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House of Representatives, December 29, 1989

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EDWIN H. PERT, Clerk

Presented by Representative PARADIS of Old Town. Cosponsored by Senator BOST of Penobscot, Representative CLARK of Millinocket and Senator WEYMOUTH of Kennebec.

STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED AND NINETY

An Act to Amend the Fuel Adjustment Clause.

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

Sec. 1. 35-A MRSA §3101, sub-§§2 and 3, as enacted by PL 1987, c. 141, Pt. A, §6, are amended to read:

6 Fuel cost. Subject to the approval of the commission, 2. each electric utility shall must include as part of its base rates a reasonable cost for fuel to provide its customers with 8 The cost of fuel shall must include the cost of electricity. 10 fuel consumed in the electric utility's generating stations and the cost of power purchased by the electric utility for use in this State, pursuant to rules promulgated by the commission under 12 this section and in accordance with the requirements of 14 subsection 4. The amount to be included in a utility's base rates shall must be determined at the time of general rate 16 adjustment under section 307 or 1303 and shall must be based upon the-utility's-reasonable-costs-of-fuel-during-the-test-year-used for-the-rate-adjustment, on the following: 18

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A. The utility's reasonable price of fuel during the test year used for the rate adjustment; and

B. A 2-year projection of sales, including sales for resale. At the time of each general rate adjustment, the commission shall establish a reasonable projection of utility sales to customers within its jurisdiction and to other utilities during a period of at least 2 years following the effective date of the rate adjustment. The projection must also include a reasonable projection of credits associated with purchased energy or energy sold that are received from the savings fund of the New England Power Exchange during the same 2-year period.

34 3. Fuel adjustment. Notwithstanding the requirements of section 310, an electric utility shall must adjust its electricity charges to customers to recover increases and to 36 credit for decreases in the eest price of fuel and purchased 38 power used in the generating and supplying of electricity subsequent to a general rate proceeding under section 307 or 40 1303, subject to the conditions of this section.

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Sec. 2. 35-A MRSA §3101, sub-§4, as amended by PL 1987, c. 671, §1, is further amended to read:

4. Scope of adjustment. Changes in the eest price of fuel
46 consumed in the electric utility's generating stations and changes in the eest price of power purchased by the electric
48 utility for use in this State constitute the only items subject to adjustment, pursuant to rules promulgated by the commission
50 under this section. Those changes in the eest price of purchased power which that are subject to that adjustment shall must
52 exclude all capacity charges, except that, to the extent the

commission determines just and reasonable, capacity charges for power purchased from small power producers or cogenerators, as 2 defined in chapter 33, and capacity charges for Canadian power purchase contracts which that receive a certificate under section 4 3133 on or after January 1, 1988, may be included in the 6 adjustment, provided that capacity charges for small power producers or cogenerators and from Canadian power purchase 8 contracts shall must be accorded the same ratemaking treatment in proceedings under this section. Credits received by the utility 10 for fuel or the fuel component of either purchased power er-pewer sold-to-other-utilities,-including,-but-not-limited-to-credits associated -- with -- purchased -- energy -- or -- energy -- sold -- which -- are 12 received-from-the-savings-fund-of-the-New-England -Power-Exchange shall must be considered changes in the east price of fuel for 14 the purposes of the fuel eest adjustment, pursuant to rules 16 promulgated by the commission under this section.

Sec. 3. 35-A MRSA §3101, sub-§§6 and 7, as enacted by PL 1987, c. 141, Pt. A, §6, are amended to read:

6. Calculation and billing of fuel adjustment. The
 22 commission shall establish rules for the calculation and billing of fuel eest adjustments. The rules shall must include, but shall
 24 are not be limited to:

A. The fuel accounting method to be used to determine cost of fuel;

B. The fuel computation period and method of computation of <u>the</u> fuel adjustment rate;

C. Definitions and components of fuel costs to be included in the fuel cost adjustment;

D. An appropriate method to amortize a utility's unrecovered reasonable fuel costs <u>incurred as the result of</u> <u>increases in the prices paid for fuel and purchased power</u>;

E. An appropriate method to credit customers for fuel cost overcharges <u>incurred as the result of decreases in the</u> <u>prices paid for fuel and purchased power</u>; and

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F. Reporting requirements to administer this section.

The commission may establish a fuel adjustment rate for a fuel computation period, based on projected kilowatt hour sales as projected under subsection 2 and fuel costs prices for that period, and make appropriate adjustments for overcharges or undercharges in customer bills in subsequent computation periods to account for the difference between the projected kilowatt-hour sales-and fuel costs prices and actual-kilowatt-hour-sales-and the reasonable fuel costs prices.

Commission approval required. In no event may a fuel 7. adjustment charge be billed to customers which that has not been approved and ordered into effect by the commission pursuant to this section. Each electric utility shall must file application for changes in its fuel adjustment rate in accordance with rules promulgated pursuant to this section. The commission shall issue public notice of the application and the opportunity to request a hearing within 7 days after the application is filed with the The commission may render its decision on commission. the. application without holding a public hearing. If a public hearing is held, the commission shall hold the first session within 45 90 days of the filing of the application. The commission shall render its decision on the application within 45 days of the close of the hearing, or within 45 90 days of receipt of the application, if no hearing is held. No electric utility may make application for changes in its fuel adjustment rate until a period of 90 days has elapsed from the filing of its last application, unless otherwise ordered by the commission.

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STATEMENT OF FACT

24 This bill amends the section of the law concerning the fuel adjustment clause to introduce for the first time incentives for 26 the management of growth in electric sales between periodic rate cases at the Public Utilities Commission. Specifically, this 28 bill eliminates the ability of the State's major electric utilities to recover the full costs of fuel for power sold when 30 sales growth has made this power exceedingly expensive. Under current law, the State's electric utilities are fully compensated 32 for sales of expensive power in peak periods with no direct incentive for utility management to seek to restrain growth in 34 electric sales. Similarly, at present there are no effective penalties available between periodic rate cases for managements' 36 failure to manage the sales or purchase of power during peak This bill requires the Public Utilities Commission to periods. 38 establish a prospective 24-month forecast of power sales during a general rate case which will remain unchanged until the next 40 general rate case. During the interim, to the extent that utility management succeeds in securing reductions below the 42 forecast level of sales, utility investors will immediately profit by increased earnings. Correspondingly, if the utility experiences increases in sales levels above the 2-year rate case 44 forecast, ratepayers would experience lower total rates than they 46 do under current law.

48 This bill is consistent with the Maine Energy Policy Act of 1988 and its objective of promoting energy conservation and the 50 efficient use of electricity. It responds to a request for conservation incentive proposals made by the Public Utilities 52 Commission in a recent rule-making proceeding. The bill ensures

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that utility managers and investors have reason to fully explore load management options to which, under the current fuel adjustment clause, they are financially indifferent.

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