## MAINE STATE LEGISLATURE

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Legislative Document  H. P. 2052 House of Representatives, February Approved for introduction by the Legislative Council Joint Rule 26.	No. 1998
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Referred to the Committee on Public Utilities. Sent u rence and ordered printed.	p for concur-
EDWIN H Presented by Representative J. Martin of Eagle Lake. Cosponsors: Representative McHenry of Madawaska tive Chonko of Topsham and Representative Mitchell of Fr	
STATE OF MAINE	
IN THE YEAR OF OUR LORD NINETEEN HUNDRED AND EIGHTY-	TWO
AN ACT to Prevent Utilities from Exces sive Recovery of Costs of Electric Plants in which they have Cancelled or Abandoned Participation.	
Be it enacted by the People of the State of Maine	as follows:
35 MRSA §52-A is enacted to read:	
§52-A. Recovery of costs of electric plants utility has cancelled or abandoned particip	in which pation
1. Definitions. As used in this section context indicates otherwise, the following term following meaning.	n, unless th ns have th
A. "Allowance for funds used during means the net cost for the period of coborrowed funds used for construction pureasonable rate of return on other funds wher	rposes, and

B. "Cost of construction" means the total cost of planning and building an electric plant, including, but not limited to, planning costs, direct construction costs, licensing costs, costs of fuel inventory and all other costs whether or not incurred prior to the effective date of this section, but not including any allowance for funds used during construction.

- 2. Purpose and intent. The Public Utilities Commission shall promote the efficient use of capital by electric utilities and shall not unfairly burden ratepayers with excessive recovery costs for electric plants from which the ratepayers may never benefit.
- 3. Commission determines reasonableness. When a public utility abandons or terminates participation in an electric plant and has incurred construction costs and has entered into contracts for the electric plant, this abandonment or termination shall constitute prima facie evidence that the costs incurred were not reasonable or prudent. The burden of proof shall be on the public utility to satisfy the Public Utilities Commission that such contracts and costs of construction were not unreasonable and imprudent, or under what extraordinary circumstances these costs shall be allowed to be passed on to the ratepayer.
- This section shall apply when the decision to terminate construction of a facility is made by the utility itself, or another public utility or utilities, regardless of whether the other utility or utilities are subject to the jurisdiction of the commission.
- 4. Commission to allocate recovery costs. If the Public Utilities Commission determines that the public utility acted prudently and reasonably in participating in the electric plant, the costs of construction to be recovered by the public utility shall be allocated between the share holders and ratepayers to the extent determined reasonable.
- In no event may a rate of return on the cost of construction for a cancelled or abandoned project be allowed to the utility or charged to the ratepayers.
  - 5. No recovery of allowances for funds during corstruction. The public utility shall not be permitted to recover any allowance for funds used during construction for the cancelled or abandoned plant.

- 6. Recovery period to begin. The recovery period shall begin when the electric plant was expected to be completed and useful. The date when the plant was expected to be completed and useful shall be the latest estimated completion date announced by the utility or utilities building the plant.
- 7. Recovery period. The recovery period shall be the expected life of the facility in which it would have been useful in generating electricity, as determined by the Public Utilities Commission.
  - 8. Unamortized costs to be excluded from rate base. That portion of the reasonably incurred cost of the cancelled or abandoned electric plant which has not been recovered shall be excluded from the rate base of the public utility.

## STATEMENT OF FACT

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Maine electric utilities have invested in several electric plants that have been either cancelled or abandoned. Regulatory policy has traditionally maintained that the costs associated with construction projects shall not borne by utility customers until these projects become used and useful. Recent Public Utilities Commission have not been consistent with this principle and have charged Maine ratepayers for expenditures on projects from which they will never receive any benefit. These decisions permit the recovery to investors of the \$3.5 million expended on the Sears Island nuclear project, the \$1.6 million on the cancelled Charlestown, Rhode Island nuclear facility, and the \$1.5 million on the Montague units.

Nationwide, 22 nuclear generating facilities have been recently cancelled or abandoned in various stages of construction, including 7 cancellations in New England since 1974.

Recently, the Pilgrim II project was abandoned after an expenditure of nearly \$291 million, \$14 million of which was contributed by Maine's largest electric utility. At this time, the future of some other projects is uncertain. This legislation would clearly establish in the statutes the policy that current ratepayers should bear only the legitimate costs of providing service to them. Insofar as the public utility can prove to the Public Utilities Commission that it did not incur these costs in an imprudent or unrea-

sonable manner, utility investors and ratepayers would each share the risk of these investments. In this way, this legislation would promote the efficient use of capital by electric companies.

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Despite conservation efforts, Maine utility customers by ever-increasing electric rates related in are burdened part to poor management decisions, including consistent over estimations of future electric demand as well as inaccurate estimates of costs of construction, operation and maintenance. utility investors continue Nevertheless, rewarded with high returns on their investments. This legislation directs the Public Utilities Commission to equitably balance the risks and rewards between ratepayers and investors in providing electricity.

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