

**Central Maine Power Company
and Subsidiaries
Consolidated Financial Statements
For the Years Ended December 31, 2014 and 2013**

**Central Maine Power Company
and Subsidiaries**

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Report of Independent Auditors

To the Shareholder and Board of Directors
of Central Maine Power Company:

We have audited the accompanying consolidated financial statements of Central Maine Power Company and subsidiaries, which comprise the consolidated balance sheet as of December 31, 2014, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Central Maine Power Company and subsidiaries at December 31, 2014, and the consolidated results of their operations and their cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Report of Other Auditors on December 31, 2013 Financial Statements

The consolidated financial statements of Central Maine Power Company and subsidiaries as of and for the year ended December 31, 2013 were audited by other auditors whose report dated March 31, 2014, except for the effects of the revision discussed in Note 2 to the consolidated financial statements, as to which the date is March 24, 2015, expressed an unqualified opinion thereon.

Ernst & Young LLP

March 24, 2015

Central Maine Power Company and Subsidiaries
Consolidated Statements of Income

Year Ended December 31, (Thousands)	2014	2013
Operating Revenues		
Sales and services	\$737,339	\$696,343
Operating Expenses		
Electricity purchased	61,921	65,059
Other operating expenses	242,772	223,973
Maintenance	75,990	77,275
Depreciation and amortization	80,220	66,053
Other taxes	34,967	28,466
Total Operating Expenses	495,870	460,826
Operating Income	241,469	235,517
Other (Income)	(3,560)	(5,803)
Other Deductions	959	1,070
Interest Charges, Net	52,328	53,781
Income Before Income Tax	191,742	186,469
Income Tax Expense	79,634	59,452
Net Income	112,108	127,017
Less: Net Income (Loss) Attributable to Other Noncontrolling Interest	483	(39)
Net Income Attributable to CMP	111,625	127,056
Preferred Stock Dividends	34	34
Earnings Available for CMP Common Stock	\$111,591	\$127,022

Central Maine Power Company and Subsidiaries
Consolidated Statements of Comprehensive Income

Year ended December 31, (Thousands)	2014	2013
Net Income	\$112,108	\$127,017
Other Comprehensive (Loss) Income, Net of Tax		
Amortization of pension cost for nonqualified plans	(233)	(1,889)
Unrealized (loss) gain on derivatives qualified as hedges:		
Unrealized (loss) during period on derivatives qualified as hedges	(682)	(104)
Reclassification adjustment for loss included in net income	197	149
Reclassification adjustment for loss on settled cash flow treasury hedges	1,315	1,299
Net unrealized gain on derivatives qualified as hedges	830	1,344
Other Comprehensive Income (Loss)	597	(545)
Comprehensive Income	112,705	126,472
Less:		
Comprehensive Income (Loss) Attributable to Other Noncontrolling Interests	483	(39)
Comprehensive Income	\$112,222	\$126,511

The accompanying notes are an integral part of our consolidated financial statements.

Central Maine Power Company and Subsidiaries Consolidated Balance Sheets

December 31, (Thousands)	2014	2013
Assets		
Current Assets		
Cash and cash equivalents	\$5,023	\$3,176
Accounts receivable and unbilled revenues, net	149,967	148,322
Accounts receivable from affiliates	942	2,100
Notes receivable from affiliates	690	15,750
Materials and supplies, at average cost	27,476	17,151
Deferred income taxes	5,044	5,822
Prepayments and other current assets	66,277	43,400
Regulatory assets	27,470	17,790
Deferred income taxes regulatory	16,041	9,194
Total Current Assets	298,930	262,705
Utility Plant, at Original Cost		
Electric	3,189,010	2,758,894
Less accumulated depreciation	738,470	700,462
Net Utility Plant in Service	2,450,540	2,058,432
Construction work in progress	394,546	573,656
Total Utility Plant	2,845,086	2,632,088
Other Property and Investments	8,275	8,960
Regulatory and Other Assets		
Regulatory assets		
Advance metering infrastructure	35,960	39,225
Pension and other postretirement benefits	263,587	150,792
Unfunded future income taxes	218,944	200,408
Other	34,481	39,652
Total regulatory assets	552,972	430,077
Other assets		
Goodwill	324,938	324,938
Other	19,714	26,459
Total other assets	344,652	351,397
Total Regulatory and Other Assets	897,624	781,474
Total Assets	\$4,049,915	\$3,685,227

The accompanying notes are an integral part of our consolidated financial statements.

Central Maine Power Company and Subsidiaries Consolidated Balance Sheets

December 31, (Thousands)	2014	2013
Liabilities		
Current Liabilities		
Current portion of long-term debt	\$2,031	\$22,426
Notes payable to affiliates	118,192	-
Accounts payable and accrued liabilities	87,663	67,942
Accounts payable, construction	35,305	130,723
Accounts payable to affiliates	11,237	10,828
Accounts payable, electricity purchased	27,011	26,246
Interest accrued	16,303	17,267
Taxes accrued	1,069	-
Derivative liabilities	1,038	-
Other current liabilities	65,853	74,831
Regulatory liabilities	66,732	42,926
Total Current Liabilities	432,434	393,189
Regulatory and Other Liabilities		
Regulatory liabilities		
Accrued removal obligations	74,028	79,165
Deferred income taxes	179,898	128,936
Other	5,895	21,507
Total regulatory liabilities	259,821	229,608
Other liabilities		
Deferred income taxes	570,634	514,144
Pension and other postretirement benefits	244,326	151,354
Other	71,716	38,744
Total other liabilities	886,676	704,242
Total Regulatory and Other Liabilities	1,146,497	933,850
Long-term debt	939,844	943,528
Total Liabilities	2,518,775	2,270,567
Commitments and Contingencies		
Preferred Stock		
Preferred stock	571	571
CMP Common Stock Equity		
Common stock (\$5 par value, 80,000 shares authorized and 31,211 shares outstanding at December 31, 2014 and 2013)	156,057	156,057
Capital in excess of par value	713,893	713,893
Retained earnings	663,352	551,761
Accumulated other comprehensive loss	(10,053)	(10,650)
Total CMP Common Stock Equity	1,523,249	1,411,061
Other Noncontrolling Interest	7,320	3,028
Total Equity	1,530,569	1,414,089
Total Liabilities and Equity	\$4,049,915	\$3,685,227

The accompanying notes are an integral part of our consolidated financial statements.

Central Maine Power Company and Subsidiaries
Consolidated Statements of Cash Flows

Year Ended December 31, (Thousands)	2014	2013
Cash Flow from Operating Activities		
Net income	\$112,108	\$127,017
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	84,901	70,512
Amortization of regulatory and other assets and liabilities	(12,954)	(7,546)
Carrying cost of regulatory assets and liabilities	7,483	(2,229)
Deferred income taxes and investment tax credits, net	73,056	111,827
Pension expense	13,145	13,309
Changes in current operating assets and liabilities		
Accounts receivable and unbilled revenues, net	(487)	(7,721)
Materials and supplies	(10,325)	4,022
Prepayments and other current assets	582	(1,522)
Accounts payable and accrued liabilities	20,143	(14,429)
Interest accrued	(1,982)	4,291
Taxes accrued	(20,113)	(34,306)
Other current liabilities	(7,311)	(340)
Pension and other postretirement benefits contributions	(31,306)	(8,052)
VEBA withdrawal	4,071	3,450
Changes in other assets		
Department of Energy – Yankee settlement received	10,260	12,903
Payment to Efficiency Maine	(13,117)	(5,787)
Deferred storm costs	(14,570)	(23,764)
Changes in regulatory assets and regulatory liabilities	70,862	26,157
Other assets and other liabilities	6,125	5,571
Net Cash Provided by Operating Activities	290,571	273,363
Cash Flow from Investing Activities		
Utility plant additions, net of CIAC	(403,717)	(341,502)
Grants received from governmental entities	1,660	1,013
Notes receivable from affiliate	15,060	(15,750)
Investments, net	(38)	11
Net Cash Used in Investing Activities	(387,035)	(356,228)
Cash Flow from Financing Activities		
Issuance of first mortgage bonds	-	225,000
Costs associated with borrowings	(120)	(219)
Long-term note repayments	(24,018)	(38,537)
Notes payable three months or less, net	-	(157,177)
Notes payable with affiliates	118,192	(47,490)
Equity contribution from parent	-	100,000
Dividends paid on preferred stock	(34)	(34)
Other noncontrolling interest	4,291	1,070
Net Cash Provided by Financing Activities	98,311	82,613
Net Increase in Cash and Cash Equivalents	1,847	(252)
Cash and Cash Equivalents, Beginning of Year	3,176	3,428
Cash and Cash Equivalents, End of Year	\$5,023	\$3,176

The accompanying notes are an integral part of our consolidated financial statements.

Central Maine Power Company and Subsidiaries
Consolidated Statements of Changes in Equity

	CMP Stockholder							
	Common Stock Outstanding \$5 Par Value	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Other Noncon- trolling Interest	Compre- hensive Income		Total
(Thousands, except per share amounts)	Shares	Amount						
Balance, January 1, 2013	31,211	\$156,057	\$613,893	\$424,739	\$(10,105)	\$1,997		\$1,186,581
Net income				127,056		(39)	\$127,017	127,017
Other comprehensive income, net of tax					(545)		(545)	(545)
Comprehensive income							126,472	126,472
Equity contribution from parent			100,000					100,000
Additional paid in capital						1,086		1,086
Dividends paid, preferred stock				(34)				(34)
Dividends to other noncontrolling interest						(16)		(16)
Balance, December 31, 2013	31,211	156,057	713,893	551,761	(10,650)	3,028		1,414,089
Net income				111,625		483	112,108	112,108
Other comprehensive income, net of tax					597		597	597
Comprehensive income							112,705	112,705
Additional paid in capital						3,809		3,809
Dividends paid, preferred stock				(34)				(34)
Balance, December 31, 2014	31,211	\$156,057	\$713,893	\$663,352	\$(10,053)	\$7,320		\$1,530,569

The accompanying notes are an integral part of our consolidated financial statements.

