

MAINE STATE LEGISLATURE

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128th MAINE LEGISLATURE

SECOND REGULAR SESSION-2018

Legislative Document

No. 1896

S.P. 726

In Senate, April 2, 2018

An Act To Improve Efficiency through Electric Rate Design and Advanced Technology

Reference to the Committee on Energy, Utilities and Technology suggested and ordered printed.

A handwritten signature in cursive script that reads "Heather J.R. Priest".

HEATHER J.R. PRIEST
Secretary of the Senate

Presented by Senator BRAKEY of Androscoggin. (GOVERNOR'S BILL)
Cosponsored by Representative FARRIN of Norridgewock and
Representatives: CHAPMAN of Brooksville, GROHMAN of Biddeford, HANLEY of Pittston,
HARLOW of Portland, MALABY of Hancock, O'CONNOR of Berwick, RYKERSON of
Kittery, SAMPSON of Alfred.

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

2 **Sec. 1. 35-A MRSA §3152, sub-§1**, as amended by PL 2013, c. 369, Pt. F, §§2 to
3 4, is further amended to read:

4 **1. Increased efficiency.** The Legislature declares and finds that improvements in
5 transmission and distribution utility rate design and related regulatory programs have
6 great potential for reducing the cost of electric utility services to consumers, for
7 encouraging energy conservation and efficient use of existing facilities and for
8 minimizing the need for expensive new electric transmission capacity. It is the purpose
9 of this chapter to:

10 A. Require the commission to relate transmission and distribution rates more closely
11 to the costs of providing transmission and distribution service-, including promoting
12 the recovery of fixed transmission and distribution utility costs through fixed
13 customer charges to the maximum extent practicable and economically efficient;

14 C. Require the commission to consider the ability of low-income residential
15 customers to pay in full for electric services as transmission and distribution rates are
16 redesigned consistent with these policies; ~~and~~

17 D. Require the commission to set rates, including transmission and distribution rates
18 that vary by time of day and season and by other relevant cost drivers, to the extent
19 practicable to achieve economic efficiency-; and

20 E. Require the commission to examine and adopt appropriate changes to
21 transmission and distribution utility rate class designations that would improve equity
22 and economic efficiency.

23 **Sec. 2. 35-A MRSA §3153-A, sub-§1**, as corrected by RR 2009, c. 2, §103, is
24 amended to read:

25 **1. Proposals and programs developed.** The commission, ~~as it determines~~
26 ~~appropriate~~, shall order investor-owned transmission and distribution utilities to develop
27 and submit to the commission for approval by January 1, 2019 specific rate design
28 proposals and related programs for implementing ~~energy conservation and energy~~
29 ~~efficiency techniques and innovations, either in conjunction with or independent of any~~
30 ~~rate-making proceeding pending before the commission.~~ The proposals, as the
31 commission determines, must be designed to ~~encourage energy conservation, minimize~~
32 ~~the need for new transmission and distribution capacity, minimize costs of transmission~~
33 ~~and distribution service to consumers~~ improve equity among customers, minimize
34 transmission and distribution rates ~~over the long term or short term~~ and take into account
35 the needs of low-income customers. ~~In approving a proposal under this section, the~~
36 ~~commission shall give equivalent consideration to the goals of minimizing costs and~~
37 ~~minimizing transmission and distribution rates to consumers.~~ Proposals must include, but
38 are not limited to, proposals that provide for the development and implementation of:

39 A. Load management techniques, including proposals for implementing cost-
40 effective load control and other smart grid technologies and programs, such as

1 dispatchable load reduction technologies and distributed generation, designed to
2 optimize distribution and transmission load profiles;

3 B. Rates that reflect marginal costs of services at different voltages, times of day or,
4 seasons of the year or other relevant cost drivers, including short-run and long-run
5 marginal costs associated with the construction of new transmission and distribution
6 facilities;

7 D. Rates or other regulatory policies that ~~encourage~~ maintain transmission and
8 distribution utility system reliability;

9 E. Transmission and distribution utility financing or subsidization of capital
10 improvements undertaken by ratepayers to ~~conserve~~ optimize electricity ~~used~~ usage
11 by the ratepayers in the future. This paragraph applies to future programs for utility
12 financing of energy conservation or load management as long as the goal of such
13 programs is to economically defer or eliminate the need for transmission and
14 distribution plant upgrades. In addition to programs undertaken pursuant to this
15 paragraph, programs may be undertaken pursuant to section 10110 to achieve goals
16 other than that identified in this paragraph;

17 ~~F. As defined by the commission by rule, cost-effective conversions of electric space~~
18 ~~heat systems to systems relying on other fuels and other techniques for enabling~~
19 ~~homeowners and tenants to replace on-peak, winter period electric usage with less~~
20 ~~expensive sources of heat;~~

21 G. Rates or bill payment assistance programs for residential customers who have
22 been certified eligible for state or federal fuel assistance that take into account the
23 difficulty these customers have paying in full for electric service or that target
24 assistance to these customers in the most efficient manner, taking into account the
25 necessity of maintaining electric service; and

26 H. Rates or programs that ~~allow~~ encourage incremental use or maintenance of
27 existing use when those ~~rates~~ uses serve to minimize rate levels for all transmission
28 and distribution customers. In approving any proposal for rates or programs that
29 ~~allow~~ encourage incremental use or maintenance of existing use, the commission
30 shall seek to ensure that rates for all customer classes will be lower than they would
31 have been had the commission not approved the proposal.

