	<C>	<S>	<C> March 31, 1995 (Unaudited)	<C> Dec. 31, 1994
ASSETS				
ELECTRIC PROPERTY, at Original Cost			\$1,582,596	\$1,579,632
Less: Accumulated Depreciation			529,163	521,645
Electric Property in Service			1,053,433	1,057,987
Construction Work in Progress			13,337	13,647
Net Nuclear Fuel			1,959	2,181
			1,068,729	1,073,815
Net Electric Property and Nuclear Fuel				
INVESTMENTS IN ASSOCIATED COMPANIES, at Equity			51,487	49,602
Net Electric Property, Nuclear Fuel and Investments in Associated Companies			1,120,216	1,123,417
CURRENT ASSETS				
Cash and Temporary Cash Investments			81,149	58,112
Accounts Receivable, Less Allowance for Uncollectible Accounts of \$3,341 in 1995 and \$3,301 in 1994				
Service - Billed			89,890	81,289
- Unbilled			28,459	38,153
Other Accounts Receivable			11,118	12,088
Prepaid Income Taxes			11,953	28,068
Inventories, at Average Cost				
Fuel Oil			2,818	4,113
Materials and Supplies			13,589	13,026
Funds on Deposit With Trustee			27,910	27,820
Prepayments and Other Current Assets			7,545	9,337
			274,431	272,006
Total Current Assets				
DEFERRED CHARGES AND OTHER ASSETS				
Recoverable Costs of Seabrook 1 and Abandoned Projects, Net			99,859	101,976

Regulatory Assets-Deferred Taxes	233,234	233,234
Yankee Atomic Purchase Power Contract	35,965	38,777
Other Deferred Charges and Other Assets	270,271	276,597

Deferred Charges and Other Assets, Net	639,329	650,584
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TOTAL ASSETS	\$2,033,976	\$2,046,007
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The accompanying notes are an integral part of these financial statements.

</TABLE>

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Central Maine Power Company  
CONSOLIDATED BALANCE SHEET  
(Dollars in Thousands)

<TABLE>

<S>	<C>	<C>
	March 31,	Dec. 31,
	1995	1994
	(Unaudited)	

STOCKHOLDERS' INVESTMENT AND LIABILITIES

CAPITALIZATION

Common Stock Investment	\$ 508,123	\$ 491,323
Preferred Stock	65,571	65,571
Redeemable Preferred Stock	75,228	80,000
Long-Term Obligations	638,459	638,841
Total Capitalization	1,287,381	1,275,735

CURRENT LIABILITIES AND INTERIM FINANCING

Interim Financing	63,000	63,000
Sinking Fund Requirements	2,581	2,580
Accounts Payable	81,224	97,800
Dividends Payable	9,850	9,932
Accrued Interest	11,062	14,102
Miscellaneous Current Liabilities	12,314	10,535
Total Current Liabilities and Interim Financing	180,031	197,949

COMMITMENTS AND CONTINGENCIES

## RESERVES AND DEFERRED CREDITS

Accumulated Deferred Income Taxes	354,595	348,287
Unamortized Investment Tax Credits	33,764	34,167
Regulatory Liabilities-Deferred Taxes	53,937	53,937
Yankee Atomic Purchase Power Contract	35,965	38,777
Other Reserves and Deferred Credits	88,303	97,155
Total Reserves and Deferred Credits	566,564	572,323

TOTAL STOCKHOLDERS' INVESTMENT AND  
LIABILITIES

\$2,033,976 \$2,046,007

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

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Central Maine Power Company  
CONSOLIDATED STATEMENT OF CASH FLOWS  
(Unaudited)  
(Dollars in Thousands)  
(Note 1)