Notes to Consolidated Financial Statements

Note 1. Significant Accounting Policies

Background: Central Maine Power Company and subsidiaries (CMP, the company, we, our, us) conduct regulated electricity transmission and distribution operations in Maine serving approximately 612,000 customers in a service territory of approximately 11,000 square miles with a population of approximately one million people. The service territory is located in the southern and central areas of Maine and contains most of Maine's industrial and commercial centers, including the city of Portland and the Lewiston-Auburn, Augusta-Waterville, Saco-Biddeford and Bath-Brunswick areas.

CMP is the principal operating utility of CMP Group, Inc. (CMP Group), a wholly-owned subsidiary of Iberdrola USA Networks, Inc. (Networks) which is a wholly-owned subsidiary of Iberdrola USA, Inc. (IUSA) which is a wholly-owned subsidiary of Iberdrola, S.A. (Iberdrola), a corporation organized under the law of the Kingdom of Spain. Networks' wholly-owned subsidiaries, and their principal operating companies, include: CMP Group, Inc.— Central Maine Power Company (CMP), and RGS Energy Group, Inc. - New York State Electric & Gas Corporation (NYSEG) and Rochester Gas and Electric Corporation (RG&E). We operate under the authority of the Maine Public Utility Commission (MPUC) in Maine and are also subject to regulation by the Federal Energy Regulatory Commission (FERC).

Accounts receivable: Accounts receivable at December 31 include unbilled revenues of \$21 million for 2014 and 2013, and are shown net of an allowance for doubtful accounts at December 31 of \$4 million for 2014 and \$9 million for 2013. Accounts receivable do not bear interest, although late fees may be assessed. Bad debt expense was \$4 million in 2014 and \$5 million in 2013.

Unbilled revenues represent estimates of receivables for energy provided but not yet billed. The estimates are determined based on various assumptions, such as current month energy load requirements, billing rates by customer classification and delivery loss factors. Changes in those assumptions could significantly affect the estimates of unbilled revenues.

The allowance for doubtful accounts is our best estimate of the amount of probable credit losses in our existing accounts receivable, determined based on experience. Each month we review our allowance for doubtful accounts and past due accounts by age. When we believe that a receivable will not be recovered, we charge off the account balance against the allowance. Changes in assumptions about input factors and customer receivables, which are inherently uncertain and susceptible to change from period to period, could significantly affect the allowance for doubtful accounts estimates.

Our accounts receivable include amounts due under deferred payment arrangements (DPAs). When a residential customer becomes delinquent in making payments, the MPUC requires us to allow the customer to enter into a DPA to settle the account balance. A DPA allows the account balance to be paid in installments over an extended time by negotiating mutually acceptable payment terms. Generally, we must continue to serve a customer who cannot pay an account balance in full if the customer: pays a reasonable portion of the balance; agrees to pay the balance in installments; and agrees to pay future bills within 30 days until the DPA is paid in full or is otherwise considered to be delinquent. We establish provisions for uncollectible accounts by using both historical average loss percentages to project future losses and by establishing specific provisions for known credit issues. Amounts are written off when reasonable collection efforts have been exhausted. The allowance for doubtful accounts for DPAs at December 31 was \$2 million for 2014 and 2013. DPA receivable balances, net of the applicable reserve, at December 31 were: \$10 million for 2014 and \$11 million for 2013.

Notes to Consolidated Financial Statements

Asset retirement obligations: We record the fair value of the liability for an asset retirement obligation (ARO) and a conditional ARO in the period in which it is incurred and capitalize the cost by increasing the carrying amount of the related long-lived asset. We adjust the liability periodically to reflect revisions to either the timing or the amount of the original estimated undiscounted cash flows over time, and depreciate the capitalized cost over the useful life of the related asset. Upon settlement we will either settle the obligation at its recorded amount or incur a gain or a loss. We defer any timing differences between rate recovery and depreciation expense and accretion as either a regulatory asset or a regulatory liability.

The term conditional ARO refers to an entity's legal obligation to perform an asset retirement activity in which the timing or method of settlement are conditional on a future event that may or may not be within the control of the entity. If an entity has sufficient information to reasonably estimate the fair value of the liability for a conditional ARO, it must recognize that liability at the time the liability is incurred.

Our ARO at December 31, including our conditional ARO, was less than \$1 million for 2014 and 2013. The ARO is associated with our long-lived assets and primarily consists of obligations related to removal or retirement of asbestos and PCB-contaminated equipment.

We have AROs for which we have not recognized a liability because the fair value cannot be reasonably estimated due to indeterminate settlement dates, including the removal of property upon termination of an easement, right-of-way or franchise.

Accrued removal obligations: We meet the requirements concerning accounting for regulated operations, and recognize a regulatory liability, for the difference between removal costs collected in rates and actual costs incurred. We classify those amounts as accrued removal obligations.

Consolidated statements of cash flows: We consider all highly liquid investments with a maturity date of three months or less when acquired to be cash equivalents and those investments are included in cash and cash equivalents.

Supplemental Disclosure of Cash Flows Information	2014	2013
(Thousands)		
Cash paid (received) during the year ended December 31:		
Interest, net of amounts capitalized	\$46,729	\$44,533
Income taxes paid (received), net	\$10,341	\$(20,123)

Interest capitalized was \$604 thousand in 2014 and \$724 thousand in 2013.

Preliminary survey costs: Consolidated preliminary survey costs included in Other assets at December 31 totaled approximately \$11 million for 2014 and \$10 million for 2013. Preliminary survey costs represent expenditures incurred for the purpose of determining the feasibility of utility projects under contemplation which are probable of being placed into service. When construction begins on such projects, the amounts are moved to Construction work in progress (CWIP), and then eventually to Utility plant when construction is completed and the asset is placed in service. If a project is abandoned, the costs incurred for that project are charged to expense.

Notes to Consolidated Financial Statements

Depreciation: We determine depreciation expense using the straight-line method, based on the average service lives of groups of depreciable property, which include estimated cost of removal. Our depreciation accruals were equivalent to 2.7% of average depreciable property for 2014 and 2.6% in 2013. We amortize our capitalized software cost, which is included in other plant, using the straight line method, based on useful lives of 5 to 10 years. Capitalized software costs of approximately \$61 million as of December 31, 2014. Depreciation expense was \$76 million in 2014 and \$62 million in 2013. Amortization of capitalized software was \$4 million in 2014 and 2013.

We charge repairs and minor replacements to operating expense, and capitalize renewals and betterments, including certain indirect costs. We charge the original cost of utility plant retired or otherwise disposed of to accumulated depreciation.

Our balances of major classes of assets and the associated useful lives are shown below.

Plant	Estimated useful life (years)	2014	2013
(thousands)			
Electric			
Transmission	43	\$1,696,193	\$1,324,432
Distribution	45	1,213,264	1,158,766
Other	29	279,553	275,696
Total Electric Plant		\$3,189,010	\$2,758,894

Environmental remediation liability: In recording our liabilities for environmental remediation costs the amount of liability for a site is the best estimate, when determinable; otherwise it is based on the minimum liability or the lower end of the range when there is a range of estimated losses. Our environmental liabilities are recorded on an undiscounted basis. Our environmental liability accruals are expected to be paid through the year 2042.

Goodwill: We are required to perform an annual goodwill impairment assessment at the same time each year and, accordingly, we perform our annual impairment assessment of goodwill as of September 30. We update our goodwill assessment during interim periods if events or circumstances occur that would more likely than not reduce the fair value of a reporting unit below its carrying value.

An entity is allowed to first assess qualitative factors – also referred to as step zero – to determine if there are events or circumstances that indicate it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. If it is not more likely than not that the fair value is less than the carrying amount, then it is not necessary to perform the two-step quantitative goodwill impairment test. An entity has the option to bypass step zero for any reporting unit in any period and proceed directly to performing step one of the goodwill impairment test, and may resume performing the step zero qualitative assessment in any subsequent period.

If step zero indicates that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the entity would perform step one of the two-step impairment test. Step one of the impairment test involves comparing the fair value of a reporting unit with its carrying value, including goodwill. If the carrying value of a reporting unit exceeds the reporting unit's fair value, step two must be performed to determine the amount, if any, of goodwill impairment loss. If the carrying amount is less than fair value, further testing for goodwill impairment is not performed.

Step two of the goodwill impairment test involves comparing the implied fair value of the reporting unit's goodwill against the carrying value of the goodwill. In step two, determining the implied fair value of goodwill requires the valuation of a reporting unit's identifiable tangible and intangible assets and liabilities as if the reporting unit had been acquired in a business combination on the

Notes to Consolidated Financial Statements

testing date. The difference between the fair value of the entire reporting unit as determined in step one and the net fair value of all identifiable assets and liabilities represents the implied fair value of goodwill. A goodwill impairment charge, if any, would be the difference between the carrying amount of goodwill and the implied fair value of goodwill upon the completion of step two.

We may be required to recognize an impairment of goodwill in the future due to market conditions or other factors related to our performance. Those market events could include a decline in the forecasted results in our business plan, significant adverse rate case results, changes in capital investment budgets or changes in interest rates that could permanently impair the fair value of a reporting unit. Recognition of impairments of a significant portion of goodwill would negatively affect our reported results of operations and total capitalization, the effect of which could be material and could make it more difficult to maintain our credit ratings, secure financing on attractive terms, maintain compliance with debt covenants and meet expectations of our regulators.

Government grants: We account for government grants related to depreciable assets in the same way as we account for contributions in aid of construction (CIAC), that is, the grant amount is credited to the cost of the related property, plant and equipment. In accounting for government grants related to operating and maintenance costs, we recognize amounts receivable as compensation for expenses already incurred in profit or loss in the period in which the expenses are incurred.

New accounting standards adopted: We have adopted new accounting standards issued by the Financial Accounting Standards Board (FASB) as explained below.

