

MAINE STATE LEGISLATURE

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116th MAINE LEGISLATURE

SECOND REGULAR SESSION-1994

Legislative Document

No. 1997

S.P. 774

In Senate, March 31, 1994

An Act to Encourage Electric Rate Stabilization.

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 President DUTREMBLE of York. (GOVERNOR'S BILL).
Cosponsored by Senator CARPENTER of York and
Senators: AMERO of Cumberland, BALDACCI of Penobscot, BEGLEY of Lincoln, BERUBE of Androscoggin, BUSTIN of Kennebec, BUTLAND of Cumberland, CAHILL of Sagadahoc, CAREY of Kennebec, CIANCHETTE of Somerset, CLEVELAND of Androscoggin, ESTY of Cumberland, GOULD of Waldo, HALL of Piscataquis, HANDY of Androscoggin, HANLEY of Oxford, HARRIMAN of Cumberland, LAWRENCE of York, LUDWIG of Aroostook, LUTHER of Oxford, MARDEN of Kennebec, PARADIS of Aroostook, PEARSON of Penobscot, SUMMERS of Cumberland, VOSE of Washington, Representatives: AIKMAN of Poland, CASHMAN of Old Town, CLARK of Millinocket, DONNELLY of Presque Isle, FARNUM of South Berwick, GOULD of Greenville, GWADOSKY of Fairfield, HOGLUND of Portland, HOLT of Bath, MARTIN of Eagle Lake, MORRISON of Bangor, MURPHY of Berwick, NADEAU of Saco, RUHLIN of Brewer, SMALL of Bath, SULLIVAN of Bangor, TARDY of Palmyra, TAYLOR of Cumberland, WHITCOMB of Waldo.

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

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Sec. 1. 10 MRSA §963-A, sub-§7-A is enacted to read:

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7-A. Electric rate stabilization project. "Electric rate stabilization project" means an agreement by an electric utility with a qualifying facility, as defined in Title 35-A, section 3303, subsection 7, that results in the reduction of costs to the electric utility and that has been certified by the Public Utilities commission to meet the standards established under Title 35-A, section 3156.

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Sec. 2. 10 MRSA §963-A, sub-§10, ¶L, as amended by PL 1991, c. 439, §3, is further amended to read:

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L. Any hazardous waste or solid waste recycling or reduction project; or

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Sec. 3. 10 MRSA §963-A, sub-§10, ¶M, as enacted by PL 1991, c. 439, §4, is amended to read:

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M. Any aboveground oil replacement or upgrade project, including equipment installed to meet requirements for gasoline service station vapor control and petroleum liquids transfer vapor recovery; or

Sec. 4. 10 MRSA §963-A, sub-§10, ¶N is enacted to read:

N. Any electric rate stabilization project.

Sec. 5. 10 MRSA §1053, sub-§6, as amended by PL 1993, c. 460, §8, is further amended to read:

6. **Securities outstanding.** The authority may not have at any one time outstanding revenue obligation securities to which subsection 5 is stated in the trust agreement or other document to apply in principal amount exceeding an amount equal to \$150,000,000 less the aggregate outstanding balance of mortgage loans secured by capital reserve funds pursuant to section 1032. The amount of revenue obligation securities issued to refund securities previously issued may not be taken into account in determining the principal amount of securities outstanding, provided that proceeds of the refunding securities are applied as promptly as possible to the refunding of the previously issued securities. In computing the total amount of revenue obligation securities of the authority that may at any time be outstanding for any purpose, the amounts of the outstanding revenue obligation securities that have been issued as capital appreciation bonds or as similar instruments are valued as of any date of calculation at their then current accreted value rather than their face value. Notwithstanding this subsection, the

2 authority may additionally have outstanding at any one time up to
3 \$120,000,000 of taxable bonds under section 1054 relating to
4 loans for electric rate stabilization projects consisting of not
5 more than \$100,000,000 for loans and up to \$20,000,000 for use of
6 bond proceeds to fund capital reserve funds.

7 **Sec. 6. 35-A MRSA §3156 is enacted to read:**

8 **§3156. Certificates of approval for agreements submitted pursuant**
9 **to the Revenue Obligation Securities Program of the**
10 **Finance Authority of Maine**

11 **1. Issue.** The commission is authorized and empowered to
12 issue a certificate of approval for agreements between an
13 electric utility and a qualifying facility pursuant to Title 10,
14 section 963-A following submission to it of applications for
15 approval in such form and with such supporting data as it may
16 require. The commission may issue the certification on delegated
17 authority, but in any case shall provide or deny that
18 certification within 30 days of receipt of a submission by the
19 commission.

20 When the commission has issued a certificate pursuant to this
21 section, the commission may not in any rate proceeding or other
22 context disallow or otherwise prevent the recovery of costs
23 incurred by the electric utility under the terms of the certified
24 agreement based solely on the execution of the certified
25 agreement.

26 **2. Criteria.** The commission shall issue a certificate as
27 described in subsection 1 if it finds that:

28 **A.** The agreement provides near-term benefits to ratepayers
29 of the utility reflected in rates paid by the electric
30 utility's customers;

31 **B.** Potential future adverse rate impacts associated with
32 the agreement are not likely to be disproportionate to
33 near-term gains;

34 **C.** The agreement does not have as a necessary or probable
35 consequence the permanent cessation of operations of a
36 qualifying facility of more than 50 megawatts capacity; and

37 **D.** The agreement is consistent with section 3191.

38 **Sec. 7. 35-A MRSA §3307, sub-§5 is enacted to read:**

39 **5. Commercially reasonable business practices.** The
40 practice to be followed in the creation of a contract for the
41 creation of a contract for the

2 purchase of energy resources or in administering or revising the
3 terms or conditions of contracts is commercially reasonable
4 business practice.

5 **Sec. 8. Loans authorized.** The Finance Authority of Maine may
6 make loans for electric rate stabilization projects from up to
7 \$100,000,000 of the proceeds of revenue obligation securities
8 secured by capital reserve funds pursuant to the Maine Revised
9 Statutes, Title 10, section 1053. Notwithstanding any provision
10 of Title 10, chapter 110, a loan may be of any amount up to
11 \$100,000,000 plus up to an additional \$20,000,000 to fund any
12 capital reserve fund established by the Finance Authority of
13 Maine for the loan. Revenue obligation securities secured by
14 capital reserve funds pursuant to Title 10, section 1053 relating
15 to such loans may not be issued after March 15, 1995. Any
16 revenue obligation securities secured by capital reserve funds
17 pursuant to Title 10, section 1053 not repaid by the borrower of
18 a loan relating to those revenue obligation securities must be
19 repaid by appropriation.

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23 **STATEMENT OF FACT**

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25 This bill facilitates the stabilization of electric rates by
26 making low-interest loans available to electric utilities that
27 enter into agreements with qualifying facilities that will result
28 in the reduction of rates charged by the qualifying facility to
29 the electric utility and which meet other specified criteria as
30 certified by the Public Utilities Commission. It also
31 establishes commercially reasonable business practices as the
32 standard for the creation and administration of power purchase
33 contracts.

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