

# MAINE STATE LEGISLATURE

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# 116th MAINE LEGISLATURE

## FIRST REGULAR SESSION-1993

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Legislative Document

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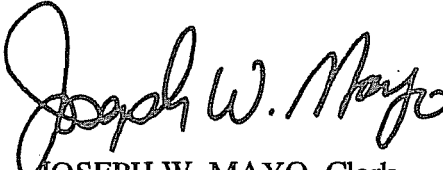
House of Representatives, March 8, 1993

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**An Act to Modify the Fuel Clause for Electric Utilities.**

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Submitted by the Public Utilities Commission pursuant to Joint Rule 24.  
Reference to the Committee on Utilities suggested and ordered printed.

  
JOSEPH W. MAYO, Clerk

Presented by Representative CLARK of Millinocket.  
Cosponsored by Representative: MORRISON of Bangor, Senators: CARPENTER of York,  
VOSE of Washington.

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

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

6       **§3101. Cost of fuel and purchased power**

8       1. **Applicability.** Subsections 2 to 8 apply to electric  
10 utilities with total assets in excess of \$40,000,000. The  
commission shall ~~premulgate~~ adopt reasonable rules governing the  
12 fuel and purchased power adjustment clause of electric utilities  
with total assets less than \$40,000,000. These rules shall must  
14 be consistent with the purposes of this section.

16       2. **Fuel and purchased power costs in base rates.** Subject  
to the approval of the commission, each electric utility shall  
18 include as part of its base rates a reasonable cost for fuel and  
purchased power to provide its customers with electricity. The  
20 ~~cost--of--fuel--shall--include--fuel--consumed--in--the--electric~~  
utility's ~~generating stations and the cost of power purchased by~~  
22 ~~the electric utility for use in this State, pursuant to rules~~  
~~premulgated--by--the--commission--under--this--section--and--in~~  
~~accordance with the requirements of subsection 4.~~ The amount to  
24 be included in a utility's base rates shall must be determined at  
the time of general rate adjustment under section 307 or 1303 and  
26 shall must be based upon the utility's reasonable costs of fuel  
and purchased power during the test year used for the rate  
28 adjustment. At the time of a general rate adjustment under  
section 307 or 1303 or as specified by commission rule, the  
30 commission has the discretion to determine whether an adjustment  
mechanism for the cost of fuel or purchased power must be  
32 adopted. The commission may adopt an adjustment mechanism for  
the cost of fuel or purchased power only if it finds that the  
34 cost of fuel or purchased power is likely to be unusually  
volatile or unpredictable or other circumstances exist to justify  
36 such an adjustment mechanism. Upon making the findings specified  
in this subsection, the commission may adopt an adjustment  
38 mechanism for the cost of fuel, the cost of purchased power, or  
both, or any specified portion of those costs.

40       3. **Cost of fuel and purchased power adjustment mechanism.**  
42 Notwithstanding the requirements of section 310, the commission  
may, upon making the findings specified in subsection 2, permit  
44 an electric utility shall to adjust its electricity charges to  
customers to recover increases and to credit for decreases in the  
46 cost of fuel used in the generating and supplying of electricity  
and purchased power subsequent to a general rate proceeding under  
48 section 307 or 1303, subject to the conditions of this section.

2           **4. Scope of adjustment mechanism for cost of fuel or**  
3 **purchased power.** Changes in the cost of fuel consumed in the  
4 electric utility's generating stations and changes in the cost of  
5 power purchased by the electric utility for use in this State  
6 constitute the only items subject to an adjustment mechanism,  
7 pursuant to commission rules promulgated by the commission under  
8 this section or order. Those changes in the cost of purchased  
9 power which that are subject to that an adjustment shall  
10 mechanism must exclude all capacity charges, except that, to the  
11 extent the commission determines just and reasonable, finds it in  
12 the public interest, purchased power capacity charges for power  
13 purchased from small power producers or cogenerators, as defined  
14 in chapter 33, and capacity charges for Canadian power purchase  
15 contracts which receive a certificate under section 3133 on or  
16 after January 1, 1988, may be included in the an adjustment,  
17 provided that capacity charges for small power producers or  
18 cogenerators and from Canadian power purchase contracts shall be  
19 accorded the same ratemaking treatment in proceedings under this  
20 section mechanism. Credits received by the utility for fuel or,  
21 the fuel component or capacity component of either purchased  
22 power or power sold to other utilities, including, but not  
23 limited to, credits associated with purchased energy or energy  
24 sold which that are received from the savings fund of the New  
25 England Power Exchange shall may be considered changes in the  
26 cost of fuel or purchased power for the purposes of the fuel cost  
27 an adjustment, pursuant to rules promulgated by the commission  
28 under this section mechanism.

29           **6. Calculation and billing of cost of fuel or purchased**  
30 **power adjustment.** The commission shall establish rules by rule  
31 or order the method for the calculation and billing of fuel cost  
32 adjustments an adjustment mechanism for the cost of fuel or  
33 purchased power. The rules shall applicable rule or order may  
34 include, but shall is not be limited to:

35           A. The fuel accounting method to be used to determine cost  
36 of fuel or purchased power;

37           B. The fuel computation period and method of computation of  
38 fuel the adjustment rate;

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

41           D. An appropriate method to amortize a utility's  
42 unrecovered reasonable fuel or purchased power costs;

43           E. An appropriate method to credit customers for fuel or  
44 purchased power cost overcharges; and  
45

F. Reporting requirements to administer this section.

The commission may establish a fuel cost of fuel or purchased power adjustment rate for a fuel computation period, based on projected kilowatt hour sales and fuel or purchased power costs for that period, and may 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 or purchased power costs and actual kilowatt hour sales and reasonable fuel or purchased power costs.

7. **Commission approval required.** In no event may a cost of fuel or purchased power adjustment charge rate 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 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 commission. The commission may render its decision on the application without holding a public hearing. If a public hearing is held, the commission shall hold the first session within 45 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 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.~~

8. **Reports.** The commission may require electric utilities to provide such reports and information as it determines necessary to administer this section.

**Sec. 2. Transition.** From the effective date of this Act until the earlier of the effective date of an electric utility's next general rate adjustment under the Maine Revised Statutes, Title 35-A, section 307 or 1303, or the effective date of a rule of the Public Utilities Commission establishing a cost of fuel or purchased power adjustment mechanism, each electric utility is authorized to continue billing its fuel cost adjustment as authorized by former Title 35, section 131, as enacted by Public Law 1975, chapter 489, section 1, as subsequently amended and recodified. At the time of the electric utility's next general rate adjustment, or as specified by commission rule, the commission shall determine the method by which fuel or purchased power costs are to be reflected in rates and shall allow for the amortization over a reasonable period of time of any unrecovered

2 or overcharged past prudently incurred fuel or purchased power  
costs.

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### STATEMENT OF FACT

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8 The current fuel adjustment clause law mandates a fuel  
adjustment clause for major electric utilities and requires the  
10 Public Utilities Commission to adopt rules for the recovery of  
fuel costs for small electric utilities. This bill preserves the  
current law for small electric utilities, but gives the  
12 commission discretion to adopt, by rule or order, an adjustment  
mechanism for fuel or purchased power costs to the State's major  
14 electric utilities. This modification allows the commission  
discretion in providing for the treatment of fuel and purchased  
16 power costs in the rates of the State's major electric  
utilities. The transition language provides for the amortization  
18 of past overcollection and undercollection of prudently incurred  
fuel or purchased power costs.