Comprehensive Income: In February 2013 the FASB issued its final update for the amendments concerning improving the reporting of amounts reclassified out of accumulated other comprehensive income (AOCI), including information an entity is to provide and present parenthetically on the face of the financial statements or in a single note. The amendments are effective for nonpublic entities prospectively for reporting periods beginning after December 15, 2013. Our adoption of the amendments did not affect our results of operation, financial position or cash flows.

Pushdown Accounting: In November 2014 the FASB issued guidance on when and how an acquired entity that is a business or nonprofit activity (public or nonpublic) can apply pushdown accounting in its separate financial statements upon the occurrence of an event in which an acquirer (individual or entity) obtains control of the acquired entity. It provides an acquired entity with an option to apply pushdown accounting in its separate financial statements. An acquired entity would determine whether to elect to apply pushdown accounting for each individual change-in-control event in which an acquirer obtains control of the acquired entity. If pushdown accounting is not applied in the reporting period in which the change-in-control event occurs, an acquired entity will have the option to elect to apply pushdown accounting in a subsequent reporting period to the acquired entity's most recent change-in-control event, but such an election would be considered a change in accounting principle. An election to apply pushdown accounting to an individual change-in-control event is irrevocable. Disclosures are required if the option is elected. The change is effective November 18, 2014. After the effective date, an acquired entity can make an election to apply the guidance to future change-in-control events or to its most recent change-in-control event. Our adoption of the amendments did not affect our results of operation, financial position or cash flows. We have not made an election to apply pushdown accounting since the effective date for the new guidance.

New accounting standards issued but not yet adopted: New accounting standards issued by the FASB that we have not yet adopted in these financial statements are as explained below.

Notes to Consolidated Financial Statements

Presentation of an Unrecognized Tax Benefit: In July 2013 the FASB issued amendments intended to eliminate diversity in practice on the financial statement presentation of an unrecognized tax benefit when a net operating loss (NOL) carryforward, a similar tax loss, or a tax credit carryforward exists. An unrecognized tax benefit, or a portion of an unrecognized tax benefit, is to be presented as a reduction to a deferred tax asset for an NOL carryforward, a similar tax loss, or a tax credit carryforward, with certain exceptions. The unrecognized tax benefit is to be presented as a liability and should not be combined with deferred tax assets to the extent that an NOL carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose. No new recurring disclosures are required. The amendments are effective for nonpublic entities for fiscal years beginning after December 15, 2014, with early adoption allowed. We have not elected early adoption. The amendments are to be applied prospectively to all unrecognized tax benefits that exist at the effective date. Retrospective application is allowed. Our adoption of the amendments is not expected to affect our results of operation, financial position or cash flows.

Discontinued Operations and Disposals of Components of an Entity: The FASB issued amendments in April 2014 that change the requirements for reporting discontinued operations. The new definition of discontinued operations limits reporting to disposals of components that represent strategic shifts that have, or will have, a major effect on an entity's operations and financial results. The amendments require additional disclosures about the financial effects of discontinued operations and disclosure of the pretax profit or loss of an individually significant component of an entity that does not qualify for discontinued operations reporting. The amendments are effective for public business entities and certain not-for-profit entities for annual periods beginning on or after December 15, 2014, and interim periods within those years, and are effective for all other entities for annual periods beginning on or after December 15, 2014, and interim periods within annual periods beginning on or after December 15, 2015. Prospective application is required, and early adoption is permitted as specified. Our adoption of the amendments is not expected to affect our results of operation, financial position or cash flows.

Revenue from Contracts with Customers: In May 2014 the FASB and the International Accounting Standards Board jointly issued their converged standard that creates common revenue recognition guidance. The primarily principles-based guidance provides a framework intended to improve financial reporting of revenue and improve comparability of revenue reporting in financial statements of companies using U.S. GAAP and IFRS. The core principle is for an entity to recognize revenue to represent the transfer of goods or services to customers in amounts that reflect the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity is required to apply the following five steps to achieve that core principle: 1) Identify the contract(s) with a customer. 2) Identify the performance obligations in the contract. 3) Determine the transaction price. 4) Allocate the transaction price to the performance obligations in the contract. 5) Recognize revenue when (or as) the entity satisfies a performance obligation. The standard also enhances disclosures about revenue, provides guidance for transactions not previously addressed comprehensively and improves guidance for multiple-element arrangements. The standard is effective for public entities for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early application is not permitted. It is effective for nonpublic entities for annual reporting periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018. Nonpublic entities may elect earlier application as specified, but not earlier than the public entity effective date. All entities are required to apply the standard retrospectively, choosing one of two specified transition methods. We have yet to determine how our adoption of the standard will affect our results of operation, financial position or cash flows.

Notes to Consolidated Financial Statements

Other (Income) and Other Deductions:

Year Ended December 31, (Thousands)	2014	2013
Interest and dividend income	\$(906)	\$(298)
Allowance for funds used during construction	(1,467)	(1,794)
Earnings from equity investments	(45)	(47)
Carrying costs on regulatory assets	(1,044)	(3,664)
Miscellaneous	(98)	-
Total other (income)	\$(3,560)	\$(5,803)
Miscellaneous	\$959	\$1,070
Total other deductions	\$959	\$1,070

Principles of consolidation: These financial statements consolidate our majority-owned subsidiaries after eliminating intercompany transactions.

Regulatory assets and regulatory liabilities: We currently meet the requirements concerning accounting for regulated operations for our electric operations in Maine; however, we cannot predict what effect the competitive market or future actions of regulatory entities would have on our ability to continue to do so. If we were to no longer meet the requirements concerning accounting for regulated operations for all or a separable part of our operations, we may have to record certain regulatory assets and regulatory liabilities as an expense or as revenue, or include them in accumulated other comprehensive income.

Pursuant to the requirements concerning accounting for regulated operations we capitalize, as regulatory assets, incurred and accrued costs that are probable of recovery in future electric rates. Substantially all regulatory assets for which funds have been expended are either included in rate base or are accruing carrying costs. The primary regulatory assets and liabilities that have not yet been included in rates, and are therefore accruing carrying costs until included in rates, are deferred storm costs and various deferrals, both assets and liabilities, that result from reconciliation mechanisms designed to allow recovery of actual costs. We also record, as regulatory liabilities, obligations to refund previously collected revenue or to spend revenue collected from customers on future costs (See Note 14).

Related party transactions: Certain Networks subsidiaries, including CMP borrow from IUSA, the parent of Networks, through intercompany revolving credit agreements. For CMP, the intercompany revolving credit agreements provide access to supplemental liquidity. See Note 5 for further detail on the credit facility with IUSA.

Iberdrola USA Management Corporation (IUMC) provides administrative and management services to Networks operating utilities, including CMP, pursuant to service agreements. The cost of those services is allocated in accordance with methodologies set forth in the service agreements. The cost allocation methodologies vary depending on the type of service provided. Management believes such allocations are reasonable. The charge for services provided to CMP by Iberdrola USA and its subsidiaries was approximately \$42 million for 2014 and \$40 million for 2013 and charge for services provided by CMP to Iberdrola USA and its subsidiaries were approximately \$3 million for 2014 and 2013. All charges for services are at cost.

Revenue recognition: We recognize revenues upon delivery of energy and energy-related products and services to our customers.

Pursuant to a Maine state law, we earn revenues for the delivery of energy to our retail customers, but we are prohibited from selling power to them. We generally do not enter into purchase or sales arrangements for power with ISO New England, Inc. (ISO-NE), the New England Power Pool, or any other independent system operator or similar entity. We generally sell

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all of our power entitlements under our nonutility generator (NUG) and other purchase power contracts to unrelated third parties under bilateral contracts. If the MPUC does not approve the terms of bilateral contracts, it can direct us to sell power entitlements that we receive from those contracts on the spot market through ISO-NE.

In addition we accrue revenue pursuant to the various regulatory provisions to record regulatory assets for revenues that will be collected in the future.

Taxes: Iberdrola USA, the parent company of Networks, files consolidated federal and state income tax returns including all of the activities of its subsidiaries. Each subsidiary company is treated as a member of the consolidated group and determines its current and deferred taxes based on the separate return with benefits for loss method. As a member, CMP settles its current tax liability or benefit each year directly with IUSA pursuant to a tax sharing agreement between IUSA and its members.

Deferred income taxes are recorded for the temporary differences between the financial statement and tax basis of assets and liabilities using currently enacted tax rates. Valuation allowances are established against deferred tax assets whenever circumstances indicate that it is more likely than not that such assets will not be realized in future periods. We amortize investment tax credits over the estimated lives of the related assets.

We account for sales tax collected from customers and remitted to taxing authorities on a net basis.

Use of estimates and assumptions: The preparation of our consolidated financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting periods. Significant estimates and assumptions are used for, but not limited to: (1) allowance for doubtful accounts and unbilled revenues; (2) asset impairments, including goodwill; (3) depreciable lives of assets; (4) income tax valuation allowances; (5) uncertain tax positions; (6) reserves for professional, workers' compensation, and comprehensive general insurance liability risks; (7) contingency and litigation reserves; (8) environmental remediation liability; (9) Pension and Other Postretirement Employee Benefit (OPEB) and (10) fair value measurements. Future events and their effects cannot be predicted with certainty; accordingly, our accounting estimates require the exercise of judgment. The accounting estimates used in the preparation of our consolidated financial statements will change as new events occur, as more experience is acquired, as additional information is obtained, and as our operating environment changes. We evaluate and update our assumptions and estimates on an ongoing basis and may employ outside experts to assist in our evaluations, as considered necessary. Actual results could differ from those estimates.

Union bargain agreements: The company has approximately 66% of the company's employees are covered by a collective bargaining agreement. CMP has no agreements which will expire within the coming year.