<TABLE>

<S>	<C>	<C>
		For the Three Months Ended March 31, 1995 1994
CASH FROM OPERATIONS		
Net Income	\$ 26,376	\$ 11,416
Items Not Requiring (Not Providing) Cash:		
Depreciation and Amortization	20,769	17,880
Deferred Income Taxes and Investment Tax Credits, Net	5,465	2,454
Allowance for Equity Funds Used During Construction	156	(221)
Changes in Certain Assets and Liabilities:		
Accounts Receivable	2,063	(621)
Other Current Assets	1,702	1,244
Inventories	732	1,598
Retail Fuel Costs		38,732
Accounts Payable	(19,959)	3,856
Accrued Interest	(3,040)	(4,736)
Accrued Income Taxes	16,115	3,393
Miscellaneous Current Liabilities	1,779	(716)
Deferred Energy Management Costs	(981)	(1,200)

Maine Yankee Outage Accrual	(7,666)	(2,207)
Purchase Power Contracts	(4,550)	
Other, Net	2,755	4,754
Net Cash Provided By Operating Activities	41,716	75,626
INVESTING ACTIVITIES		
Construction Expenditures	(7,276)	(6,883)
Changes in Accounts Payable - Investing Activities	3,383	(3,036)
Net Cash Used by Investing Activities	(3,893)	(9,919)
FINANCING ACTIVITIES		
Issuances:		
Common Stock		927
Medium Term Notes		4,000
Redemptions:		
Short-Term Obligations, Net Preferred Stock	(4,772)	(15,000)
Dividends:		
Common Stock	(7,304)	(7,305)
Preferred Stock	(2,710)	(2,178)
Net Cash Used by Financing Activities	(14,786)	(19,556)
Net Increase In Cash	23,037	46,151
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	58,112	1,956
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 81,149	\$ 48,107

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

</TABLE>

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## Central Maine Power Company

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### 1. Summary of Significant Accounting Policies

Certain information in footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles has been condensed or omitted in this Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission. However, the disclosures herein, should be read with the Annual Report on Form 10-K for the year ended December 31, 1994 (Form 10-K), and are adequate to make the information presented herein not misleading.

The consolidated financial statements include the accounts of Central Maine Power Company (the Company) and its 78 percent-

owned subsidiary, Maine Electric Power Company, Inc. (MEPCO). The Company accounts for its investments in associated companies not subject to consolidation using the equity method.

The Company's significant accounting policies are contained in Note 1 of Notes to Consolidated Financial Statements in the Company's Form 10-K. For interim accounting periods the policies are the same. The interim financial statements reflect all adjustments that are, in the opinion of management, necessary to a fair statement of results for the interim periods presented. All such adjustments are of a normal recurring nature.

The adoption of the Alternative Rate Plan (ARP), effective January 1, 1995 eliminated the reconcilable fuel clause used under traditional rate-of-return regulation to account for and collect fuel and purchased-power energy costs. Fuel revenues are now recorded as they are billed rather than deferred and reflected in revenues over time periods established by the Maine Public Utilities Commission (MPUC). These effects complicate quarter-to-quarter comparisons, but seasonality issues will not affect calendar year comparisons.

For purposes of the statement of cash flows, the Company considers all highly liquid instruments purchased having maturities of three months or less to be cash equivalents.

Supplemental Cash Flow Disclosure - Cash paid for the three months ended March 31, 1995 and 1994 for interest, net of amounts capitalized, amounted to \$16.0 million and \$15.8 million, respectively. Income taxes refunded amounted to \$4.4 million for the three months ended March 31, 1995. The Company incurred no new capital lease obligations in either period. For the three months ended March 31, 1994, income taxes paid totaled \$1.0 million.

## 2. Commitments and Contingencies

Maine Yankee Atomic Power Company Steam Generator Tubes - The Company, through its equity investment totaling approximately \$25.4 million at March 31, 1995, owns a 38-percent stock interest in Maine Yankee Atomic Power Company (Maine Yankee), which owns and operates a 860-megawatt nuclear generating plant in Wiscasset, Maine (the Maine Yankee Plant or the Plant), and is entitled under a cost-based power contract to an approximately equal percentage of the Plant's output. The Maine Yankee plant, like other pressurized water reactors, has been experiencing

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degradation of its steam generator tubes, principally in the form of circumferential cracking, which, until early 1995, was believed to be limited to a relatively small number of tubes.

