

MAINE STATE LEGISLATURE

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1 SECOND REGULAR SESSION
2

3 ONE HUNDRED AND TENTH LEGISLATURE
4

5 **Legislative Document**

No. 1998

6
7 H. P. 2052 House of Representatives, February 17, 1982
Approved for introduction by the Legislative Council pursuant to
Joint Rule 26.

Referred to the Committee on Public Utilities. Sent up for concur-
8 rence and ordered printed.

EDWIN H. PERT, Clerk

Presented by Representative J. Martin of Eagle Lake.

Cosponsors: Representative McHenry of Madawaska, Representa-
9 tive Chonko of Topsham and Representative Mitchell of Freeport.

10 STATE OF MAINE
11

12 IN THE YEAR OF OUR LORD
13 NINETEEN HUNDRED AND EIGHTY-TWO
14

15 **AN ACT to Prevent Utilities from Exces-**
16 **sive Recovery of Costs of Electric Plants**
17 **in which they have Cancelled or**
18 **Abandoned Participation.**
19

20 Be it enacted by the People of the State of Maine as follows:

21 35 MRSA §52-A is enacted to read:

22 §52-A. Recovery of costs of electric plants in which a
23 utility has cancelled or abandoned participation

24 1. Definitions. As used in this section, unless the
25 context indicates otherwise, the following terms have the
26 following meaning.

27 A. "Allowance for funds used during construction"
28 means the net cost for the period of construction of
29 borrowed funds used for construction purposes, and a
30 reasonable rate of return on other funds when so used.

1 B. "Cost of construction" means the total cost of
2 planning and building an electric plant, including, but
3 not limited to, planning costs, direct construction
4 costs, licensing costs, costs of fuel inventory and all
5 other costs whether or not incurred prior to the effec-
6 tive date of this section, but not including any allow-
7 ance for funds used during construction.

8 2. Purpose and intent. The Public Utilities Commis-
9 sion shall promote the efficient use of capital by electric
10 utilities and shall not unfairly burden ratepayers with
11 excessive recovery costs for electric plants from which the
12 ratepayers may never benefit.

13 3. Commission determines reasonableness. When a
14 public utility abandons or terminates participation in an
15 electric plant and has incurred construction costs and has
16 entered into contracts for the electric plant, this abandon-
17 ment or termination shall constitute prima facie evidence
18 that the costs incurred were not reasonable or prudent. The
19 burden of proof shall be on the public utility to satisfy
20 the Public Utilities Commission that such contracts and
21 costs of construction were not unreasonable and imprudent,
22 or under what extraordinary circumstances these costs shall
23 be allowed to be passed on to the ratepayer.

24 This section shall apply when the decision to terminate con-
25 struction of a facility is made by the utility itself, or
26 another public utility or utilities, regardless of whether
27 the other utility or utilities are subject to the jurisdic-
28 tion of the commission.

29 4. Commission to allocate recovery costs. If the
30 Public Utilities Commission determines that the public uti-
31 lity acted prudently and reasonably in participating in the
32 electric plant, the costs of construction to be recovered by
33 the public utility shall be allocated between the share
34 holders and ratepayers to the extent determined reasonable.

35 In no event may a rate of return on the cost of construction
36 for a cancelled or abandoned project be allowed to the util-
37 ity or charged to the ratepayers.

38 5. No recovery of allowances for funds during cor-
39 struction. The public utility shall not be permitted to
40 recover any allowance for funds used during construction
41 for the cancelled or abandoned plant.

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

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

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