MAINE STATE LEGISLATURE

The following document is provided by the

LAW AND LEGISLATIVE DIGITAL LIBRARY

at the Maine State Law and Legislative Reference Library

http://legislature.maine.gov/lawlib



Reproduced from scanned originals with text recognition applied (searchable text may contain some errors and/or omissions)

ONE HUNDRED AND	ELEVENTH LEGISLATURE
Legislative Document	No. 101
S.P. 345	In Senate, March 4, 198
	blic Advocate pursuant to Joint Rule 24. Public Utilities. Sent down for concurrence
and ordered printed.	JOY J. O'BRIEN, Secretary of the Sena
Presented by Senator Kany of Keni Cosponsors: Senator Carpente Bangor and Representative McGow	r of Aroostook, Representative Kelleher of
STATE	OF MAINE
·	
- 	TAR OF OUR LORD RED AND EIGHTY-THREE
Commission to Author	the Public Utilities orize a Management Audit olic Utility.
Be it enacted by the Pecfollows:	ople of the State of Maine a
35 MRSA §18 is enact	ced to read:
§18. Management audit	
	perform, or require the per
formance of, a management	nt audit of the operations of
any public utility in or	rder to determine:
1. Construction pro	ograms. The degree to which
public utility's o	construction program evidence
	o indentify realistic needs o
its customers:	the control of the co

2. Conduct of operations. The degree to which a public utility's operations are conducted in an effective, prudent and efficient manner judged by the standards prevailing in the utility industry;

- 3. Minimizing or avoiding inefficiencies. The degree to which a public utility minimizes or avoids inefficiencies which otherwise would increase costs to customers; or
- 4. Other considerations. Any other consideration which the commission finds relevant to rate setting under chapter 3, sections 51 and 52.

The commission shall have discretion to have a management audit performed by its staff or by an independent auditor. In the event that the commission finds it reasonable and necessary to have the audit performed by an independent auditor, it may select the independent auditor, require a public utility to pay for the costs of a management audit of its operations and require the public utility to execute a contract with the independent auditor which provides that the independent auditor shall work for and under the direction of the commission according to such terms as the commission may determine.

Upon completion of a management audit, the commission may direct a public utility to implement such final audit recommendations and findings as the commission finds reasonable and necessary.

STATEMENT OF FACT

This bill grants the Public Utilities Commission discretion to order management audits of public utilities, with costs to be assumed by the utility as necessary. The commission currently performs financial audits of all utilities but lacks the resources to carry out in-depth evaluations of management efficiency, particularly in the area of prudent construction planning. This bill fulfills the purpose of ensuring that a utility benefits from specific management audit findings in order that it operate in the most efficient manner possible. It is modeled on a New York State statute and resembles regulatory re-

1	quiren	nents	in :	several	othe	r s	tates.	Tal	ten	toget	her,
2	these	char	nges	enable	the	com	mission	to	prov	ide m	nate-
3	rial	aid	to	utiliti	.es	in	reduci	ng	the	cost	to:
4	ratepa	ayers	and	custome	ers o	f u	tility	serv	/ice.		

5 2491022183