

REPORT OF

THE COMMISSION ON INDUSTRIAL STABILITY

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GOVERNOR JOSEPH E. BRENNAN

AND

THE 112TH MAINE LEGISLATURE

DECEMBER 18, 1985

HD 9085 ,UC2 H22 1985

Chapter 433, P.L. 1985

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REPORT OF THE COMMISSION ON INDUSTRIAL STABILITY

I. INTRODUCTION.

In June of 1985, the Maine Legislature enacted Legislative Document No. 1652, AN ACT to Promote Industrial Stability. In addition to an electric rate guarantee of up to \$900,000 provided to a manufacturing firm beginning July 1, 1986, the Legislature established a Commission on Industrial Stability to be appointed by the Governor. The Commission was requested to examine the effects of increased electricity costs on industrial stability and prepare recommendations for assisting firms to adjust to higher electricity costs. In preparing its report, the Commission would utilize, to the extent possible, the criteria used by the Legislature in establishing the pilot program to assist the manufacturing firm.

During the 1985 legislative session, Representative Cashman of Old Town and three co-sponsors introduced Legislative Document No. 354, AN ACT to Phase Out the Sales and Use Tax on Energy Used in Manufacturing. That bill was held by the Legislature for further consideration during its Second Regular Session in 1986. The Commission on Industrial Stability was asked to examine the phase-out of the sales and use tax on energy used in manufacturing as part of its general charge to analyze the effects of increased electrical energy costs on industrial stability in Maine.

A commission of 16 members was appointed by Governor Brennan and met four times prior to the issuance of this report. The members of the Commission on Industrial Stability are listed in Attachment A.

The Commission on Industrial Stability makes the following findings and recommendations:

- 1. The industrial electricity rates in Maine are now, and will remain, very competitive on a regional basis. The rates approximate the national average for investor owned electric utilities. Even so, those Maine plants which are energy intensive and compete in national or international markets face significant competition from similar plants located in areas having low energy costs produced by public power projects or access to lower cost coal or natural gas. Some states are attempting to entice some Maine manufacturers to relocate through the use of energy and other incentives.
- 2. The recent Seabrook settlements reached with Central Maine Power Company and Bangor Hydro-Electric Company will eliminate the danger of Seabrook induced rate shock for industrial customers and will produce more modest increases than those initially forecast.
 - 3. A variety of services and tariffs are now available to Maine industries and have proven useful. Those services

and tariffs include: interruptible rates, time-of-day rates, conservation programs, technical assistance, third-party financing, and cogeneration and hydroelectric production. The Public Utilities Commission, utilities, industry and other interested parties are strongly encouraged to improve and expand these already useful initial offerings.

- 4. The Public Utilities Commission should continue to follow its stated goal of having cost-based electricity rates. Any attempt to put an unfair share of future rate increases on industrial customers should be resisted.
- 5. The current 5% sales tax on electricity and other forms of energy used in manufacturing should be phased out over four years beginning July 1, 1987. Maine is in the minority of states which fully tax energy used in manufacturing. Where taxes exist, they are often at rates lower than 5%.
- 6. There may be a limited number of instances where current programs and the generic improvements suggested by this report may be insufficient in assisting an industrial firm in coping with future increases in energy costs. The Executive and Legislative branches of government are encouraged to continue to provide innovative, flexible solutions to such problems. The Commission encourages

the Governor's Business Advisory Council to assist in identifying any remaining difficulties and in proposing additional solutions.

- 7. The Commission recommends that utilities and regulators continue to seek aggressively the least cost sources of electricity through a mix of Canadian imports, cogeneration, hydro-electric production, conservation and other forms of providing electricity. Additional conservation measures are particularly encouraged.
- 8. The Commission recommends that there be further exploration of the desirability of direct or wheeled access of major industrial customers to Canadian energy sources and to electricity generated by non-utilities such as an affiliate of the industrial customer or an independent power producer.
- 9. The Public Utilities Commission and the New England Conference of Public Utilities Commissioners, Inc. should seek the reversal of the hasty decision of the New England Power Pool to increase the reserve requirements of its members utilities. That decision will, if left unmodified, unnecessarily increase costs for Maine utilities.
- 10. The Commission commends the recently approved industrial and commercial conservation programs of Central Maine

Power and Bangor Hydro-Electric and encourages further industrial and commercial conservation initiatives by Central Maine Power, Bangor Hydro-Electric and the other electric utilities in Maine.