Note 2. Goodwill

We do not amortize goodwill, but perform a goodwill impairment assessment at least annually as described in Note 1. Our step one impairment testing includes various assumptions, primarily the discount rate, which is based on an estimate of our marginal, weighted-average cost of capital, and forecasted cash flows. We test the reasonableness of the conclusions of our step one impairment testing using a range of discount rates and a range of assumptions for long-term cash flows. Our step zero qualitative assessment involves evaluating key events and circumstances

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that could affect the fair value of our reporting units, as well as other factors. Events and circumstances evaluated include: macroeconomic conditions, industry, regulatory and market considerations, cost factors and their effect on earnings and cash flows, overall financial performance as compared with projected results and actual results of relevant prior periods, other relevant entity-specific events, and events affecting a reporting unit.

We had no impairment of goodwill in 2014 or in 2013 as a result of our annual impairment assessment, which we performed as of September 30. For 2014, as a result of our step one testing, no impairment was indicated within any of the ranges of assumptions analyzed. For 2013, as a result of our step zero qualitative assessment, it was not more likely than not that the fair value of each reporting unit was less than its carrying amount, and it was not necessary to perform the two-step goodwill impairment test. There were no events or circumstances subsequent to our annual impairment assessment for 2014 or for 2013 that required us to update the assessment.

The carrying amount of goodwill was \$325 million at December 31, 2014 and 2013.

Note 3. Income Taxes

Year Ended December 31, (Thousands)	2014	2013
Current		
Federal	\$(14,371)	\$(50,611)
State	6,700	2,779
Current taxes charged (benefits) charged to expense	(7,671)	(47,832)
Deferred		
Federal	86,167	97,554
State	1,637	10,445
Deferred taxes charged to expense	87,804	107,999
Investment tax credit adjustments	(499)	(715)
Total	\$79,634	\$59,452

Our tax expense differed from the expense at the federal statutory rate of 35% due to the following:

Year Ended December 31, (Thousands)	2014	2013
Tax expense at federal statutory rate	\$67,110	\$65,264
Depreciation and amortization not normalized	7,863	1,683
Investment tax credit amortization	(499)	(715)
Impairment of unfunded deferred tax regulatory assets	-	(947)
Tax return and audit adjustments	(681)	(11,538)
State taxes, net of federal benefit	5,419	8,595
Other, net	422	(2,890)
Total	\$79,634	\$59,452

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Our consolidated deferred tax assets and liabilities consisted of:

December 31, (Thousands)	2014	2013
Federal Net Operating Loss Carry-forwards	-	-
Regulatory	\$16,041	\$9,194
Other	5,044	5,822
Current Deferred Income Tax Assets	21,085	15,016
Noncurrent Deferred Income Tax Liabilities (Assets)		
Property related	\$672,035	\$576,132
Unfunded future income taxes	89,339	81,737
Accumulated deferred investment tax credits	-	499
Employee Benefits	9,648	(1,373)
Derivative assets	(5,044)	(5,951)
Other	(15,446)	(7,964)
Total Noncurrent Deferred Income Tax Liabilities	750,532	643,080
Less amounts classified as regulatory liabilities		
Current deferred income taxes	-	-
Deferred income taxes	179,898	128,936
Noncurrent Deferred Income Tax Liabilities	\$570,634	\$514,144
Deferred tax assets	\$41,575	\$30,304
Deferred tax liabilities	771,022	658,064
Net Accumulated Deferred Income Tax Liabilities	\$729,447	\$628,064

CMP has \$15.7 million of credits offset by \$14.3 million of valuation allowance and \$20.8 million of uncertain tax position.

Reconciliation of Gross Income Tax Reserves (Thousands)	2014	2013
Balance as of January 1	\$16,148	\$5,923
Increases for tax positions related to prior years	10,422	10,225
Reduction for tax positions related to settlements with taxing authorities	(5,810)	-
Balance as of December 31	\$20,760	\$16,148

The accounting guidance for uncertainty in income taxes provides that the financial effects of a tax position shall initially be recognized in the financial statements when it is more likely than not based on the technical merits that the position will be sustained upon examination, assuming the position will be audited and the taxing authority has full knowledge of all relevant information.

Unrecognized income tax benefits represent income tax positions taken on income tax returns but not yet recognized in the consolidated financial statements. The company has unrecognized income tax benefits of \$20.8 million as of December 31, 2014, and \$16.1 million as of December 31, 2013. Accruals for interest and penalties on tax reserves was less than \$0.1 million as of December 31, 2014 and \$1.9 million as of December 31, 2013. If recognized, \$0.5 million of the total gross unrecognized tax benefits would affect the effective tax rate.

On December 29, 2014, the Joint Committee on Taxation approved the examination of Iberdrola IUSA and its subsidiaries, which includes members of the Central Maine Power Group, for the 1998-2009 tax years. The results of these audits, net of reserves already provided, were immaterial. Maine state returns are closed through 2011.

Notes to Consolidated Financial Statements

Note 4. Long-term Debt

At December 31, 2014 and 2013, our consolidated long-term debt was:

	Interest Rates	Maturity	2014	Amount (Thousands) 2013
First mortgage bonds ⁽¹⁾	3.07% to 5.70%	2019 to 2043	\$750,000	\$750,000
Pollution control notes, fixed	5.375%	2014	-	19,500
Medium-term notes, fixed	5.27% to 6.40%	2016 to 2037	180,000	180,000
Chester: Promissory and Senior Notes	7.05% to 10.48%	2020	6,908	8,091
Total long-term debt			936,908	957,591
Obligations under capital leases			5,033	8,444
Unamortized discount on debt			(66)	(81)
			941,875	965,954
Less debt due within one year, included in current liabilities			2,031	22,426
Total			\$939,844	\$943,528

⁽¹⁾The first mortgage bonds are secured by a first mortgage lien on substantially all of our properties.

One of our subsidiaries has debt totaling \$7 million secured by its assets. We have no intercompany collateralizations and have no guarantees to affiliates or subsidiaries. None of our debt obligations are guaranteed or secured by our parent or affiliates.

At December 31, 2014, long-term debt, including sinking fund obligations and capital lease payments (in thousands) that will become due during the next five years are:

2015	2016	2017	2018	2019
\$2,031	\$42,292	\$1,836	\$1,901	\$151,973

We have no financial debt covenant requirements related to our long-term debt at December 31, 2014 and 2013.

Note 5. Bank Loans and Other Borrowings

CMP relies on bank provided revolving credit facilities and on inter-company revolving credit facilities with IUSA, the parent of Networks, to fund short-term liquidity needs. We had \$118 million of short-term debt outstanding at December 31, 2014 and no short-term debt outstanding at December 31, 2013. The weighted-average interest rate on short-term debt was .30% at December 31, 2014.

In July 2011, CMP jointly entered into a bank provided revolving credit facility (Joint Facility) with NYSEG and RG&E that allows maximum borrowings of up to \$600 million in aggregate and expires in 2018. We currently have a \$200 million sublimit under the agreement and pays a facility fee of 15 basis points annually.

CMP established a commercial paper program with a limit of \$200 million. The Joint Facility serves as the backstop to this program. We intend to use commercial paper as an alternative to the Joint Facility as a source of short-term credit.

We also have an intercompany credit facility under a demand note agreement with Iberdrola USA that provides financing of up to \$250 million. Under the terms of that agreement, which expires in 2019, we borrow at the market A2/P2 commercial paper rate. At December 31, 2014 there was \$118 million outstanding under this agreement.

Notes to Consolidated Financial Statements

We are a party to an intercompany agreement along with NYSEG and RG&E, under which each party to the agreement may lend to, or borrow from, the other parties, when the respective party has either a temporary cash surplus or short-term borrowing need. The interest rates on these transactions are based on the borrowing entity's external short-term borrowing costs. The agreement allows the parties to optimize its aggregate liquidity position. At December 31, 2014, there were no loans outstanding under this agreement. At December 31, 2013, we had a loan receivable from NYSEG of \$16 million, bearing an interest rate of 0.25%.

In our Joint Facility we covenant not to permit, without the consent of the lender, our ratio of total indebtedness to total capitalization to exceed 0.65 to 1.00 at any time. For purposes of calculating the maximum ratio of consolidated indebtedness to total capitalization, the facility excludes from consolidated net worth the balance of Accumulated other comprehensive income (loss) as it appears on the consolidated balance sheet. The facility contains various other covenants, including a restriction on the amount of secured indebtedness we may maintain. Continued unremedied failure to comply with those covenants for five business days after written notice of such failure from the lender constitutes an event of default and would result in acceleration of maturity. Our ratio of indebtedness to total capitalization pursuant to the revolving credit facility was .41 to 1.00 at December 31, 2014. We are not in default as of December 31, 2014.

A previous restatement of the 2013 results at CMP created an Event of Default for CMP under the Joint Facility. This Event of Default has been waived by agreement of all the lending banks, subject to the requirements that CMP deliver audited statements including the restatement by March 31, 2015.

Note 6. Preferred Stock

At December 31, 2014 and 2013, our consolidated 6% noncallable preferred stock, which has no mandatory redemption features, was \$571 thousand.

At December 31, 2014 CMP had 2,300,000 shares of \$100 par value preferred stock authorized but unissued.

CMP's 5,713 shares outstanding include 3,792 shares owned by CMP Group.

Note 7. Commitments and Contingencies

CMP customer charge-offs: Under Maine electric restructuring law, Maine electric delivery utilities are required to bill customers for delivery and supply service. This includes managing delivery and supply accounts receivable and uncollectibles. In October 2010 the MPUC initiated a proceeding to investigate CMP's credit and collection practices, and, in particular, whether CMP complies with the MPUC's new credit and collection rules, including the treatment of unpaid customer balances for delivery charges and supply charges.