During the refueling-and-maintenance shutdown that commenced in early February of 1995, Maine Yankee detected through new inspection methods increased degradation of the steam generator tubes at the plant well above its expectations, and has been assessing the extent of degradation and evaluating available courses of action to address the matter. The substantial increase in the number of degraded tubes will adversely affect the operation of the Maine Yankee plant and result in substantial additional costs to Maine Yankee, with the Company being responsible for its pro-rata share of non-capital costs. In addition, the Company will also incur substantial replacement power costs, the amount depending on the duration of the outage and the prices paid for the replacement power.

With the termination of the reconcilable fuel-and-purchased-power adjustment under the ARP, costs of replacement power during a Maine Yankee outage will in general be treated like other Company expenses, i.e., limited by the ARP's price-index mechanism, and will not be deferred and collected through a specific fuel-rate adjustment, as under pre-1995 ratemaking. Under the ARP no additional price increase beyond the currently pending increase associated with the price index will take effect in 1995 as a result of the Maine Yankee outage. Although the ARP contains provisions that could result in rate adjustments based on low earnings or the incurring of extraordinary costs by the Company, neither provision will affect prices in 1995. The result is that costs associated with replacement power during an extended Maine Yankee outage will have an adverse impact on Central Maine's financial results for 1995.

After careful assessment of the extent of the tube degradation, Maine Yankee has concluded that close to 60 percent of the Plant's 10,000 steam-generator tubes could be cracked to some degree. That conclusion has eliminated the possibility of mitigating the degradation by plugging additional tubes and has rendered most likely the option of repairing the degraded tubes by welding short reinforcing sleeves in all the steam-generator tubes, which Maine Yankee is still investigating. Similar repairs have been undertaken at other nuclear plants in the United States and abroad, but not on the scale of the Maine Yankee project.

On April 14, 1995, the Nuclear Regulatory Commission (NRC) issued a license approving such a sleeving process for the Maine Yankee Plant. The NRC is considering Maine Yankee's application to license a second sleeving process for the plant. While this alternative sleeving process application is pending, Maine Yankee is performing preparatory work that will support whichever process is selected.

The Company estimates that its share of the costs of such repairs could range from \$10 to \$15 million. In addition, the Company

expects to incur additional fuel costs over and above what it would have incurred if the Maine Yankee Plant had continued to operate in the range of approximately \$3.5 million to \$4.5 million per month while the outage persists. Maine Yankee has informed the Company that such a sleeving project could be completed in time for the Plant to return to service by the end of 1995.

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The Company cannot predict how long the Plant will be out of service. The impacts of unbudgeted repairs and replacement power needs are still being assessed and, therefore, have not been reflected in first quarter results. However, such costs will have a material adverse impact on the Company's financial results for 1995.

Legal and Environmental Matters - The Company is a party in legal and administrative proceedings that arise in the normal course of business. As discussed in Note 4 of Notes to Consolidated Financial Statements in the Company's Form 10-K, in connection with one such proceeding, the Company has been named a potentially responsible party and has been incurring costs to determine the best method of cleaning up an Augusta, Maine, site formerly owned by a salvage company and identified by the Environmental Protection Agency (EPA) as containing soil contaminated by polychlorinated biphenyls (PCBs) from equipment originally owned by the Company.

Initial tests on the site have been completed and more complex technological studies are still in progress. The Company believes that its share of the remaining costs of the cleanup will total between \$11 million and \$15 million, depending on the level of cleanup ultimately required and other variable factors. Such estimate is net of an agreed partial insurance recovery and includes the 1993 court-ordered contribution of 41 percent from Westinghouse Electric Corp., but excludes contributions from the other insurance carriers the Company has sued, or any other third parties. As a result, the Company has recorded an estimated liability of \$11 million and an equal regulatory asset, reflecting an accounting order to defer such costs and the anticipated ratemaking recovery of such costs when ultimately paid.