II. CURRENT RATES, NATIONAL AND REGIONAL COMPARISONS.

The Commission has examined the rates charged by Maine utilities to industrial customers and has been able to make regional and national comparisons regarding those rates. Attachments B through J demonstrate that Maine has the lowest industrial rates in New England, is highly competitive in the Northeast, but is about in the middle on a national basis for investor owned utilities.

There are, however, portions of the country which have lower electricity rates and better access to less expensive coal, natural gas and oil. Much of the competition for some of Maine's energy intensive manufacturers is located in these areas.

While electric rates are important to economic development and represent a significant portion of the manufacturing costs of certain industries, <u>see</u> the Maine Chamber of Commerce and Industry Energy Cost Survey attached as Attachment K, there is not a complete correlation between industrial electric bills and economic development. For example, the electricity costs of San Diego Gas & Electric are the highest of any major utility in the

country, yet San Diego is an area of high economic growth. Many other major industrial areas have higher electric rates than Maine, including portions of New York, New Jersey, and California, and the Philadelphia, Detroit and Houston areas.

Electricity and energy prices are two important factors in determining whether certain industries prosper, whether they stay in an area, and where they relocate or expand. Electricity and energy prices are particularly important for those industries which are very energy intensive and are subject to intense national or global competition.

In 1985, settlements were reached with both Central Maine Power Company and with Bangor Hydro Electric to resolve most of the uncertainty surrounding their investments in the Seabrook nuclear unit in New Hampshire. The Seabrook project has been substantially over budget and has been subject to significant delays. The settlements with CMP and Bangor, which have been approved by the Public Utilities Commission, result in a sharing of the burden of Seabrook between ratepayers and shareholders, and will produce lower and more stable rates than would have occurred absent these innovative stipulations. Projections of future rates can be found on Attachment L.

Recently, the New England Power Pool (NEPOOL), over the objection of CMP and Bangor Hydro, voted to increase the reserve requirement of its member utilities for at least the next year. The reserve requirement is essentially the amount of extra

generating capacity needed to provide for a plant outages or abnormally high consumption.

The decision of NEPOOL was hastily arrived at and results in an unnecessary increase in the amount of capacity that CMP and Bangor Hydro must have and the cost of electricity to consumers.

The Commission encourages the Public Utilities Commission and the New England Conference of Public Utilities Commissioners, Inc., to oppose the recent decision of NEPOOL to increase the reserve requirement and to participate fully in further NEPOOL deliberations concerning future changes in the reserve requirement.

III. SERVICES AND TARIFFS AVAILABLE.

The Maine utilities have, for a number of years, provided a variety of services and tariffs to their industrial customers. The enactment of the Federal Public Utility Regulatory Policies Act of 1978 and companion state legislation have vastly increased the services offered.

Exhibit M describes those services and tariffs now offered by Central Maine Power Company. The last few years produced a substantial number of new offerings of short-term interruptible rates, conservation programs and other innovations that are and will continue to be of assistance to industry. Industrial

customers are increasingly participating in Public Utility Commission proceedings which establish the various services and tariffs to be offered to Maine utilities. Such activity is highly encouraged. Bangor Hydro-Electric and Maine Public Service offer some of the same programs provided by Central Maine Power Company and there are several proceedings pending to expand the offerings of each of those two utilities. The Commission particularly commends the development of industrial and commercial conservation programs by CMP and Bangor Hydro and encourages the expansion of those programs.

In addition to the services and tariffs offered by the utilities, there are a number of third-party financing arrangements available where outside entities finance conservation improvements for commercial and industrial customers through a variety of mechanisms resulting in sharing of the savings, between the customer and the financing entity.

Through the encouragement of Congress, the State Legislature and the Public Utilities Commission, Maine has become a national leader in the development of cogeneration and small power production. A number of Maine industries now generate electricity for sale to the utilities. These transactions are highly desirable as they provide a source of indigenous energy to Maine utilities at competitive prices, significant income for the Maine industry and a substantial number of jobs, many of which are located in rural parts of Maine.

IV. RATE DESIGN.

In the last year, the Public Utilities Commission has made its initial decisions regarding the rate design for Central Maine Power Company and Bangor Hydro-Eectric.

These rate design decisions must be placed in the broader context of overall utility ratemaking.