In August 2012 the Hearing Examiner issued a report and recommended decision in the case, recommending that the MPUC order CMP to retroactively reallocate \$2.6 million of customer deposits, previously applied to CMP's delivery service receivables during the period 2008 through 2010 as a credit to Standard Offer Service receivables. The Examiner's Report also recommended that the MPUC find CMP's collections practices during the period 2005 through 2010 were imprudent, resulting in an additional recommended disallowance of \$3.7 million. In total, the Examiner's Report recommended that the MPUC order CMP to credit the Standard Offer Service retainage account by \$6.3 million at CMP's expense. In September 2012 CMP filed its exceptions to the Examiner's Report, arguing that the Examiner's recommendations constitute illegal, retroactive, single-issue ratemaking and that the Examiner has failed to meet the burden of proof necessary to support a finding of imprudent utility behavior. In October 2012 the MPUC

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deliberated the matter and agreed with the Hearing Examiner's recommendation to require CMP to retroactively reallocate \$2.6 million of customer deposits. The MPUC also agreed with the Hearing Examiner's finding of imprudent behavior with respect to appropriately pursuing customer collections during the period of 2008 through 2010. The MPUC determined that this imprudent behavior resulted in additional harm of \$1.5 million and CMP should therefore credit a total of \$4.1 million to Standard Offer Service receivables. On January 25, 2013, the MPUC issued its written Order confirming the \$4.1 million credit to the standard offer retainage account. In December 2012 CMP reallocated \$5.1 million in customer receivables with an associated charge to operating expense.

On February 14, 2013, CMP filed a motion requesting that the MPUC reconsider its January 25 order with respect to the allocation of customer deposits. On May 14, 2013, the MPUC issued an order denying CMP's motion. On June 4, 2013, CMP filed an appeal of the MPUC's January 25 and May 14 orders with the Maine Supreme Judicial Court. On August 22, 2013, CMP submitted its initial brief to the Court, disputing the MPUC's order with regard to the retroactive reallocation of customer deposits, but not seeking review of the MPUC's finding of imprudence.

The Law Court issued its decision on April 8, 2014, denying CMP's appeal and upholding the MPUC's decision.

Transmission – FERC ROE proceeding: CMP's transmission rates are determined by a tariff regulated by the FERC and administered by ISO New England, Inc (ISO-NE). Transmission rates are set annually pursuant to a FERC authorized formula that allows for recovery of direct and allocated transmission operating and maintenance expenses, as well as return of and on investment in assets. The FERC provided a base ROE of 11.14% and additional incentive adders applicable to assets based upon vintage, voltage and other factors.

Complaint I - In September 2011 the Massachusetts Attorney general filed a complaint with the FERC that the ROE was too high and should be lowered by 1.94%, to a value of 9.2%. CMP is a member of the New England Transmission Owners and is therefore subject to the outcome of the complaint proceeding. On October 16, 2014, the FERC issued an order in the ROE case which concluded:

- The base ROE is set at 10.57% effective October 16, 2014.
- There is an ROE cap on incentive returns of 11.74%, also effective October 16, 2014.
- The long-term growth rate used in the two-step DCF analysis should be GDP and is 4.39% in this proceeding. This aspect of their decision results from the paper hearing that FERC initiated in its June 2014 decision in this case.
- CMP must provide refunds for the period October 2011 through December 2012 with a base ROE of 10.57% and an ROE cap on incentives of 11.74%.

On March 3, 2015, the FERC issued an order on requests for rehearing of its October 2014 decision. The March order upheld the FERC's initial decision and further clarified that the 11.74% ROE cap will be applied on a project specific basis and not on a Transmission Owner's total average return.

Complaint II – Filed December 27, 2012. On June 19, 2014 the Commission issued an order setting this case for settlement and hearing and set a refund effective date of December 27, 2012.

- The parties entered settlement negotiations which ended in late October 2014 when the parties were unable to reach agreement
- FERC has set a schedule for this case that calls for hearings in June 2015. The order estimates a decision by April 30, 2016 (subsequently revised to September 2016).

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Complaint III – Filed August 2014 by the initial complainants, reiterates the same position in Complaint II. On November 24, 2014, the FERC issued an order setting the complaint for hearing, consolidating Complaints II and III, and establishing a refund effective date of July 31, 2014

CMP reserved for refunds in 2013 and 2014. The 2013 reserve was \$6.6 million associated with Complaint I. In 2014, CMP recorded an additional reserve of \$29.9 million associated with Complaints I, II, and III. CMP's reserved amounts reflect projected refund obligations that are consistent with the FERC's March 3, 2015 final Complaint I decision.

Power purchase contracts including nonutility generator: We expensed approximately \$55 million for NUG power in 2014 and \$56 million in 2013. We estimate that our power purchases will total \$62 million in 2015 and 2016, \$6 million in 2017 and 2018 and \$80 million thereafter.

Decision in Yankee Litigation vs. DOE: CMP has an ownership interest in three nuclear generating companies (the Yankee companies) that have been decommissioned and currently store spent nuclear fuel (SNF) on their sites. In May 2012 the U.S. Court of Appeals issued a favorable decision in the Yankee companies' Phase I litigation over the U.S. Department of Energy (DOE)'s failure to remove SNF from the three New England single-unit decommissioned nuclear reactor sites as required by contract and the Nuclear Waste Policy Act beginning in 1998. Damages awarded to the three companies totaled nearly \$160 million. CMP's share of the award is approximately \$37 million.

The Yankee companies received the proceeds in early 2013. The proceeds will be used to offset future costs of spent fuel storage which are borne by the owners, with any excess being credited to the owners. Each of the Yankee companies have established a schedule to refund any excess to its owners, including CMP. Any refund ultimately distributed to CMP will ultimately be passed on to customers through lower rates. During 2013 CMP recorded a receivable of \$30.6 million with an offsetting regulatory liability. CMP is obligated, as required by a Maine law enacted in 2013, to transfer to Efficiency Maine approximately \$13.1 million, of its Phase I proceeds from Maine Yankee Atomic Power Company which will reduce the amount ultimately credited to customers. As a result, CMP established a liability to Efficiency Maine with an offsetting decrease in the regulatory liability.

On November 14, 2013, the Court of Federal Claims in Washington, D.C. issued a ruling in favor of the Yankee companies in Phase II of their litigation with the DOE, awarding a total of about \$235 million in damages. CMP's share of the award is approximately \$28 million. There was a 60-day appeal period that ended on January 14, 2014, and the U.S. Department of Justice, representing the DOE, did not appeal the decision. As a result, the decision is final and non-appealable and the Yankee Companies received full payment in April 2014.

In August 2013, the Yankees filed a third round of claims against the government seeking damages for the years 2009-2014 (Phase III). The Respondent cannot predict the timing or amount of damages that may ultimately be awarded.

The trial court decisions, the appeals court decisions in this case (Phase I and Phase II), and legal precedents, provide strong support that the Yankee Companies will continue to recover future costs caused by the DOE's breach. The Respondent cannot predict the exact outcome or the timing of these proceedings.

Note 8. Environmental Liability

From time to time environmental laws, regulations and compliance programs may require changes in our operations and facilities and may increase the cost of electric service.

Notes to Consolidated Financial Statements

The United States Environmental Protection Agency and various state environmental agencies, as appropriate, have notified us that we are among the potentially responsible parties that may be liable for costs incurred to remediate certain hazardous substances at six waste sites. The six sites do not include sites where gas was manufactured in the past, which are discussed below. With respect to the six sites, five sites are included in Maine's Uncontrolled Sites Program, one is included on the Massachusetts Non-Priority Confirmed Disposal Site list and two sites are also included on the National Priorities list. Any liability may be joint and several for certain of those sites. We have recorded an estimated liability of \$1.6 million related to the six sites at December 31, 2014.

We have recorded an estimated liability of \$2.2 million at December 31, 2014, related to four additional sites where we believe it is probable that we will incur remediation costs and/or monitoring costs, although we have not been notified that we are among the potentially responsible parties or are regulated under State Resource Conservation and Recovery Act (RCRA) program. It is reasonably possible the ultimate cost to remediate the sites may be significantly more than the accrued amount. Factors affecting the estimated remediation amount include the remedial action plan selected, the extent of site contamination and the portion attributed to us.

We have a program to investigate and perform necessary remediation at our three sites where gas was manufactured in the past. All three sites are part of Maine's Voluntary Response Action Program and two are on the Maine's Uncontrolled Sites Program.

Our estimate for all costs related to investigation and remediation of the three sites range from a minimum of \$1.2 million to \$1.8 million at December 31, 2014. The estimate could change materially based on facts and circumstances derived from site investigations, changes in required remedial action, changes in technology relating to remedial alternatives and changes to current laws and regulations.

The liability to investigate and perform remediation, as necessary, at the known inactive gas manufacturing sites was \$1.2 million at December 31, 2014, and \$170 thousand at December 31, 2013. We recorded a corresponding regulatory asset, net of insurance recoveries, because we expect to recover the net costs in rates.

Our environmental liabilities are recorded on an undiscounted basis. We have received insurance settlements during the last two years, which we accounted for as reductions in our related regulatory asset.

Note 9. Accounting for Derivative Instruments and Hedging Activities

We are exposed to certain risks relating to our ongoing business operations. The primary risk we manage by using derivative instruments is commodity price risk. In accordance with the accounting requirements concerning derivative instruments and hedging activities, we recognize all derivative instruments as either assets or liabilities at fair value on our balance sheet.

The financial instruments we hold or issue are not for trading or speculative purposes.

Cash flow hedging: Our fleet fuel hedges are designated as cash flow hedging instruments. We record changes in the fair value of the cash flow hedging instruments in other comprehensive income (OCI), to the extent they are considered effective, and reclassify those gains or losses into earnings in the same period or periods during which the hedged transactions affect earnings.

Notes to Consolidated Financial Statements

Our derivatives designated as hedging instruments, which are other commodity contracts (fleet fuel), had a fair value of \$(1.0) million as of December 31, 2014, and \$(217) thousand as of December 31, 2013, and are included in current liabilities.