The Company cannot predict with certainty the level and timing of the cleanup costs, the extent they will be covered by insurance, or the ratemaking treatment of such costs, but believes it should recover substantially all of such costs through insurance and rates. The Company also believes that the ultimate resolution of the legal and environmental proceedings in which it is currently involved will not have a material adverse effect on its financial

condition.

### 3. Regulatory Matters

Alternative Rate Plan - In December 1994, the MPUC approved a stipulation signed by most of the parties to the Company's ARP proceeding. Please refer to Note 3 to Consolidated Financial Statements included in the Company's Form 10-K for a detailed description of the ARP. This follow-up proceeding to the Company's 1993 base-rate case was ordered by the MPUC in an effort to develop a five-year plan containing price-cap, profit-sharing, and pricing-flexibility components. Although the ARP is a major reform, the MPUC will continue to regulate the Company's operations and prices, provide for continued recovery of deferred costs, and specify a range for its rate of return.

The Company believes, as stated in the MPUC's order approving the ARP, that operation under the ARP continues to meet the criteria of SFAS No. 71. In its order, the MPUC reaffirmed the applicability of previous accounting orders allowing the Company to reflect amounts as deferred charges and regulatory assets. As a result, the Company will continue to apply the provisions of

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SFAS No. 71 to its accounting transactions and in its future financial statements.

The ARP contains a mechanism that provides price-caps on the Company's retail rates to increase annually on July 1, commencing July 1, 1995, by a percentage combining (1) a price index, (2) a productivity offset, (3) a sharing mechanism, and (4) flow-through items and mandated costs. The price cap applies to all of the Company's retail rates, including the Company's fuel-and-purchased power cost, which previously had been treated separately. Under the ARP, fuel expense is no longer subject to reconciliation or specific rate recovery, but is subject to the annual indexed price-cap changes.

The ARP also provides for partial flow-through to ratepayers of cost savings from non-utility generator contract buy-outs and restructuring, recovery of energy-management costs, penalties for failure to attain customer-service and energy-efficiency targets, and specific recovery of half the costs of the transition to the accounting method required by Statement of Financial Accounting Standards No. 106, "Accounting for Postretirement Benefits Other Than Pensions" (SFAS No. 106), the remaining 50 percent to be recovered through the annual price-cap change. The ARP also generally defines mandated costs that would be recoverable by the Company notwithstanding the index-based price cap. To receive such treatment, a mandated cost's revenue requirement must exceed \$3 million and have a disproportionate effect on the Company or

the electric power industry.

The ARP also contains provisions to protect the Company and ratepayers against unforeseen adverse results from its operation. These include review by the MPUC if the Company's actual return on equity falls outside the designated range two years in a row, a mid-period review of the ARP by the MPUC in 1997 (including possible modification or termination), and a "final" review by the MPUC in 1999 to determine whether or with what changes the ARP should continue in effect after 1999.

In March 1995, the Company filed its first annual request for an increase of 2.43% in rate and rate-element caps under the ARP. The components of the increase included the inflation index of 2.92%, reduced by a productivity offset of 0.5% and increased by 0.01% for flowthrough items and mandated costs. The Company believes its filing is in compliance with the requirements of the ARP. After review of the compliance filing by the MPUC the indexed price increase is scheduled to take effect July 1, 1995.

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

### Operating Results

Net Income was \$26.4 million for the first quarter of 1995 compared to \$11.4 million for the corresponding period in 1994. Earnings applicable to Common Stock were \$23.8 million or \$0.73 per share for the first three months of 1995 compared to \$8.8 million or \$0.27 per share for the comparable period in 1994.