Maine utilities can seek an increase in rates from the Public Utilities Commission. Those increases are primarily granted through either an increase in base rates for such costs as new construction, labor, depreciation and taxes, or through a fuel adjustment proceeding for the cost of oil and power purchased from such varied sources as Maine Yankee, a large paper company, or a very small, privately-owned hydroelectric facility. Until recently, industrial customers have largely ignored proceedings where the overall rate levels have been set, focusing their attention on issues of cost allocation and rate design. More recently, industrial customers have joined with residential and small business customers, the Public Utilities Commission staff and the Public Advocate to closely examine any request for a rate increase filed by electric utilities. This decision is applauded as it will provide greater assurance that the rates ultimately approved by the Public Utilities Commission are just and reasonable. The overall level of rate increases is an important first determinant of what the final bill will be to any industrial or other customer.

Once the overall level of rates for any utility has been set, the Public Utilities Commission then undertakes a process of cost allocation where various costs are assigned to such customer classes as industrial, commercial, municipal street lighting and residential. Once an assignment has been made to a customer class, rate design dictates how the total sum of money assigned to that class is to be collected through such mechanisms as a flat rate or the older declining block method where the price per unit declines as consumption increases.

The Public Utilities Commission has, this year, reaffirmed its support for the principle embodied in federal law that rates should, to the fullest extent practical, be cost-based. This statement of policy is important as it should reduce any fears by any customer class that it will get an unfair allocation of costs for some reason other than sound economic analysis.

As part of the legislation creating the Commission on Industrial Stability, several provisions were put into state law requiring that all cost allocation and rate design decisions be made in a matter that will promote rate stability. More directly stated, the Legislature instructed the Public Utilities Commission to continue its longstanding practice of making any cost allocation changes very gradually. This legislation, coupled with longstanding Commission practice, provides additional protection to Maine industrial customers in that any cost-based increases, which might otherwise be required, will be made in a gradual manner to provide rate stability.

The Public Utilities Commission, in its decisions regarding cost allocation and rate design for CMP and Bangor Hydro, expressed a preference for marginal cost pricing over embeddedcost methodologies. Marginal cost pricing in itself does not mean that either residential or industrial customers will necessarily benefit. In a Central Maine Power proceeding before the Public Utilities Commission large industries both vigorously supported and vehemently opposed marginal cost pricing. By the second half of 1986, the Public Utilities Commission may have made further pronouncements on the details of its marginal costing methodology and have issued additional decisions clarifying exactly what industrial rates should be. Hoewever, given the Commission's commitments to cost-based pricing and rate stability, along with the Seabrook-related settlements, there is little chance of any substantial or unfair rate increase for industrial customers.

V. SALES TAX ON ENERGY AND ELECTRICITY USED IN MANUFACTURING.

Maine currently charges a 5% sales tax on fuel and electricity used in a manufacturing process and on fuel used by Maine utilities for the generation of electricity at such facilities as the Wyman 4 oil plant. Thus the residual oil used at Wyman would be taxed and certain uses of the electricity produced from that oil would also be taxed. Maine is a among a minority of states which fully tax energy used in manufacturing. Where a tax is imposed, it is often taxed at a rate less than 5%. The statutes provide an exemption from the sales tax for one company that uses

an electrolytic process and for residential consumption of electricity of up to 750 kilowatt hours per month. Home use of fuel oil, coal, gas and wood is also exempt.

Legislation sponsored by Representative Cashman, Senators Diamond and Twitchell, and Representative Zirnkilton, proposed a phase-out of the sales and use tax on energy used in manufacturing. That legislation, <u>see</u> Attachment N, calls for a phased reduction in the tax over five years. Approximately 2,000 manufacturing companies of varying sizes and product lines would benefit from this legislation. These companies have approximately 80,000 employees. The types of companies which would benefit include leather, lumber, wood and paper products, textiles, primary and fabricated metals, chemicals, rubber and plastics manufacturers. Currently, the tax on all forms of energy used in manufacturing produces about \$28 million per year for the State treasury of which nearly \$10 million per year is produced by the tax on electricity used in manufacturing.

The Industrial Stability Commission has not examined the combined state and local tax burden of Maine manufacturing concerns and compared that with taxes charged in other states. However, it has been clear at the Commission meetings that Maine manufacturing companies consider the sales tax on energy to be the major state taxation issue troubling them.

In 1972, the cost of a barrel of oil used by manufacturers

was \$4.18, and the sales tax on this barrel of residual oil was 21 cents. In 1985, the cost of the same barrel of oil has been over \$20.00 and the sales tax has increased by about 500% to over \$1.00. In 1972, the sales tax fuel and electricity used in manufacturing was not a significant factor for manufacturing firms. The representatives of the paper and other major manufacturing industries state that the existence of a 5% sales tax currently puts them at a competitive disadvantage both for capital within their own corporations and in selling their products in the face of increasingly difficult international competition.

