

MAINE STATE LEGISLATURE

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1 FIRST REGULAR SESSION
2

3 ONE HUNDRED AND ELEVENTH LEGISLATURE
4

5 Legislative Document

No. 1340

6
7 H.P. 1015

House of Representatives, March 25, 1983

8 Submitted by the Public Utilities Commission pursuant to Joint Rule 24.
9 Referred to the Committee on Public Utilities. Sent up for concurrence
and ordered printed.

EDWIN H. PERT, Clerk

10 Presented by Speaker Martin of Eagle Lake.

Cosponsors: Senator Baldacci of Penobscot, Representative Matthews of
Winslow and Representative McGowan of Pittsfield.

11
12 STATE OF MAINE
13

14 IN THE YEAR OF OUR LORD
15 NINETEEN HUNDRED AND EIGHTY-THREE
16

17 AN ACT to Create an Incentive-Penalty
18 Rate Base Adjustment.
19

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

22 35 MRSA §52-A is enacted to read:

23 §52-A. Incentive-penalty rate base adjustment

24 1. Project costs. In any proceeding for commis-
25 sion approval under section 13-A of the construction
26 of a generating facility having a cost of more than
27 \$100,000,000 exclusive of allowance for funds used
28 during construction, or under section 13-B of the
29 purchase of generating capacity or the conversion of
30 a generating facility having a cost of \$100,000,000
31 exclusive of allowance for funds used during con-
32 struction, the commission may set a target cost for
33 the project. When the project is completed and the

1 utility seeks to place the cost of the project in
2 rate base, the commission shall determine the actual
3 final cost of the project and compare the actual cost
4 to the target cost, as adjusted to reflect changes in
5 allowance for funds used during construction rates
6 and extraordinary events. The reasonable final cost
7 of a project shall be that part of the actual final
8 cost which the commission finds to be prudently
9 incurred.

10 2. Rate base adjustment. The amount of the actual
11 final cost of the project to be included in rate base
12 shall be determined as follows.

13 A. If the actual final cost of the project is
14 within 10% of the adjusted target cost, the
15 reasonable final cost shall be included in rate
16 base.

17 B. If the actual final cost of the project
18 exceeds the adjusted target cost by more than
19 10%, the adjusted target cost, plus 90% of the
20 difference between the reasonable final cost and
21 the adjusted target cost, shall be included in
22 rate base.

23 C. If the actual final cost of the project is
24 under the adjusted target cost by more than 10%,
25 the reasonable final cost, plus 10% of the dif-
26 ference between the adjusted target cost and the
27 actual final cost, shall be included in rate
28 base. This 10% adjustment shall be reduced in
29 subsequent rate proceedings as if depreciation
30 were being accumulated on the 10% adjustment.

31 3. Regulations. The commission may adopt reason-
32 able rules to implement this section.

33 STATEMENT OF FACT

34 This bill provides an incentive-penalty plan to
35 encourage electric utilities to keep the costs of
36 generating facilities within the original target
37 cost. If the final cost exceeds the target cost by
38 more than 10%, the utility will be penalized by re-
39 covering only 90% of the cost overruns in rates.

1 If the final cost is less than 90% of the target
2 cost, the utility will be allowed the reward of
3 receiving 10% of the savings in rates.

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