Operating revenues in the first quarter of 1995 totaled \$263 million, up 9.2 percent from \$241 million in the first quarter of 1994. Revenues were affected by lower kilowatt-hour sales, a 1994

price increase for most customers, price discounts for competitively targeted customer classes and the elimination under the Alternative Rate Plan (ARP) that took effect January 1, 1995, of reconciliation treatment for fuel and purchased-power expenses.

The adoption of the ARP effective January 1, 1995 had a significant impact on the results of operations for the first quarter of 1995 when compared to 1994. The ARP price-cap method of ratemaking effectively eliminates the reconcilable fuel clause used under traditional rate-of-return regulation to account for and collect fuel and purchased-power energy costs. One impact of this change is that seasonality in prices and certain accounting treatments for fuel revenues can produce more volatility in quarterly results than occurred under the prior ratemaking treatment. These effects complicate quarter-to-quarter comparisons, but seasonality issues will not affect calendar year comparisons.

Under that discontinued mechanism, fluctuations in fuel costs required the Company to record unbilled fuel revenue for any fuel costs incurred in excess of the amounts actually collected in each respective period. If fuel collections exceeded fuel costs a charge to revenue was made during that period. The effect of the fuel cost adjustment mechanism was to ensure that all fuel costs incurred were ultimately collected from customers at some time in the future. This fuel mechanism also resulted in the allocation of a greater portion of the customers' rates to fuel revenues in the winter months and traditionally resulted in a charge to revenues in the winter months as fuel revenues collected normally exceed fuel costs. With the elimination of the reconcilable fuel mechanism under the ARP, fuel revenues are now recorded as they are billed. Therefore, the traditional charge to revenues for fuel overcollections in the winter months no longer occurs, resulting in the increase in first quarter 1995 revenues.

Service-area sales of electricity totaled approximately 2.36 billion kilowatt-hours for the three-month period ended March 31, 1995, a decrease of 4.8 percent compared to the first three months of 1994.

Service Area Kilowatt-hour Sales (Millions of KWHs)  
Three Months Ended March 31,

	1995	1994	% Change
Residential	816.8	878.3	(7.0)%
Commercial	643.8	646.8	(0.5)
Industrial	867.8	916.3	(5.3)
Other	35.4	42.4	(16.3)
	2,363.8	2,483.8	(4.8)%

The changes in service area kilowatt-hour sales reflect the following:

Kilowatt-hour sales to residential customers decreased significantly in the first quarter compared to 1994; usage per customer was down 7.9 percent, and declines in the space and water heating subclass usage contributed to this decrease.

Commercial sales decreased slightly from 1994 reflecting decreases or flat sales in most sectors.

Industrial kilowatt-hour sales decreased from 1994 due primarily to decreased sales to the pulp and paper industry of 10.5%. This sector accounts for approximately 60% of the industrial sales category. The primary factor in the decline in sales to this industry was the loss of 66 million kilowatt-hours of sales formerly made to a customer who began taking service from another utility in late 1994. Please refer to Note 4 to Consolidated Financial Statements in the Company's Form 10-K for a detailed discussion of this matter. A sales increase of 5.1% occurred to all other industrial customers as a group.

The components of the change in electric operating revenues for the three-months ended March 31, 1995, as compared to the same period in 1994, are as follows:

(Dollars in Thousands)

Revenues from Kilowatt-hour Sales:	
Total Service-Area Base Revenue	\$ (900)
Fuel Cost Recoveries	22,130
Non-Territorial Base Revenues	265
Revenues from Kilowatt-hour Sales	21,495
Other Operating Revenues, including	
Maine Electric Power Company, Inc.	791
Total Change in Electric Operating Revenues	\$22,286

Total service-area base revenues decreased for the first quarter of 1995 reflecting lower kilowatt-hour sales, a December 1994 annual price decrease totaling \$5.6 million, and the discounted rates given competitively positioned customers effective with the ARP. For a complete discussion of discounted rates please refer to Note 4 to consolidated Financial Statements in the Company's Form 10-K.