The elimination of the sales tax on energy used in manufacturing would increase the ability of Maine manufacturers to produce products at a competitive price and to attract capital investment necessary for expansion and modernization. This would reduce the likelihood that Maine workers will lose manufacturing jobs and increase the possibility of the addition of manufacturing jobs through expansion in Maine.

The Industrial Stability Commission recognizes that any reduction in state revenues must be matched by either additional revenue or a reduction in the funding of existing programs. Since the sales tax on electricity and energy provides a significant source of state revenues, any reduction in that tax must be accomplished in a responsible and gradual manner. This Commission recommends a four year phased reduction beginning with the fiscal year commencing July 1, 1987. We recommend that the

Legislature examine the issues of also removing the sales tax on residential and commercial uses of electricity. The Commission has limited its examination of the sales tax to manufacturing uses because of its competitive effects.

VI. ASSISTANCE TO INDIVIDUAL INDUSTRIAL CUSTOMERS.

The legislation creating the Commission on Industrial Stability also established an Industrial Stability Program designed to assist Keyes Fibre Company. Keyes Fibre is a major Maine employer which has facilities in a number of states uses substantial quantities of electricity in an electrothermal process to manufacture molded fiber products. The Legislature provided a fund of \$900,000 to be used to freeze, if necessary, the rates charged to Keyes Fibre through June 30, 1987. In addition, Keyes has begun a process of increased modernization which, when coupled with additional conservation measures, new product development, and wage concessions, will hopefully allow Keyes to remain in Maine and prosper.

The pilot Industrial Stability Program, designed to assist Keyes Fibre, dealt with the concern that certain generic improvements such as new tariff offerings, favorable settlements of rate cases, and a reduction in the sales tax obligations, might be insufficient to assist the large manufacturer, which is electric intensive and has not been profitable within Maine. The decision to enact the pilot program was controversial, and

questions were raised concerning whether the industrial stability pilot program for Keyes was too specific.

In the deliberations leading to the Keyes legislation, it becamé clear that, for many companies for whom an already healthy business climate and new generic improvements were insufficient, there were largely only four options. First, it might be possible to significantly reduce the revenues allowed an electric utility. However, the Public Utilities Commission has been following its mandate to set just and reasonable rates and a substantial rate reduction is unlikely. Second, costs could be shifted to other ratepayers. That, however, might put undue burdens upon struggling small businesses, low income families, municipal budgets or other industries. Third, a taxpayer-funded program for those companies that were prepared to make an extensive financial commitment to modernize their facilities or to develop new products or approaches is possible. Fourth, government could have done nothing and watched a major employer leave with a resulting hardship on workers, the area and the overall tax revenues received by the state and municipalities.

The Commission recommends that the Legislature not make additional appropriations at this time to allow the Finance Authority of Maine to make similar assistance available to other manufacturers. The Commission recognizes that there will sometimes be a firm for whom generic improvements and programs will be insufficient to allow it to prosper. However, we recommend that the Legislative and Executive branches of

government continue to provide innovative, flexible solutions to such problems. The Commission encourages the Governor's Business Advisory Council, which meets monthly, to assist in identifying any remaining difficulties and in proposing additional solutions.

We have not examined questions surrounding whether the State should provide funds to subsidize new industries coming into Maine through the offering of below cost electricity. The implications concerning such a program were too vast to be considered in the limited time available to this Commission. If such a program was considered, it would be necessary to determine what companies would be eligible, who would pay the subsidy, and what the effects would be of increased loads on the utilities' need for costly new sources of energy.

It has also been suggested that Maine industries be given direct or wheeled access to sources of electricity from Canada, from cogenerators within Maine, and from other plants owned by the same company. These suggestions can be examined more thoroughly in the context of legislation which is likely to be before the Second Regular Session of the Legislature in 1986. The effect on other customers of dedicating sources of electricity must be examined along with the effects on the utility of a partial deregulation of electricity prices and a change in the common practice of giving a utility a largely exclusive franchise to serve a specific geographic area.