The effect of hedging instruments on OCI and income was:

Year Ended December 31,	Gain (Loss) Recognized in OCI on Derivatives	Location of Gain (Loss) Reclassified from Accumulated OCI into Income	Gain(Loss) Reclassified from Accumulated OCI into Income
Derivatives in Cash Flow Hedging Relationships (Thousands)	Effective Portion	Effective Portion	
2014			
Interest rate contracts	-	Interest expense	\$(2,222)
Commodity contracts:			
Other	\$(1,153)	Other operating expenses	(332)
Total	\$(1,153)		\$(2,554)
2013			
Interest rate contracts	-	Interest expense	\$(2,195)
Commodity contracts:			
Other	\$(176)	Other operating expenses	(252)
Total	\$(176)		\$(2,447)

The amount in OCI related to previously settled interest rate hedging contracts, after tax and accumulated amortization, at December 31 is a net loss of \$12.4 million for 2014 and a net loss of \$14.6 million for 2013. For the year ended December 31, 2014, we recorded \$2.2 million in net derivative losses related to discontinued cash flow hedges. We will amortize approximately \$2.2 million of discontinued cash flow hedges in 2015.

At December 31, 2014, \$1 million in losses are reported in OCI because the forecasted transaction is considered to be probable. We expect that those losses in OCI will be reclassified into earnings within the next 12 months, the maximum length of time over which we are hedging our exposure to the variability in future cash flows for forecasted energy transactions.

Note 10. Fair Value of Financial Instruments and Fair Value Measurements

The carrying amounts and estimated fair values of our financial instruments are shown in the following table. Carrying amounts include related debt discounts.

December 31,	2014		2013	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
(Thousands)				
First mortgage bonds	\$750,000	\$830,394	\$750,000	\$800,003
Pollution control notes, fixed	-	-	\$19,500	\$19,773
Various long-term debt	\$186,842	\$230,098	\$188,010	\$210,886

The carrying amounts for cash and cash equivalents, accounts receivable, accounts payable, notes receivable, notes payable and interest accrued approximate their estimated fair values.

Notes to Consolidated Financial Statements

We value all fixed rate long-term debt, whether unsecured or secured by a first mortgage lien, taxable or tax exempt, by assigning a market-based yield for each security and then deriving the price from the yield. Market-based yields are determined by observing secondary market trading levels for debt of similar maturity, rating, tax and structural characteristics. All of our variable rate debt instruments are auction rate securities. The auction function for these securities has not properly functioned since the financial crisis in 2008 and, as a result under the agreements, the variable rate is set in reference to various short-term indices that provide for competitive short-term returns. These securities lack secondary market liquidity and as a result the auction rate securities were valued using a discounted cash flow model based on the underlying terms of the agreement including the variable rate used, if the auction fails, available market information, and consideration of historical activity for benchmark interest rates. These financial debt instruments are considered as Level 2.

Assets and liabilities measured at fair value on a recurring basis

Description (Thousands)	Total	Fair Value Measurements at December 31, Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2014				
Assets				
Noncurrent investments available for sale	\$322	\$322	-	-
Total	\$322	\$322	-	-
Liabilities				
Derivatives	\$1,038	-	-	\$1,038
Total	\$1,038	-	-	\$1,038
2013				
Assets				
Noncurrent investments available for sale	\$330	\$330	-	-
Total	\$330	\$330	-	-
Liabilities				
Derivatives	\$217	-	-	\$217
Total	\$217	-	-	\$217

We had no transfers to or from Level 1 and 2 during the years ended December 31, 2014 and 2013. Our policy is to recognize transfers in and transfers out as of the actual date of the event or change in circumstances that causes a transfer, if any.

Valuation techniques: We measure the fair value of our noncurrent investments available for sale using quoted market prices in active markets for identical assets and include the measurements in Level 1. The investments primarily consist of money market funds.

We enter into fuel derivative contracts to hedge our unleaded and diesel fuel requirements for their fleet vehicles. Exchange based forward market prices are used but because a basis adjustment is added to the forward prices, we include the fair value measurement for these contracts in level 3.

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Instruments measured at fair value on a recurring basis using significant unobservable inputs

Year ended December 31, (Thousands)	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	
	Derivatives, Net	
	2014	2013
Beginning balance	\$217	\$293
Total gain or loss for the period		
Included in earnings	(332)	(252)
Included in other comprehensive income	1,153	176
Ending balance	\$1,038	\$217

The amounts of realized and unrealized gain and loss included in earnings for the period (above), which are reported in Other operating expense are:

(Thousands)	
Total gain (loss) included in earnings for year ended December 31,	
2014	\$(332)
2013	\$(252)

Note 11. Accumulated Other Comprehensive (Loss) Income

	Balance January 1, 2013	2013 Change	Balance December 31, 2013	2014 Change	Balance December 31, 2014
(Thousands)					
Amortization of pension cost for nonqualified plans	-	\$(1,889)	\$(1,889)	\$(233)	\$(2,122)
Unrealized (loss) gain on derivatives qualified as hedges:					
Unrealized (loss) during period on derivatives qualified as hedges, net of income tax benefit of \$72 for 2013 and \$471 for 2014		(104)		(682)	
Reclassification adjustment for loss included in net income, net of income tax (benefit) of \$(103) for 2013 and \$(136) for 2014		149		197	
Reclassification adjustment for loss on settled cash flow treasury hedges, net of income tax (benefit) of \$(896) for 2013 and \$(907) for 2014		1,299		1,315	
Net unrealized (loss) gain on derivatives qualified as hedges	\$(10,105)	1,344	(8,761)	830	(7,931)
Accumulated Other Comprehensive (Loss) Income	\$(10,105)	\$(545)	\$(10,650)	\$597	\$(10,053)

No Accumulated Other Comprehensive (Loss) Income is attributable to the noncontrolling interest for the above periods.

Note 12. Retirement Benefits

We have funded noncontributory defined benefit pension plans that cover substantially all of our employees. For most employees, generally those hired before 2002, the plans provide defined benefits based on years of service and final average salary. Employees hired in 2002 or later are

Notes to Consolidated Financial Statements

covered under a cash balance plan or formula where there benefit accumulates based on a percentage of annual salary and credited interest. During 2013 the company announced that we would freeze the benefits for all non-union employees covered under the cash balance plans effective December 31, 2013. CMP union employees covered under the cash balance plans ceased accruals as of December 31, 2014. Their earned balances would continue to accrue interest, but would no longer be increased by a percentage of earnings. Their earned balances would continue to accrue interest, but would no longer be increased by a percentage of earnings. In place of the pension benefit for these employees, they will receive a minimum contribution to their account under their respective company's defined contribution plan. There was no change to the defined benefit plans for employees covered under the plans that provide defined benefits based on years of service and final average salary.

The company maintains a 401(k) Savings and Retirement Plan (the Plan) for all eligible employees as defined in the Plan agreement. Participants in the Plan may contribute a percentage of their compensation and the company may match a predetermined percentage of the participant contributions. Expenses under the Plan for the Company totaled approximately \$2 million for 2014 and 2013.

We also have other postretirement health care benefit plans covering substantially all of our employees. The health care plans are contributory with participants' contributions adjusted annually.

Obligations and funded status:

	Pension Benefits		Postretirement Benefits	
	2014	2013	2014	2013
(Thousands)				
Change in benefit obligation				
Benefit obligation at January 1	\$343,966	\$406,641	\$93,816	\$104,361
Service cost	7,119	8,110	681	837
Interest cost	16,430	16,330	4,414	4,103
Plan participants' contributions	-	-	603	609
Actuarial loss (gain)	91,445	(49,166)	26,795	(9,115)
Benefits paid	(39,250)	(37,949)	(8,742)	(7,109)
Federal subsidy on benefits paid	-	-	-	130
Benefit obligation at December 31	\$419,710	\$343,966	\$117,567	\$93,816
Change in plan assets				
Fair value of plan assets at January 1	\$245,149	\$253,892	\$41,279	\$40,085
Actual return on plan assets	16,958	21,154	1,579	4,194
Employer contributions	31,307	8,052	-	-
Withdrawal from VEBA	-	-	(4,071)	(3,000)
Employer and plan participants' contributions	-	-	8,742	6,979
Federal subsidy on benefits paid	-	-	-	130
Benefits paid	(39,250)	(37,949)	(8,742)	(7,109)
Fair value of plan assets at December 31	\$254,164	\$245,149	\$38,787	\$41,279
Funded status at December 31	\$(165,546)	\$(98,817)	\$(78,780)	\$(52,537)
Amounts recognized in the balance sheet				
December 31,	2014	2013	2014	2013
(Thousands)				
Noncurrent liabilities	\$(165,546)	\$(98,817)	\$(78,780)	\$(52,537)

During 2013 we offered terminated vested employees an option to receive their future pension benefit as a lump sum. Approximately \$20.2 million of payments were made in 2013 as a result of employees exercising that option. The lump sums paid did not trigger any settlement accounting. Another \$5.8 million was paid out in 2014.

Notes to Consolidated Financial Statements

During 2014 we made a similar offer to retired employees who are currently receiving benefits. Approximately \$16.4 million of payments were made in 2014 as a result of retirees exercising the lump sum option. Settlement account was not triggered by these payments.

We have determined that we are allowed to defer as regulatory assets or regulatory liabilities items that would otherwise be recorded in accumulated other comprehensive income pursuant to the accounting requirements concerning defined benefit pension and other postretirement plans.

Amounts recognized as regulatory assets or regulatory liabilities, consist of:

December 31,	Pension Benefits		Postretirement Benefits	
(Thousands)	2014	2013	2014	2013
Net loss	\$223,946	\$141,411	\$54,270	\$27,708
Prior service cost (credit)	\$133	\$312	\$(14,762)	\$(18,638)

Our accumulated benefit obligation for all defined benefit pension plans at December 31 was \$371 million for 2014 and \$313 million for 2013.

Our postretirement benefits were partially funded at December 31, 2014 and 2013.

The projected benefit obligation and accumulated benefit obligation exceeded the fair value of pension plan assets for our plans as of December 31, 2014 and 2013. The following table shows the aggregate projected and accumulated benefit obligations and the fair value of plan assets for the relevant periods.