Fuel revenue increases reflect the elimination under the ARP of the reconcilable fuel clause, discussed above. Seasonal fluctuations in fuel revenues will continue throughout the

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remainder of 1995.

MEPCO's electric sales and transmission revenues from New England utilities other than the Company (included in other operating revenues in the preceding table) amounted to \$1.7 million and \$1.8 million in the first quarters of 1995 and 1994, respectively. Under a Participation Agreement that terminates in 1996, all of MEPCO's costs, including a return on invested capital, are paid by the participating utilities (Participants), which include the Company and most of the larger New England electric companies. The level of MEPCO's revenues and expenses changes depending upon the level of energy purchases by Participants.

Purchased power-other expense increased over the first quarter of 1994, principally because the 1994 amount included a one-time \$4.1 million credit representing reversal of a previously created reserve related to the Company's "capacity deficiency fund." A January 1994 MPUC-approved stipulation favorably resolved all issues related to that fund.

Although the Company continues its cost-control programs, other operation and maintenance expenses increased by \$3.8 million compared to the first quarter of 1994 primarily reflecting increased monthly payments for and amortization of purchased-power contract buy-outs.

Federal and state income taxes fluctuate with the level of pre-tax earnings and the regulatory treatment of taxes by the MPUC. This expense increased as a result of higher pre-tax earnings in the first quarter of 1995, when compared to 1994.

Interest on long-term debt during the first quarter of 1995 increased by approximately \$1.7 million while other interest expense remained flat compared to 1994. The increase reflects higher levels of outstanding long-term debt when compared to the first quarter of 1994. The increased debt results from the issuance of additional mortgage bonds during 1994 and the Finance

Authority of Maine note issued to finance the buy-out of a large non-utility generator contract in 1994.

Please refer to Note 3 to Consolidated Financial Statements, Commitments and Contingencies - Maine Yankee Atomic Power Company Steam Generator Tubes," above for a detailed discussion of the recent issues surrounding Maine Yankee.

On May 4, 1995, the Company announced a Special Retirement Offer (SRO) to all employees aged 50 or more who have at least five years of continuous service. The maximum allowable reduction in employees through the SRO is 200, approximately ten percent of the Company's existing workforce. The goal of the SRO is to help the Company achieve financial savings and make the organizational changes it needs to be an effective competitor in the energy marketplace. The eligible employees have until June 30, 1995 to decide on the SRO and must retire by July 1, 1995. The Company has determined that a significant workforce reduction must be made in the future and if the SRO does not meet its goal of employee reductions, that goal will be met by involuntary workforce reductions. The financial impacts of the SRO are currently being assessed and once the actual number and mix of employees accepting the offer is known the Company will reflect the cost of the SRO at that time. Labor savings will be reflected over time as those savings are generated.

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#### Liquidity and Capital Resources

Approximately \$52.8 million of cash was provided during the first quarter of 1995 from net income before non-cash items, primarily depreciation and amortization. During such period, approximately \$11.1 million of cash was used for fluctuations in certain assets and liabilities and from other operating activities.

During the first quarter of 1995, the Company reduced the level of preferred stock outstanding by \$4.8 million. Dividends paid on common stock were \$7.3 million, while preferred-stock dividends utilized \$2.7 million of cash.

Investing activities, primarily construction expenditures, utilized \$3.9 million in cash during the first quarter of 1995 for generating projects, transmission, distribution, and general construction expenditures.

In order to accommodate existing and future loads on its electric system the Company is engaged in a continuing construction program. The Company's plans for improvements and expansions, its load forecast and its power-supply sources are under a process of continuing review. Actual construction expenditures will depend upon the availability of capital and other resources,

load forecasts, customer growth and general business conditions. The ultimate nature, timing and amount of financing for the Company's total construction programs, refinancing and energy-management capital requirements will be determined in light of market conditions, earnings and other relevant factors.

