

MAINE STATE LEGISLATURE

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SECOND REGULAR SESSION

ONE HUNDRED AND THIRTEENTH LEGISLATURE

Legislative Document

NO. 2087

H.P. 1533

House of Representatives, January 19, 1988

Reference to the Committee on Education suggested and ordered printed.

EDWIN H. PERT, Clerk

Presented by Representative WEYMOUTH of West Gardiner.

Cosponsored by Representatives O'GARA of Westbrook, WEBSTER of Cape Elizabeth and Senator ERWIN of Oxford.

STATE OF MAINE

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

1 **AN ACT to Encourage Conservation**
2 **Investments by Electric Utilities.**
3

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

6 **Sec. 1. 35-A MRSA §102, sub-§6, as enacted by**
7 **PL 1987, c. 141, Pt. A, §6, is amended to read:**

8 6. Electric plant. "Electric plant" includes

1 all real estate, fixtures and personal property owned,
2 controlled, operated or managed in connection with or
3 to facilitate the production, generation,
4 conservation, load management, transmission, delivery
5 or furnishing of electricity for light, heat or power,
6 for public use, and all conduits, ducts or other
7 devices, materials, apparatus or property for
8 containing, holding or carrying conductors used or to
9 be used for the transmission of electricity for light,
10 heat or power for public use. "Electric plant"
11 includes, but is not limited to, fixtures and personal
12 property paid for in whole or in part by the utility
13 on the premises of any of its customers as long as
14 this property has been found by the commission to
15 constitute a cost-effective investment in conservation
16 or load management under sections 3152, 3153 and 3154.

17 Sec. 2. 35-A MRSA §303, as enacted by PL 1987,
18 c. 141, Pt. A, §6, is amended to read:

19 §303. Valuation of property for fixing rates

20 In determining just and reasonable rates, tolls
21 and charges, the commission shall fix a reasonable
22 value upon all the property of a public utility and
23 upon electric plants to the extent paid for by the
24 utility on the premises of any of its customers, which
25 is used or required to be used in its service to the
26 public within the State and a fair return on that
27 property. In fixing a reasonable value, the
28 commission shall give due consideration to evidence of
29 the cost of the property when first devoted to public
30 use and the prudent acquisition cost to the utility,
31 less depreciation on each, and any other material and
32 relevant factors or evidence, but the other factors
33 shall not include current value. In making a
34 valuation, the commission may consult reports, records
35 or other information available to it in the office of
36 any state office or board.

37 Sec. 3. 35-A MRSA §3154, sub-§6 is enacted to
38 read:

39 6. Conservation investments in rate base. Upon
40 petition by the public utility in any general rate

1 change request pursuant to section 307 filed on or
2 after July 1, 1988, the commission may in its
3 discretion include in the utility's rate base, and
4 permit a fair return on the utility's rate base, any
5 electric plant to the extent paid for by the utility
6 which constitutes a cost effective investment in
7 conservation or load management and which was
8 installed on the premises of a customer on or after
9 January 1, 1988.

10

STATEMENT OF FACT

11 In recent years, the Public Utilities Commission
12 has taken steps to ensure that electrical conservation
13 measures receive full consideration in utility power
14 supply planning. One of the most important of these
15 steps is least-cost planning which under current
16 commission regulations requires utility planners to
17 integrate demand reduction options, along with
18 generation supply options, in the utility's annual
19 resource plan for the next 30 years. One key problem
20 remains in this integrated planning process:
21 generation investments, such as a new hydro-electric
22 facility, are included in the utility's rate base and
23 earn a return for utility shareholders over the
24 depreciable life of that investment, while to date
25 conservation investments have not received this
26 rate-making treatment and consequently do not
27 currently provide investment incentives for utility
28 shareholders. Adding this incentive for utility
29 investments in electrical efficiency, particularly in
30 the industrial sector, will benefit all ratepayers
31 when the costs of these investments, including a
32 return to utility shareholders, are below the
33 utility's avoided costs of replacement power.
34 Enactment of this incentive also strengthens the
35 accuracy of utility resource planning by ensuring
36 traditional rate-making treatment of investments
37 included in the resource plan, be they investments in
38 generation or in conservation measures.

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