

MAINE STATE LEGISLATURE

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FIRST REGULAR SESSION

ONE HUNDRED AND TENTH LEGISLATURE

Legislative Document

No. 775

H. P. 671

House of Representatives, February 10, 1981

Referred to the Committee on Public Utilities. Sent up for concurrence and ordered printed.

EDWIN H. PERT, Clerk

Presented by Representative Huber of Falmouth.

Cosponsors: Representative Cunningham of New Gloucester, Senator Kerry of York and Representative McKean of Limestone.

STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED AND EIGHTY-ONE

AN ACT to Restructure Electrical Utility Rate Design to Encourage Conservation.

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

Sec. 1. 35 MRSA § 93, as amended by PL 1979, c. 399, §§ 2 and 3, is repealed.

Sec. 2. 35 MRSA § 93-A is enacted to read:

§ 93-A. Electrical utility rate design reform

1. Electric rates to be restructured. Not later than one year after the effective date of this section, the Public Utilities Commission shall develop and order a restructuring of rates for residential customers of each electric utility. The restructuring shall provide for an adequate amount of electricity for basic household needs at a lower cost and shall provide an economic incentive to conserve energy resources. The restructuring shall be independent of any pending case for rate reductions or increases. The initial restructuring shall maintain, as much as practicable, each electric utility's revenues from residential customers at the amount collected immediately before the restructuring. After the initial restructuring, the commission shall evaluate periodically the conservation effects of the restructured rates and shall reduce electric utility revenues from residential customers in proportion to any cost savings which result from

conservation of electricity by those residential customers. The commission shall hold public hearings on the restructuring of rates before their implementation.

2. Classification of residential customers. In restructuring rates pursuant to this section, the commission shall establish 2 categories of residential customers. The first category shall be based on 0 to 2 permanent residents using electricity subject to a single residential billing. The 2nd category shall be based on 3 or more permanent residents using electricity subject to a single residential billing.

3. Establishment of conservation blocks. For each category of residential customers, the commission shall establish a conservation block. When establishing the conservation blocks, the number of kilowatt hours per month shall not be less than 350 kilowatt hours for the 0 to 2 permanent residents category and 500 kilowatt hours for the 3 or more permanent residents category. For each category of residential customers, the commission shall establish one or more blocks of electrical usage beyond the conservation blocks. When establishing these blocks, the number of kilowatt hours per month in the 2nd block shall not be less than 250 kilowatt hours for the 0 to 2 permanent residents category and 300 kilowatt hours for the 3 or more permanent residents category.

4. Adjustments to conservation blocks. The commission shall make adjustments in the conservation blocks and the successive blocks of electrical usage to allow for reasonable seasonal use of electricity for space heating units installed before the effective date of this section and for reasonable use of water heating units installed before the effective date of this section. The commission may make adjustments in the conservation blocks and the successive blocks of electrical usage for residential customers requiring electricity for medically necessary life support devices. The commission may make additional adjustments in the conservation blocks or the successive blocks of electrical usage for classes of residential customers having special needs or circumstances which require the use of substantially more electricity than the average residential use.

5. Exceptions to conservation blocks. This section does not apply to seasonal residential customers. This section does not apply to residential customers who use electricity measured by a single meter for both residential and agricultural purposes. The commission shall allow a residential customer who uses electricity measured by a single meter for residential and agricultural uses to be included in the rate structure required by this section if the customer chooses to be included.

6. Establishment of rates. The commission shall establish rates for the conservation blocks. The initial rates for the conservation blocks shall be at least 15% lower than the average energy charge immediately before the restructuring for all residential customers. For the purpose of determining the average energy charge for residential customers, all service or customer charge revenues shall be included. The commission shall prohibit the use of a service or customer charge to each residential customer subject to the restructured rates but may authorize a monthly minimum charge equal to not more than the charge under the new rate structure for the first 100 kilowatt hours of electrical usage.

7. **Rate differentials.** The commission shall establish rates for the blocks of electrical usage beyond the conservation blocks. The rates for each of these blocks shall assure that each succeeding block is priced at a rate that makes the rate differential between that block and the preceding block larger than the rate differential between the preceding 2 blocks. The rate for the highest blocks for each category of residential customers shall not be more than the estimated average cost per kilowatt hour of the next major source of electrical power that is being projected to be added to the electric utility's system. The estimated average cost shall include capital costs, fuel and operating costs, and a prorated share of the transmission and distribution costs.

8. **Subsequent rate restructuring.** After the initial restructuring of rates under this section, the rates ordered by the commission to be applied to conservation blocks may not be increased in any rate order by a percentage in excess of the average percentage increase of all other residential block rates, and in no case may the rates for conservation blocks be increased to exceed 85% of the average energy charge to residential customers. The commission, before the issuance of rate orders subsequent to the initial restructuring of rates under this section, shall take into consideration the basic needs of low income electricity customers and the need to encourage conservation among large volume users, and shall attempt to minimize the frequency and magnitude of rate changes in the conservation blocks of electricity usage to the extent possible.

9. **Review of initial rates.** After the initial restructuring of rates under this section has been in effect for 12 months, each affected electric utility and the commission shall review residential customer records to determine if the proportion of customers actually being billed under each of the 2 conservation block rate categories is consistent with the proportion used by the commission for revenue projections in the initial rate restructuring. If a substantial difference exists, the commission may hold a public hearing to determine whether, and to what extent, rates should be adjusted to compensate for revenue gains or losses due to the difference in proportion.

10. **Proposals to improve rate design.** Notwithstanding this section, the commission, as it determines appropriate, shall order electric public utilities to submit specific rate design proposals and related programs for implementing energy conservation techniques and innovations, either in conjunction with or independently of any rate-making proceeding pending before the commission. The proposals shall, as the commission determines, be designed to encourage energy conservation, minimize the need for new electrical generating capacity, and minimize costs of electricity to consumers and shall include, but not be limited to, proposals which provide for the development and implementation of: Load management techniques; rates which reflect marginal costs of services at different voltages, times of day or seasons of the year and including long run marginal costs associated with the construction of new electric generating facilities; policies which encourage economic use of fuel and which encourage the maximum efficient utilization of natural energy resources indigenous to the

State; and rates or other regulatory policies which encourage electric utility system reliability.

11. **Monthly billing period.** The commission shall insure that electric utilities do not penalize residential customers for billings which are for more than 31 days of service in any monthly billing period.

12. **Consumer information.** The commission shall take steps necessary to inform the public of the rate differentials and economic advantages of conservation under the restructured rates required by this section, and the commission may order electric utilities to conduct public education campaigns toward this end. In addition to requiring the total charges for service to be reflected on a residential customer's bill, the commission shall require electric utilities to print on each residential customer's bill and total amount of electricity used, the rate for each block used by the customer and the total charge for each block of electrical usage by the customer. All costs incurred by the electric utilities in carrying out the requirements of this subsection shall be included in the cost to serve the residential customer.

13. **Promulgation of rules.** The commission shall promulgate rules to implement and administer this section.

STATEMENT OF FACT

This bill would require the Public Utilities Commission to adopt a more equitable rate structure for electric utility companies. The new rate structure would be based on an inverted block system under which residential customers who used less electricity pay proportionately less for each kilowatt hour. The current flat rate structure is based on all residential customers paying for electricity at the same rate.

By charging customers at a higher rate for the greater amounts of electricity used, this bill would encourage household conservation. Exceptions for preexisting electrical heating and water heating systems would ensure that no customer was penalized for the nondiscretionary or unavoidable use of large amounts of electricity.

This bill would affect residential customers only. Revenues for electric utility companies would not be affected by this rate restructuring.