December 31,	2014	2013
(Thousands)		
Projected benefit obligation	\$419,710	\$343,966
Accumulated benefit obligation	\$371,156	\$312,633
Fair value of plan assets	\$254,164	\$245,149

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Components of net periodic benefit cost and other amounts recognized in regulatory assets and regulatory liabilities:

Years ended December 31,	Pension Benefits		Postretirement Benefits	
	2014	2013	2014	2013
(Thousands)				
Net periodic benefit cost				
Service cost	\$7,119	\$8,110	\$681	\$837
Interest cost	16,430	16,330	4,414	4,103
Expected return on plan assets	(18,541)	(19,441)	(2,848)	(2,778)
Amortization of prior service cost (benefit)	179	194	(3,875)	(7,593)
Amortization of net loss	10,492	15,931	1,502	2,494
Net periodic benefit cost	\$15,679	\$21,124	\$(126)	\$(2,937)
Other changes in plan assets and benefit obligations recognized in regulatory assets and regulatory liabilities				
Net loss/(gain)	\$93,028	\$(50,879)	\$28,065	\$(10,532)
Amortization of net (loss)	(10,492)	(15,931)	(1,502)	(2,494)
Current year prior service credit	-	-	-	-
Amortization of prior service (cost) credit	(179)	(194)	3,875	7,593
Total recognized in regulatory assets and regulatory liabilities	82,357	(67,004)	30,438	(5,433)
Total recognized in net periodic benefit cost and regulatory assets and regulatory liabilities	\$98,036	\$(45,880)	\$30,312	\$(8,370)

We include the net periodic benefit cost in other operating expenses. The net periodic benefit cost for postretirement benefits represents the amount expensed for providing health care benefits to retirees and their eligible dependents.

Amounts expected to be amortized from regulatory assets or regulatory liabilities into net periodic benefit cost for the fiscal year ending

December 31, 2015	Pension Benefits	Postretirement Benefits
(Thousands)		
Estimated net loss	\$20,744	\$3,656
Estimated prior service cost (credit)	\$117	\$(2,049)

We expect that no pension benefit or postretirement benefit plan assets will be returned to us during the fiscal year ended December 31, 2015.

Weighted-average assumptions used to determine benefit obligations at December 31,	Pension Benefits		Postretirement Benefits	
	2014	2013	2014	2013
Discount rate	3.80%	4.90%	3.80%	4.90%
Rate of compensation increase	4.20%	4.40%	NA	NA

As of December 31, 2014, we decreased our discount rate from 4.9% to 3.8%. The discount rate is the rate at which the benefit obligations could presently be effectively settled. We determined the discount rate by developing a yield curve derived from a portfolio of high grade noncallable bonds with above median yields that closely matches the duration of the expected cash flows of our benefit obligations.

Notes to Consolidated Financial Statements

Weighted-average assumptions used to determine net periodic benefit cost for Years ended December 31,

	Pension Benefits		Postretirement Benefits	
	2014	2013	2014	2013
Discount rate	4.90%	4.10%	4.90%	4.10%
Expected long-term return on plan assets	7.50%	7.50%	-	-
Expected long-term return on plan assets - nontaxable trust	-	-	7.50%	7.50%
Expected long-term return on plan assets - taxable trust	-	-	5.00%	5.00%
Rate of compensation increase	4.40%	4.00%	N/A	4.00%

We developed our expected long-term rate of return on plan assets assumption based on a review of long-term historical returns for the major asset classes, the target asset allocations and the effect of rebalancing of plan assets discussed below. That analysis considered current capital market conditions and projected conditions. We amortize unrecognized actuarial gains and losses using the standard amortization methodology, under which amounts in excess of 10% of the greater of the projected benefit obligation or market-related value are amortized over the plan participants' average remaining service to retirement.

Assumed health care cost trend rates to determine benefit obligations at December 31,

	2014	2013
Health care cost trend rate (pre 65/post 65)	7.5%/7.0%	7.75%/7.25%
Rate to which cost trend rate is assumed to decline (the ultimate trend rate)	4.5%	4.5%
Year that the rate reaches the ultimate trend rate	2027	2027

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plan. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	1% Increase	1% Decrease
(Thousands)		
Effect on total of service and interest cost	\$252	\$(206)
Effect on postretirement benefit obligation	\$6,688	\$(5,488)

Cash Flows

Contributions: In accordance with our funding policy we make annual contributions of not less than the minimum required by applicable regulations. We expect to contribute \$750 thousand to our pension benefit plans in 2015.

Estimated future benefit payments: Our expected benefit payments and expected Medicare Prescription Drug, Improvement and Modernization Act of 2003 (Medicare Act) subsidy receipts, which reflect expected future service, as appropriate, are:

	Pension Benefits	Postretirement Benefits	Medicare Act Subsidy Receipts
(Thousands)			
2015	\$17,465	\$7,367	\$120
2016	\$18,007	\$7,164	\$136
2017	\$18,653	\$7,141	\$153
2018	\$19,148	\$7,101	\$171
2019	\$19,769	\$7,123	\$187
2020 - 2024	\$110,469	\$35,436	\$1,214

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Plan assets: Our pension benefits plan assets are held in a master trust providing for a single trustee/custodian, a uniform investment manager lineup, and an efficient, cost-effective means of allocating expenses and investment performance to each plan under the master trust. Our primary investment objective is to ensure that current and future benefit obligations are adequately funded and with volatility commensurate with our tolerance for risk. Preservation of capital and achievement of sufficient total return to fund accrued and future benefits obligations are of highest concern. Our primary means for achieving capital preservation is through diversification of the trust's investments while avoiding significant concentrations of risk in any one area of the securities markets. Within each asset group, further diversification is achieved through utilizing multiple asset managers and systematic allocation to various asset classes; providing broad exposure to different segments of the equity, fixed-income and alternative investment markets.

Our asset allocation policy is the most important consideration in achieving our objective of superior investment returns while minimizing risk. We have established a target asset allocation policy within allowable ranges for our pension benefits plan assets within broad categories of asset classes made up of Return-Seeking and Liability-Hedging investments. Within the Return-Seeking category we have targets of 35% in equity securities and 20% in equity alternative investments. The Liability-Hedging asset class has a target allocation percentage of 45%. Return-Seeking investments generally consist of domestic, international, global and emerging market equities, invested in companies across all market capitalizations. Return-Seeking assets also include investments in strategies such as real estate, absolute return and strategic markets. Liability-Hedging investments generally consist of long term corporate bonds, annuity contracts, long-term treasury STRIPS, and opportunistic fixed income. Systematic rebalancing within the target ranges, should any asset categories drift outside their specified ranges, increases the probability that the annualized return on the investments will be enhanced, while realizing lower overall risk.

Notes to Consolidated Financial Statements

The fair values of Networks' pension benefits plan assets at December 31, 2014 and 2013, by asset category are shown in the following table. CMP's share of the total consolidated assets is approximately 12% for 2014 and 11% for 2013.

Fair Value Measurements at December 31, Using				
Asset Category (Thousands)	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2014				
Cash and cash equivalents	\$47,941	\$3,795	\$44,146	-
U.S. government securities	177,379	177,379	-	-
Common stocks	430,900	343,757	87,143	-
Registered investment companies	115,930	115,930	-	-
Corporate bonds	344,216	-	344,216	-
Preferred stocks	4,050	281	3,769	-
Common/collective trusts	476,581	-	26,440	\$450,141
Partnership/joint venture interests	79,489	-	-	79,489
Real estate investments	74,871	-	-	74,871
Other investments, principally annuity and fixed income	345,885	-	4,200	341,685
Total	\$2,097,242	\$641,142	\$509,914	\$946,186
2013				
Cash and cash equivalents	\$43,170	\$1,665	\$41,505	-
U.S. government securities	187,556	187,556	-	-
Common stocks	607,549	426,311	181,238	-
Registered investment companies	115,008	115,008	-	-
Corporate bonds	224,709	-	224,709	-
Preferred stocks	2,383	2,383	-	-
Common/collective trusts	513,293	-	54,980	\$458,313
Partnership/joint venture interests	56,880	-	-	56,880
Real estate investments	67,266	-	-	67,266
Other investments, principally annuity and fixed income	359,690	21,625	1,470	336,595
Total	\$2,177,504	\$754,548	\$503,902	\$919,054

Valuation techniques: We value our pension benefits plan assets as follows:

- Cash and cash equivalents – Level 1: at cost, plus accrued interest, which approximates fair value. Level 2: proprietary cash associated with other investments, based on yields currently available on comparable securities of issuers with similar credit ratings.
- U.S. government securities, Common stocks and Registered investment companies - at the closing price reported in the active market in which the security is traded.
- Corporate bonds – based on yields currently available on comparable securities of issuers with similar credit ratings.
- Preferred stocks – at the closing price reported in the active market in which the individual investment is traded.
- Common/collective trusts and Partnership/joint ventures – using the Net Asset Value (NAV) provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is classified as Level 2 if the plan has the ability to redeem the investment with the investee at NAV per share at the measurement date. Redemption restrictions or adjustments to NAV based on unobservable inputs result in the fair value measurement being classified as Level 3 if those inputs are significant to the overall fair

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value measurement.

- Real estate investments – based on a discounted cash flow approach that includes the projected future rental receipts, expenses and residual values because the highest and best use of the real estate from a market participant view is as rental property.
- Other investments, principally annuity and fixed income - Level 1: at the closing price reported in the active market in which the individual investment is traded. Level 2: based on yields currently available on comparable securities of issuers with similar credit ratings. Level 3: when quoted prices are not available for identical or similar instruments, under a discounted cash flows approach that maximizes observable inputs such as current yields of similar instruments but includes adjustments for certain risks that may not be observable such as credit and liquidity risks.

