

# MAINE STATE LEGISLATURE

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# 116th MAINE LEGISLATURE

## SECOND REGULAR SESSION-1993

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Legislative Document

No. 1595

S.P. 559

In Senate, December 27, 1993

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**An Act to Improve the Efficiency of Rate Processing by  
Consumer-owned Electric Utilities.**

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Approved for introduction by a majority of the Legislative Council pursuant to Joint Rule 26.  
Received by the Secretary of the Senate on December 27, 1993. Referred to the Committee  
on Utilities and 1200 ordered printed pursuant to Joint Rule 14.

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

JOY J. O'BRIEN  
Secretary of the Senate

Presented by Senator LUDWIG of Aroostook.  
Cosponsored by Senator: CARPENTER of York, Representative: DONNELLY of Presque Isle.

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

2           **Sec. 1. 35-A MRSA §3502, first ¶**, as enacted by PL 1987, c.  
4 141, Pt. A, §6, is amended to read:

6           Notwithstanding section 310, any consumer-owned electric  
8 utility which proposes to increase or decrease rates, tolls or  
10 charges by not more than 15% of the utility's annual operating  
12 revenues, may elect to set rates pursuant to this section and  
14 section 3503. These sections do not apply to fuel adjustment  
16 clauses as governed by section 3101.

12           **Sec. 2. 35-A MRSA §3502, sub-§12**, as enacted by PL 1987, c.  
14 141, Pt. A, §6, is amended to read:

16           **12. Frequency of rate increases.** No consumer-owned  
18 electric utility may initiate institute a proceeding general  
20 increase in its rates under this section ~~for a general increase~~  
22 ~~in its rates~~ within one year of its most recent ~~notification~~  
24 general increase in accordance with subsection 3 rates pursuant  
26 to this section. For the purposes of this section, a "general  
28 increase in rates" means any change in the rates, tolls and  
charges of the electric utility, the effect of which is to  
increase the annual operating revenues of an electric utility by  
more than 1%, provided that this term does not include a rate  
change made for the sole purpose of implementing a fuel cost  
adjustment rate, pursuant to section 3101.

28           **Sec. 3. 35-A MRSA §3503, sub-§5**, as enacted by PL 1987, c.  
30 141, Pt. A, §6, is amended to read:

32           **5. Purposes.** The governing body may establish and file  
34 rates under this section to provide revenue for the following  
purposes, but no other:

36           A. To pay the current expenses for operating and  
38 maintaining the electric system and to provide for normal  
renewals and replacements;

40           B. To provide for the payment of the interest on the  
42 indebtedness created or assumed by the utility;

44           C. For consumer-owned electric utilities, except rural  
electrification cooperatives:

46           (1) To provide each year a sum equal to not less than  
48 2% nor more than 10% of the term indebtedness  
represented by the issuance of bonds created or assumed  
50 by the utility, which sum shall be turned into a  
sinking fund and there kept to provide for the

2 extinguishment of term indebtedness. The money set  
4 aside in this sinking fund and all interest accrued to  
6 this fund shall be devoted to the retirement of the  
8 term obligations of the utility and may be invested in  
10 such securities as savings banks in the State are  
12 allowed to hold;

14 (2) To provide for annual principal payments on serial  
16 indebtedness created or assumed by the utility; and

18 (3) To provide for a contingency reserve fund to  
20 reflect up to a 5% addition to yearly revenues over  
22 what is required to operate the electric utility. Any  
24 surplus in excess of 5% shall be used to offset future  
26 revenue requirements in the setting of rates. Any  
28 interest generated on these funds shall be deposited  
30 into the contingency reserve fund. The balance in the  
32 contingency reserve fund at the close of the utility's  
34 fiscal year shall not exceed 5% of the yearly revenues  
36 over what is required to operate the electric utility;  
38 and

40 D. For rural electrification cooperatives supplying or  
42 authorized to supply energy, to provide for a ~~contingency~~  
44 ~~reserve--fund~~ debt service coverage by providing rates to  
46 reflect an additional amount no more than the amount of  
48 yearly long-term interest payments. The total accumulation  
50 amount of funds equity shall not exceed the level of equity  
required by the lender and in no case may exceed 25% 40% of  
~~the--long-term--debt~~ total assets. Any surplus in excess  
shall be used to offset future revenue requirements in the  
setting of rates.

The limitations set out in this subsection apply only in the case  
of rates established pursuant to this section and do not limit  
the discretion of the commission in setting rates under any other  
section.

## 42 STATEMENT OF FACT

44 This bill allows consumer-owned utilities to use their  
46 existing rate-setting powers to lower rates. It maintains the  
48 bar against more than one rate increase in a year, but allows a  
50 utility to withdraw and file a corrected rate change without  
waiting a year. It removes the reserve fund for cooperatives and  
corrects language in order to allow them to achieve usual utility  
equity levels. Finally, the bill provides that the limits on the  
purposes for which the consumer-owned utility may set its own

2 rates are not binding on the Public Utilities Commission, which  
may exercise its full discretion as otherwise authorized by law.

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8 This document has not yet been reviewed to determine the  
need for cross-reference, stylistic and other technical  
10 amendments to conform existing law to current drafting standards.