To support its short-term capital requirements, the Company maintains an unsecured \$50-million revolving credit agreement with several banks that can be used to support commercial paper borrowing or as short-term financing. However, access to commercial paper markets has been substantially reduced, if not eliminated, as a result of the downgrading of the Company's credit ratings during 1993. The amount of outstanding short-term borrowing will fluctuate with day-to-day operational needs, the timing of long-term financing, and market conditions.

On November 9, 1994, the Company entered into a Competitive Advance and Revolving Credit Facility (Revolving Credit Facility), with several banks and Chemical Bank, as agent for the lenders, to provide up to \$80 million of revolving credit loans. The Revolving Credit Facility supplements the existing \$50 million revolving-credit agreement and replaces the Company's \$73 million of individual lines of credit.

Several credit-rating actions relating to the Company's securities took place in early 1995, when the Company's actions taken during 1994 with respect to cost control, NUG cost reductions, the regulatory reform under the ARP, and the competitive pricing agreements with large customers, were recognized by Moody's, Investors Service (Moody's) which upgraded the Company's ratings on preferred stock and commercial paper, and Duff & Phelps Credit Rating Co. (Duff & Phelps), which upgraded its preferred stock rating. After announcement of the Maine Yankee steam generator tube issues Duff & Phelps placed the Company on "credit watch" for possible downgrade. Moody's and Standard and Poor's Corp. continue to monitor the Maine Yankee situation and its impact on their ratings of the Company's securities.

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## PART II - OTHER INFORMATION

### Item 1. Legal Proceedings

Environmental Matters. For a discussion of administrative and judicial proceedings concerning cleanup of a site containing soil contaminated by PCB's from equipment originally owned by the Company, see Note 2, "Commitments and Contingencies," "Legal and Environmental Matters," which is incorporated herein by reference.

Regulatory Matters. For a discussion of certain other Regulatory matters affecting the Company, see Note 3, "Regulatory Matters," which is incorporated herein by reference.

Item 2. through Item 4. Not applicable

Item 5. Other Information.

Maine Yankee Steam Generator Tubes. For a discussion of issues arising from the discovery of a large number of degraded steam generator tubes at the Maine Yankee plant see Note 2, "Commitments and Contingencies," "Maine Yankee Atomic Power Company Steam Generator Tubes," which is incorporated herein by reference.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits. None.

(b) Reports on Form 8-K. The Company filed the following reports on Form 8-K during the first quarter of 1995 and thereafter to date:

Date of Report	Items Reported
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January 27, 1995	Item 5
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On January 10, 1995 the Maine Public Utilities Commission issued its "Detailed Opinion and Subsidiary Findings" formally adopting the Alternative Rate Plan. On January 27, 1995, The Company announced its financial results for 1994.

March 23, 1995	Item 5
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The Company reported the detection of increased degradation of the steam generator tubes at the Maine Yankee plant.

March 29, 1995	Item 5
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a. The Company reported its estimated share of the costs to repair the Maine Yankee steam generator tubes, through inserting reinforcing sleeves in all of the tubes could range from \$10 to \$15 million and additional fuel costs over and above what it would have incurred had the Maine Yankee plant continued to operate in the range of \$3.5 million to \$4.5 million per month.

b. The Company reported the Federal Energy Regulatory Commission's March 29, 1994 issuance of a Notice of Proposed Rulemaking that it said was intended to "facilitate the development of a competitive market by ensuring that wholesale buyers and sellers can reach each other and to eliminate any

competitive and discriminatory practices in transmission services."

c. The Company reported first quarter 1995 financial results.

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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.

CENTRAL MAINE POWER COMPANY  
(Registrant)

Date: May 10, 1995

/S/R. S. Howe

R. S. Howe, Comptroller (Chief Accounting Officer)

/S/D. E. Marsh

David E. Marsh, Vice President, Corporate Services and Chief Financial Officer  
(Principal Financial Officer and duly authorized officer)



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<F1>Other Assets are included in "Deferred Charges and Other Assets" on the

Balance Sheet.

</FN>

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