

MAINE STATE LEGISLATURE

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122nd MAINE LEGISLATURE

FIRST REGULAR SESSION-2005

Legislative Document

No. 26

H.P. 29

House of Representatives, January 6, 2005

An Act To Authorize a General Fund Bond Issue for Stranded Costs of Transmission and Distribution Utilities

Reference to the Committee on Appropriations and Financial Affairs suggested and ordered printed.

Millicent M. MacFarland
MILLICENT M. MacFARLAND
Clerk

Presented by Representative FISCHER of Presque Isle.
Cosponsored by Representatives: BLISS of South Portland, FLETCHER of Winslow,
Senators: COWGER of Kennebec, WESTON of Waldo.

2 **Preamble.** Two thirds of both Houses of the Legislature
deeming it necessary in accordance with the Constitution of
4 Maine, Article IX, Section 14 to authorize the issuance of bonds
on behalf of the State of Maine to provide funds as described in
6 this Act,

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

10 **PART A**

12 **Sec. A-1. Authorization of bonds.** The Treasurer of State is
authorized, under the direction of the Governor, to issue bonds
14 in the name and on behalf of the State in an amount not exceeding
\$1,088,750,000 for the purposes described in section 6 of this
16 Part. The bonds are a pledge of the full faith and credit of the
State. The bonds may not run for a period longer than 10 years
18 from the date of the original issue of the bonds. At the
discretion of the Treasurer of State, with the approval of the
Governor, any issuance of bonds may contain a call feature.

20 **Sec. A-2. Records of bonds issued kept by Treasurer of State.** The
22 Treasurer of State shall keep an account of each bond showing the
number of the bond, the name of the successful bidder to whom
24 sold, the amount received for the bond, the date of sale and the
date when payable.

26 **Sec. A-3. Sale; how negotiated; proceeds appropriated.** The
28 Treasurer of State may negotiate the sale of the bonds by
direction of the Governor, but no bond may be loaned, pledged or
30 hypothecated on behalf of the State. The proceeds of the sale of
the bonds, which must be held by the Treasurer of State and paid
32 by the Treasurer of State upon warrants drawn by the State
Controller, are appropriated solely for the purposes set forth in
34 this Part. Any unencumbered balances remaining at the completion
of the project in this Part lapse to the debt service account
36 established for the retirement of these bonds.

38 **Sec. A-4. Interest and debt retirement.** The Treasurer of State
shall pay interest due or accruing on any bonds issued under this
40 Part and all sums coming due for payment of bonds at maturity.

42 **Sec. A-5. Disbursement of bond proceeds.** The proceeds of the
bonds must be expended as set out in this Part under the
44 direction and supervision of the Public Utilities Commission.

46 **Sec. A-6. Allocations from General Fund bond issue.** The proceeds
of the sale of the bonds authorized under this Part must be
48 expended as designated in the following schedule.

PUBLIC UTILITIES COMMISSION

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Provides funds to pay transmission and distribution utility stranded costs as identified and determined by the Public Utilities Commission. \$1,088,750,000

Sec. A-7. Contingent upon ratification of bond issue. Sections 1 to 6 of this Part do not become effective unless the people of the State ratify the issuance of the bonds as set forth in this Part.

Sec. A-8. Appropriation balances at year-end. At the end of each fiscal year, all unencumbered appropriation balances representing state money carry forward. Bond proceeds that have not been expended within 10 years after the date of the sale of the bonds lapse to General Fund debt service.

Sec. A-9. Bonds authorized but not issued. Any bonds authorized but not issued, or for which bond anticipation notes are not issued within 5 years of ratification of this Part, are deauthorized and may not be issued, except that the Legislature may, within 2 years after the expiration of that 5-year period, extend the period for issuing any remaining unissued bonds or bond anticipation notes for an additional amount of time not to exceed 5 years.

Sec. A-10. Referendum for ratification; submission at statewide election; form of question; effective date. This Part must be submitted to the legal voters of the State at a statewide election held on the Tuesday following the first Monday of November following passage of this Act. The municipal officers of this State shall notify the inhabitants of their respective cities, towns and plantations to meet, in the manner prescribed by law for holding a statewide election, to vote on the acceptance or rejection of this Part by voting on the following question:

"Do you favor a \$1,088,750,000 bond issue to pay for the stranded costs of investor-owned transmission and distribution utilities?"

The legal voters of each city, town and plantation shall vote by ballot on this question and designate their choice by a cross or check mark placed within a corresponding square below the word "Yes" or "No." The ballots must be received, sorted, counted and declared in open ward, town and plantation meetings and returns made to the Secretary of State in the same manner as

2 votes for members of the Legislature. The Governor shall review
the returns and, if a majority of the legal votes are cast in
4 favor of this Part, the Governor shall proclaim the result
without delay, and this Part becomes effective 30 days after the
6 date of the proclamation.

8 The Secretary of State shall prepare and furnish to each
city, town and plantation all ballots, returns and copies of this
10 Part necessary to carry out the purposes of this referendum.

12 PART B

14 **Sec. B-1. 35-A MRS §3208**, as amended by PL 1999, c. 398, Pt.
L, §1, is further amended by adding at the beginning a new
16 paragraph to read:

18 This section governs the determination and recovery of
stranded costs except to the extent funds are available to allow
for the payment of stranded costs under section 3208-A.

20 **Sec. B-2. 35-A MRS §3208-A** is enacted to read:

22 **§3208-A. Public funds to pay stranded costs**

24 If public funds become available through a bond issue or
26 other source to pay stranded costs, this section governs the
calculation and payment of stranded costs.

28 1. **Stranded costs defined and calculated.** For purposes of
30 this section, the term "stranded costs" has the same meaning as
in section 3208 and the calculation of such costs for purposes of
32 this section must be in the same manner as prescribed in section
3208, except that the commission may by rule modify the
34 definition and the calculation method to the extent necessary to
carry out the purposes of this section.

36 2. **Payment.** The commission by rule shall establish a method
38 of paying stranded costs using any public funds that become
available for this purpose.

40 3. **Rules.** Rules adopted pursuant to this section are major
42 substantive rules as defined in Title 5, chapter 375, subchapter
2-A.

44 SUMMARY

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48 The funds provided by this bond issue, in the amount of
\$1,088,750,000, will be used to pay transmission and distribution
50 utility stranded costs. Stranded costs are the costs of

investor-owned utilities that were made unrecoverable as a result
2 of the restructuring of the electric industry. The costs
include, among other things, long-term energy contracts, the
4 prices of which exceed market prices. Currently, investor-owned
transmission and distribution utilities are provided a reasonable
6 opportunity over time to recover these costs through rates. The
proceeds of this bond issue would be used to pay the stranded
8 costs of the 3 investor-owned transmission and distribution
utilities operating in the State. These costs are currently
10 projected through the year 2015 to be \$1,088,750,000.