

# MAINE STATE LEGISLATURE

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L.D. 505

(Filing No. S-203 )

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STATE OF MAINE  
SENATE  
115TH LEGISLATURE  
FIRST REGULAR SESSION

COMMITTEE AMENDMENT " A " to S.P. 196, L.D. 505, Bill, "An Act to Encourage Electric Utility Efficiency and Economical Electric Rates"

Amend the bill by striking out everything after the enacting clause and before the statement of fact and inserting in its place the following:

'Sec. 1. 35-A MRSA c. 31, sub.c. VII is enacted to read:

SUBCHAPTER VII

INCENTIVE RATEMAKING

§3195. Commission authority to promote electric utility efficiency

1. Rate-adjustment mechanisms. This Title may not be construed to prohibit the commission from or to restrict the commission in establishing or authorizing any reasonable rate-adjustment mechanisms to promote efficiency in electric utility operations and least-cost planning. Rate-adjustment mechanisms may include, but are not limited to:

A. Decoupling of utility profits from utility sales through revenue reconciliation;

B. Reconciliation of actual revenues or costs with projected revenues or costs, either on a total or per customer basis;

C. Adjustment of revenues based on reconciled, indexed or forecasted costs; and

D. Positive or negative financial incentives for efficient operations.

2. Just and reasonable rates. In determining the reasonableness of any rate-adjustment mechanism established under

this subchapter, the commission shall apply the standards of section 301 to assure that the rates resulting from the implementation of the mechanism are just and reasonable.

3. Value of utility property. Notwithstanding section 303, rate-adjustment mechanisms established under this section may be used to establish the value of the electric utility's property.

4. Ratepayer protection. In determining the reasonableness of any rate-adjustment mechanisms, the commission shall consider the transfer of risks associated with the effect of the economy and the weather on the utility's sales. To the extent these risks are transferred from the utility to its customers, the commission shall consider in a rate proceeding the effect of the transfer of risk in determining a utility's allowed rate of return.

5. Annual report. The commission shall submit to the joint standing committee of the Legislature having jurisdiction over utility matters an annual report detailing any actions taken or proposed to be taken by the commission under this section, including actions or proposed actions on mechanisms for protecting ratepayers from the transfer of risks associated with rate-adjustment mechanisms. The report must be submitted by December 31st of each year.

**Sec. 2. Retroactivity.** This Act applies retroactively to March 1, 1991.

**Sec. 3. Public Utilities Commission Docket 90-085.** The Public Utilities Commission shall consider and adopt a mechanism that limits the rate impact of the per customer electric rate-adjustment mechanism approved for Central Maine Power Company in Commission Docket No. 90-085.

**FISCAL NOTE**

The costs associated with annually reporting to the Joint Standing Committee on Utilities on any actions related to rate-adjustment mechanisms can be absorbed within existing resources of the Public Utilities Commission.'

**STATEMENT OF FACT**

This amendment strikes the language of the bill and inserts in its place language that:

1. Allows the Public Utilities Commission to establish any reasonable rate-adjustment mechanism;

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2         2.   Requires the commission to ensure that rates resulting  
4           from the adoption of any rate-adjustment mechanism are just and  
6           reasonable;

8           3.   Allows the commission to use a rate-adjustment mechanism  
10          in establishing the value of electric utility property;

12          4.   Requires the commission in adopting any rate-adjustment  
14          mechanism to consider the transfer of risks associated with the  
16          effect of the weather and the economy on the utility's sales.  
18          The commission must also take this transfer of risk into account  
20          when determining a utility's allowed rate of return. The purpose  
22          of this section is to require the commission to protect  
24          ratepayers from unreasonable levels of these risks;

26          5.   Requires the commission to submit to the Joint Standing  
28          Committee on Utilities an annual report on any actions taken or  
30          proposed to be taken by the commission with regard to  
32          rate-adjustment mechanisms under Title 35-A, section 3195.

34          6.   Makes this Act apply retroactively to March 1, 1991,  
36          providing legislative authorization for the action taken by the  
Public Utilities Commission in Docket 90-085 in which the  
commission approved a rate-adjustment mechanism for Central Maine  
Power Company known as "ERAM per customer."

       7.   In unallocated law, requires the commission to adopt a  
mechanism to limit the rate impact of the "ERAM per customer"  
mechanism approved by the commission in Docket 90-085. The  
intent of this language is to require the commission to develop  
and adopt some form of limit on the rate increase that may result  
from the application of the ERAM per customer rate-adjustment  
mechanism.

       This amendment also adds a fiscal note to the bill.

Reported by Senator Vose for the Committee on Utilities.  
Reproduced and Distributed Pursuant to Senate Rule 12.  
(5/22/91)                                 (Filing No. S-203)