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)					
(Thousands)	Common/ Collective Trusts	Partner- ship/ Joint Venture Interests	Real Estate Invest- ments	Other Invest- ments	Total
Balance, December 31, 2012	\$249,550	\$50,040	\$59,119	\$319,037	\$677,746
Actual return on plan assets:					
Relating to assets still held at the reporting date	357	-	-	(1,899)	(1,542)
Relating to assets sold during the year	49,424	6,840	4,819	(7,409)	53,674
Purchases, sales and settlements	158,982	-	3,328	26,866	189,176
Balance, December 31, 2013	\$458,313	\$56,880	\$67,266	\$336,595	\$919,054
Actual return on plan assets:					
Relating to assets still held at the reporting date	60,324	-	-	(834)	59,490
Relating to assets sold during the year	(48,286)	2,609	4,670	6,251	(34,756)
Purchases, sales and settlements	(20,210)	20,000	2,935	(327)	2,398
Balance, December 31, 2014	\$450,141	\$79,489	\$74,871	\$341,685	\$946,186

Our postretirement benefits plan assets are held with a trustee in multiple voluntary employees' beneficiary association (VEBA) and 401(h) arrangements and are invested among and within various asset classes in order to achieve sufficient diversification in accordance with our risk tolerance. This is achieved for our postretirement benefits plan assets through the utilization of multiple institutional mutual and money market funds, providing exposure to different segments of the fixed income, equity and short-term cash markets. Approximately 25% of the postretirement benefits plan assets are invested in VEBA and 401(h) arrangements that are not subject to income taxes. The remainder is invested in arrangements subject to income taxes.

We have established a target asset allocation policy within allowable ranges for our postretirement benefits plan assets of 47% equity securities, 38% fixed income and 15% for all other types of investments. The target allocations within allowable ranges are further diversified into 20% large cap domestic equities, 12% medium and small cap domestic equities, 10% international developed market and 5% emerging market equity securities. Fixed income investment targets and ranges are segregated into core fixed income at 31%, global high yield fixed income 4% and international developed market debt 3%. Other, alternative investment targets are 5% for real estate, 5% absolute return and 5% tangible assets. Systematic rebalancing within target ranges, should any asset categories drift outside their specified ranges, increases

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the probability that the annualized return on the investments will be enhanced, while realizing lower overall risk.

The fair values of Networks' other postretirement benefits plan assets at December 31, 2014 and 2013, by asset category are shown in the following table. CMP's share of the total consolidated assets is approximately 30% for 2014 and 32% for 2013:

Asset Category (Thousands)	Total	Fair Value Measurements at December 31, Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2014				
Money market funds	\$4,478	\$4,478	-	-
Mutual funds, fixed	16,032	16,032	-	-
Government & corporate bonds	23,517	21,391	\$2,126	-
Mutual funds, equity	42,156	42,156	-	-
Common stocks	33,723	33,723	-	-
Mutual funds, other	7,959	7,959	-	-
Total assets measured at fair value	\$127,865	\$125,739	\$2,126	-
2013				
Money market funds	\$6,495	\$6,495	-	-
Mutual funds, fixed	19,672	19,672	-	-
Government & corporate bonds	18,049	8,819	\$9,230	-
Mutual funds, equity	41,522	41,522	-	-
Common stocks	36,960	36,960	-	-
Mutual funds, other	5,333	5,333	-	-
Total assets measured at fair value	\$128,031	\$118,801	\$9,230	-

Valuation techniques: We value our postretirement benefits plan assets as follows:

- Money market funds and Mutual funds – based upon quoted market prices in active markets, which represent the NAV of the shares held.
- Government bonds, and Common stocks - at the closing price reported in the active market in which the security is traded.
- Corporate bonds – based on yields currently available on comparable securities of issuers with similar credit ratings.

Diversified equity securities did not include any Iberdrola common stock at December 31, 2014.

Note 13. CMP Rate Setting Process

CMP Distribution rate stipulation

On May 1, 2013, CMP submitted its required distribution rate request with the Maine Public Utilities Commission (MPUC). After a 14-month review process, on July 3, 2014, CMP filed a rate stipulation agreement on the majority of the financial matters with the MPUC. The stipulation agreement was approved by the MPUC on August 25, 2014. The stipulation agreement also noted that certain rate design matters would be litigated, which the MPUC ruled on October 14, 2014.

The rate stipulation agreement provided for an annual CMP distribution tariff increase of 10.7% or \$24.3 million. The rate increase was based on a 9.45% ROE and 50% equity capital. CMP was

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authorized to implement a revenue decoupling mechanism (RDM) which protects CMP from variations in sales due to energy efficiency and weather. CMP also adjusted its storm costs recovery mechanism whereby it is allowed to collect in rates a storm allowance and to defer actual storm costs when such storm events exceed \$3.5 million. CMP and customers share storm costs that exceed a certain balance on a 50/50 basis, with CMP's exposure limited to \$3.0 million annually. The stipulation also required changes to depreciation lives creating lower depreciation expense of approximately \$2 million annually.

CMP will make a separate regulatory filing for a new customer billing system replacement. In accordance with the stipulation agreement, a new billing system is needed. CMP has filed a request for a separate rate recovery mechanism.

The rate stipulation does not have a pre-determined rate term; CMP has the option to file for new distribution rates at its own discretion. The rate stipulation does not contain service quality targets or penalties. The rate stipulation also does not contain any earning sharing requirements.

Transmission – FERC ROE proceeding

CMP's transmission rates are determined by a tariff regulated by the FERC and administered by ISO New England, Inc (ISO-NE). Transmission rates are set annually pursuant to a FERC authorized formula that allows for recovery of direct and allocated transmission operating and maintenance expenses, as well as return of and on investment in assets. The FERC provided a base ROE of 11.14% and additional incentive adders applicable to assets based upon vintage, voltage and other factors. For a description of proceedings related to ROE's on transmission assets, see Note 7.

CMP recovers certain "stranded costs" pursuant to annual price adjustments that are also regulated by the MPUC. Those costs primarily include above-market costs of electric capacity and energy purchased under long-term power purchase agreements, as well as costs and refunds associated with CMP's interests in four decommissioned nuclear generation facilities. Stranded costs rates are periodically established based upon forecasts and are then fully reconciled to actual costs and recovery amounts on an annual basis.

Note 14. Regulatory Assets and Liabilities

Pursuant to the requirements concerning accounting for regulated operations we capitalize, as regulatory assets, incurred and accrued costs that are probable of recovery in future electric rates. We base our assessment of whether recovery is probable on the existence of regulatory orders that allow for recovery of certain costs over a specific period, or allow for reconciliation or deferral of certain costs. When costs are not treated in a specific order we use regulatory precedent to determine if recovery is probable. We also record, as regulatory liabilities, obligations to refund previously collected revenue or to spend revenue collected from customers on future costs. Of the total regulatory assets net of regulatory liabilities, \$481 million represents the offset of accrued liabilities for which funds have not been expended. The remainder is either included in rate base or accruing carrying costs.

The regulatory asset for pension and postretirement benefits represents the actuarial losses that will be reflected in customer rates when they are amortized and recognized in future expenses.

We are allowed in rates an estimate of the routine costs of service restoration. We are also allowed to defer unusually high levels of service restoration costs resulting from major storms when they meet certain criteria for severity and duration. We deferred \$15 million in 2014 for service restoration costs. Our total deferral, including carrying costs was \$32 million at December 31, 2014 and \$31 million at December 31, 2013.

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We amortize unfunded future income taxes and deferred income taxes as the amounts related to temporary differences that gave rise to deferrals are recovered in rates.

Details of other regulatory assets and other regulatory liabilities are shown in the tables below. They result from various regulatory orders that allow for the deferral and/or reconciliation of specific costs. Regulatory assets and regulatory liabilities are classified as current when recovery or refund in the coming year is allowed or required through a specific order or when the rates related a specific regulatory asset or regulatory liability are subject to automatic annual adjustment.

Current and long-term regulatory assets at December 31, 2014 and 2013 consisted of:

December 31, (Thousands)	2014	2013
Current		
Storm costs	\$14,198	\$7,177
Nuclear plant obligations	-	288
Deferred meter replacement costs	4,423	2,246
Legacy meter retirement deferral	1,563	2,861
Merger related	1,666	1,715
Rate reconciliation mechanism	2,854	2,345
Deferred income taxes regulatory	16,041	9,194
Environmental	1,606	41
Other	1,160	1,117
Total current regulatory assets	\$43,511	\$26,984
Other long-term		
Legacy meter retirement deferral	-	\$1,563
Deferred income taxes	\$10,279	6,081
Merger related	2,716	4,382
Storm costs	18,008	24,201
Unamortized loss on debt reacquisitions	1,333	1,518
Other	2,145	1,907
Total other long-term regulatory assets	34,481	39,652
Pension and OPEB	263,587	150,792
Unfunded future income taxes	218,944	200,408
Advanced metering infrastructure	35,960	39,225
Total long-term regulatory assets	\$552,972	\$430,077

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Current and long-term regulatory liabilities at December 31, 2014 and 2013 consisted of:

December 31, (Thousands)	2014	2013
Current		
Accrued removal obligations	\$2,251	\$2,251
Revenue reconciliation mechanism transmission revenue	6,795	9,956
Yankee DOE Phase I & II	23,475	17,557
Stranded cost	16,110	10,342
Reserve for unfunded deferred income tax adjustment	16,423	-
Other	1,678	2,820
Total current regulatory liabilities	\$66,732	\$42,926
Other long-term		
Environmental	\$5,895	\$6,240
Reserve for unfunded deferred income tax adjustment	-	15,267
Total other long-term regulatory liabilities	5,895	21,507
Accrued removal obligations	74,028	79,165
Deferred income taxes	179,898	128,936
Total long-term regulatory liabilities	\$259,821	\$229,608

Note 15. Subsequent events

The Company has evaluated transactions that occurred as of the issuance of these financial statements, March 24, 2015, for purposes of disclosure of unrecognized subsequent events.

In January of 2015, CMP issued first mortgage bonds that were priced in October of 2014 for \$150 million with interest rates ranging from 3.15% to 4.07%.

See also note 7 relating to FERC update on March 3, 2015 related to Complaint I decision.