32 **Sec. 3. 35-A MRSA §3154, sub-§1**, as amended by PL 1999, c. 398, Pt. A, §59
33 and affected by §§104 and 105, is further amended to read:

34 **1. Rate design and conservation improvements.** The commission shall mandate,
35 after notice and hearing on the proposed schedule, a scheduled phasing-in of the
36 improvements in transmission and distribution utility rate design and related regulatory
37 programs submitted and approved under section 3153-A and is authorized to order
38 utilities to implement transmission and distribution utility rate design improvements
39 approved by the commission ~~on a temporary, pilot and experimental basis~~, affecting
40 either a portion or all of any class of consumers of any utility as the commission may
41 determine is appropriate to carry out the purposes of this subchapter, and order other
42 energy conservation techniques, programs and innovations relating to transmission and
43 distribution utility service that, in the commission's judgment, are practicable, just and

1 reasonably related to fulfilling the purposes of this chapter. In ordering any rate design
2 improvements or any other programs for implementing energy ~~conservation~~ efficiency
3 techniques and innovations referred to in section 3153-A, the commission shall consider
4 rate design stability and shall ensure the revenue requirements of the utility.

5 **Sec. 4. 35-A MRSA §3209, sub-§5** is enacted to read:

6 **5. Supply rates.** To the extent cost effective and practicable, the commission shall
7 implement policies and practices to encourage competitive electricity suppliers to offer
8 residential and commercial customers electricity supply pricing reflective of real-time
9 market price variations.

10 **Sec. 5. 35-A MRSA §10110, sub-§7**, as enacted by PL 2009, c. 372, Pt. B, §3, is
11 amended to read:

12 **7. Conservation program fund.** The trust shall establish a conservation program
13 fund to be used solely for conservation programs, except as described in paragraph C and
14 subsection 10.

15 A. The commission shall deposit all assessments collected pursuant to this section,
16 other than funds deposited in the administration fund, into the program fund.

17 B. Any interest earned on funds in the program fund must be credited to the program
18 fund.

19 C. Funds Except for funds targeted for low-income residential transmission and
20 distribution customers, funds not spent in any fiscal year remain in the program fund
21 to be used for conservation programs. Funds targeted for low-income residential
22 transmission and distribution customers that are not spent within a fiscal year may, at
23 the commission's discretion, be returned to investor-owned transmission and
24 distribution utilities to offset any bill increases to low-income residential transmission
25 and distribution customers as a result of rate design changes that recover fixed
26 residential transmission and distribution utility costs through fixed customer charges.

27 D. The commission or the trust may apply for and receive grants from state, federal
28 and private sources for deposit in the program fund and also may deposit in the
29 program fund any grants or other funds received by or from any entity with which the
30 commission or trust has an agreement or contract pursuant to this section if the
31 commission receives prior written consent from the trust that receipt of those funds
32 would be consistent with the purposes of this section. If the commission or trust
33 receives any funds pursuant to this paragraph, it shall establish a separate account
34 within the program fund to receive the funds and shall keep those funds and any
35 interest earned on those funds segregated from other funds in the program fund.

36 **Sec. 6. 35-A MRSA §10110, sub-§10**, as amended by PL 2013, c. 369, Pt. A,
37 §24, is further amended to read:

38 **10. Funds held in trust.** All funds collected from electricity consumers pursuant to
39 this section are collected under the authority and for the purposes of this section and are
40 deemed to be held in trust for the purposes of benefiting electricity consumers. In the
41 event funds are not expended or contracted for expenditure within 2 years of being

1 collected from consumers, the commission shall ensure that the value of those funds is
2 returned to consumers. Funds targeted for low-income residential transmission and
3 distribution customers pursuant to subsection 2, paragraph B, subparagraph (1) that are
4 not expended or contracted for expenditure within 2 years must be returned to low-
5 income residential transmission and distribution customers.

6 SUMMARY

7 This bill requires the Public Utilities Commission to promote recovery of fixed
8 transmission and distribution costs through fixed customer costs, to the extent practicable
9 and economically efficient, and to examine and make appropriate changes to transmission
10 and distribution utility rate class designations to the extent such changes would improve
11 equity and economic efficiency. The bill further requires the commission to implement
12 transmission and distribution rates that vary by time of day and season or other relevant
13 cost drivers, to the extent practicable, to achieve economic efficiency. The bill requires
14 investor-owned transmission and distribution utilities to submit specific rate design
15 proposals to the commission by January 1, 2019 and provides that such plans must
16 include proposals for implementing cost-effective programs and load-control
17 technologies to optimize distribution circuit and transmission system load profiles and
18 rates or programs that encourage incremental usage if such uses would lower rates for all
19 customer classes. The bill removes the requirement that transmission and distribution
20 utilities' proposals include cost-effective conversions of electric space heat systems.

21 The bill also removes the requirement that rate design changes implemented pursuant
22 to the Maine Revised Statutes, Title 35-A, section 3153-A be implemented on a
23 temporary, pilot or experimental basis and requires the commission to implement policies
24 and practices to encourage competitive electricity providers to offer residential and
25 commercial customers supply prices reflective of real-time market price variations.

26 The bill provides that any Efficiency Maine Trust funds targeted to low-income
27 residential transmission and distribution customers that remain unspent at the end of a
28 fiscal year may, at the commission's discretion, be returned to investor-owned
29 transmission and distribution utilities to offset bill increases to low-income transmission
30 and distribution customers resulting from the bill's rate design changes. The bill also
31 provides that Efficiency Maine Trust funds targeted to low-income residential
32 transmission and distribution customers that are uncommitted 2 years after having been
33 collected must be returned to those customers.