

MAINE STATE LEGISLATURE

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116th MAINE LEGISLATURE

FIRST REGULAR SESSION-1993

Legislative Document

No. 1135

S.P. 379

In Senate, April 1, 1993

An Act to Protect Electric Ratepayers from Unnecessary Rate Increases.

(EMERGENCY)

Reference to the Committee on Utilities suggested and ordered printed.

A handwritten signature in cursive script that reads "Joy J. O'Brien".

JOY J. O'BRIEN
Secretary of the Senate

Presented by Senator LUTHER of Oxford.
Cosponsored by Representative ADAMS of Portland and
Representatives: CLARK of Millinocket, COFFMAN of Old Town.

2 **Emergency preamble.** Whereas, Acts of the Legislature do not
become effective until 90 days after adjournment unless enacted
as emergencies; and

4
6 **Whereas,** in 1991 the Legislature authorized the Public
Utilities Commission to adopt rate adjustment mechanisms to
promote efficiency and least-cost planning for Maine's electric
8 utilities; and

10 **Whereas,** the legislation, which was enacted as the Maine
Revised Statutes, Title 35-A, chapter 31, subchapter VII,
12 specifically authorized the reconciliation of revenues on a
per-customer basis, as has been adopted by the Public Utilities
14 Commission for Central Maine Power Company in Docket No. 90-085;
and

16
18 **Whereas,** the Legislature also directed the Public Utilities
Commission to adopt a mechanism to limit the rate impact of the
per-customer electric rate adjustment mechanism adopted in Docket
20 No. 90-085; and

22 **Whereas,** the first year of the operation of the mechanism
adopted by the Public Utilities Commission for Central Maine
24 Power Company in Docket No. 90-085 increased revenues recognized
for Central Maine Power Company by about \$26,000,000 over the
26 revenues it would have received under rates set pursuant to
standard rate-making practices of the Public Utilities
28 Commission; and

30 **Whereas,** of this \$26,000,000 in additional revenues, only
about \$5,000,000 is for recovery of revenues lost due to
32 conservation and demand-side measures and the remaining
\$21,000,000 is due to the effects of the economy, the weather and
34 the methodological aspects of the mechanism adopted by the Public
Utilities Commission; and

36 **Whereas,** Central Maine Power Company is expected to accrue
38 significant additional revenues in excess of \$26,000,000 for the
2nd year of the mechanism; and

40
42 **Whereas,** the Public Utilities Commission has decided to
allow Central Maine Power Company to commence recovery of
\$8,000,000 of the total amount accrued to date, effective
44 September 1, 1992, and to allow recovery of the remaining amounts
in the future; and

46
48 **Whereas,** the Public Utilities Commission decided on June 17,
1992 to reconsider its decision authorizing the electric rate
adjustment mechanism and to consider suspending the electric rate
50 adjustment mechanism until Central Maine Power Company's next

2 base rate case, but the Public Utilities Commission has taken no
action yet to suspend the electric rate adjustment mechanism; and

4 **Whereas,** pending the Public Utilities Commission's decision
6 in reconsideration, Central Maine Power Company has continued to
account for electric rate adjustment mechanism accruals at the
8 rate of about \$2,000,000 per month, which Central Maine Power
Company claims it will be entitled to recover in rates and which
10 it plans to be the subject of a \$39,000,000 electric rate
adjustment mechanism rate increase in 1993; and

12 **Whereas,** recovery of such amounts for Central Maine Power
Company and any other electric utility would place a substantial
14 and unreasonable burden on ratepayers, in significant excess of
the amount needed to promote conservation and demand-side
16 measures; and

18 **Whereas,** the accounting for such revenues, particularly
pending reconsideration of the commission's decision, is
20 unreasonable and may prejudice the interest of utility customers;
and

22 **Whereas,** in the judgment of the Legislature, these facts
24 create an emergency within the meaning of the Constitution of
Maine and require the following legislation as immediately
26 necessary for the preservation of the public peace, health and
safety; now, therefore,

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

30 **Sec. 1. 35-A MRSA §3195, sub-§6 is enacted to read:**

32 **6. Accounting for accrued revenues.** With regard to any
34 revenue reconciliation mechanism adopted pursuant to this
section, the commission shall provide that the electric utility
36 may not accrue the difference between actual revenues and allowed
revenues on the utility's books of account and may not recognize
38 any such accruals in determining income until such accruals have
been specifically allowed for recovery in current rates and such
40 recovery has commenced.

42 **Sec. 2. Application.** This Act applies to all accruals on and
after the effective date of this Act.

44 **Emergency clause.** In view of the emergency cited in the
46 preamble, this Act takes effect when approved.

48

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STATEMENT OF FACT

4 This bill prohibits an electric utility from accruing
6 electric rate adjustment mechanism revenues on its books of
8 account until such time as the revenues are actually allowed and
10 reflected in rates. The purpose of the bill is to prevent the
12 current utility practice of reflecting the future revenues on its
14 books currently, and arguing that, as a consequence, it must
16 receive the revenues at some time in the future by way of rate
18 increases. For example, the continued accrual of revenues while
the Public Utilities Commission is considering suspending or
modifying the electric rate adjustment mechanism may cause
unnecessary and large increases for ratepayers. The bill will
allow such revenues to be accrued only if and only when the
Public Utilities Commission allows the revenues to be recovered
in rates.