

MAINE STATE LEGISLATURE

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116th MAINE LEGISLATURE

FIRST REGULAR SESSION-1993

Legislative Document

No. 1325

S.P. 416

Received by the Secretary, April 20, 1993

**An Act to Decrease the Cost of Purchased Power to Electric Utility
Customers in the State.**

(EMERGENCY)

Referred to the Committee on Utilities and 1200 ordered printed pursuant to Joint Rule 14.

A handwritten signature in cursive script, reading "Joy J. O'Brien".

JOY J. O'BRIEN
Secretary of the Senate

Presented by Senator LUTHER of Oxford.

Emergency preamble. Whereas, Acts of the Legislature do not become effective until 90 days after adjournment unless enacted as emergencies; and

Whereas, the cost of electricity to consumers can be decreased by facilitating the prompt voluntary buyout or buydown of contracts with independent power producers; and

Whereas, electric utilities will be encouraged to buy out or buy down power contracts if the costs of buyouts and buydowns are recovered in the same way as power purchase costs are recovered; and

Whereas, in the judgment of the Legislature, these facts create an emergency within the meaning of the Constitution of Maine and require the following legislation as immediately necessary for the preservation of the public peace, health and safety; now, therefore,

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

Sec. 1. 35-A MRSA §3104 is enacted to read:

§3104. Buyout or buydown of power purchase contracts

1. Activities encouraged. The commission shall encourage the buyout and the buydown of electric utility power purchase contracts by the establishment of appropriate incentive mechanisms.

2. Purchase terms. During calendar years 1993 and 1994, electric utilities must use a discount rate for determining the value of a buyout or a buydown that is no greater than the long-term cost of debt to finance the buyout or buydown.

3. Recovery of purchase costs. Prudently incurred costs of buying out or buying down power purchase contracts may be recovered through the fuel adjustment clause, as established in this chapter, in the same manner as the cost of power purchased under such contracts may be recovered.

Emergency clause. In view of the emergency cited in the preamble, this Act takes effect when approved.

STATEMENT OF FACT

The purpose of this bill is to encourage the voluntary buyout or buydown of power purchase contracts by the State's electric utilities. The bill requires use of a discount rate for determining the value of such a purchase that is not higher than the cost of debt to finance the purchase. The bill also allows the cost of such purchases to be flowed through the fuel

2 adjustment clause, in the same manner by which the cost of power purchased is recovered today.