VII. CONCLUSIONS.

The Commission on Industrial Stability makes the following findings and recommendations:

- 1. The industrial electricity rates in Maine are now, and will remain, very competitive on a regional basis. The rates approximate the national average for investor owned electric utilities. Even so, those Maine plants which are energy intensive and compete in national or international markets face significant competition from similar plants located in areas having low energy costs produced by public power projects or access to lower cost coal or natural gas. Some states are attempting to entice some Maine manufacturers to relocate through the use of energy and other incentives.
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- 10. The Commission commends the recently approved industrial and Commercial conservation programs of Central Maine Power and Bangor Hydro Electric and encourages further industrial and commercial conservation initiatives by Central Maine Power, Bangor Hydro Electric and ther other electric utilities in Maine.

APPENDIX

Attachment

Title

- A Commission on Industrial Stability membership list
- B List of Typical Industrial Electric Bills for 5,000 KWD & 2,500,000 KWH (68% L.F.) For Top 100 Electric Companies in U.S.
- C List of Typical Industrial Electric Bills for 20,000 KWD & 10,000,000 KWH (68% L.F.) For Top 100 Electric Companies in U.S.
 - D Average Revenue per Kilowatt-Hour Sold, Total Electric Utility Industry 1984P, Cents per Kilowatt-Hour
 - E Selected Typical Electric Bills for New England Companies as of July 1, 1985
 - F Average Industrial Power Rates by Region, 1984
 - G Typical Bill Comparison of New England Electric Utilities, 5,000 KW, 2,500,000 KWH (Industrial)
 - H Typical Bill Comparison of New England Electric Utilities, 20,000 KW, 10,000,000 KWH (Industrial)
 - I Average Industrial Power Rates, 1984
 - J Charts: State Ranking by Industrial Growth Rate, 1972-1980, Percent Average Annual Growth Rate for Value Added by Manufacture, and 1982 State Ranking by Industrial Electricity Prices, Total Electric Utility Industry, Nominal Cents per KWH

State Ranking by Industrial Growth Rate, 1972-1980, Percent Average Annual Growth Rate for Value Added by Manufacture, and State Ranking by Average Annual Increase in Industrial Electricity Prices, 1972-1982, Total Electric Utility Industry

State Ranking by Employment Growth Rate in Manufacturing Industries during the Period 1972 - 1980.

- K Maine Chamber of Commerce and Industry Energy Costs Survey Results
- L Data Sheet: CMP and Bangor Hydro Industrial Rate, Forecast and Tax Information
- M Energy and Load Management Services for Commercial and Industrial Services (CMP)
- N L.D. 354, AN ACT to Phase Out the Sales and Use Tax on Energy Used in Manufacturing

Attachment A

COMMISSION ON INDUSTRIAL STABILITY

Membership List

Senator John Baldacci (District 10)

Robert Briggs, Vice President, Bangor Hydro Electric Company Representative John A. Cashman (Old Town) Paul Fritzsche, Public Advocate William Furber, Esq., Hayden & Furber John Herr, Vice President, Champion Mayor Nancy Hill, City of Waterville Matthew Hunter, Sr. Vice President, Central Maine Power Company John Kerry, Director, Office of Energy Resources Newland Lesco, Mill Manager, International Paper Company Charles J. O'Leary, President, Maine AFL-CIO M. Walker Rast, President, Keyes Fibre Company Howard Reiche, Vice President, S. D. Warren Company William Shipman, Professor of Economics, Bowdoin College Robert Stickney, Boise-Cascade Representative Harry L. Vose (Eastport)

Typical Industrial Electric Bills for 5,000 KWD & 2,500,000 KWH (68% L.F.) For Top 100 Electric Companies in U.S. As of January 1, 1985

Page 1 of 2

	Company	State	<u>B111</u>
1.	San Diego Gas & Electric	CA	324,582
2.	Long Island Lighting	אצ	235,636
3.	Consolidated Edison	NY (235,362
4.	United Illuminating	CI	218,592
5.	Hawaiian Electric		215,871
6.	Central Hudson Gas & Electric	אא	207,974
7.	GPU (Jersey Central Power & Light)	' NJ	207,723
8.	Eastern Utilities Assoc. (Eastern Edison)	MA	201,122
9.	Pacific Gas & Electric	CA	200, 588
10.	Orange & Rockland	NY	197,841
п.	Boston Edison	MA	195,645
12.	Southern California Edison	.CA	192,324
13.	Commonwealth Energy System (Commonwealth Electric)	MA -	191,441
14.	Florida Power & Light	. FL	177,274
. كد	Central Vermont Public Service	VI	173, 297
16.	Northeast Utilities (Connecticut Light & Power)	CI	169,708
17.	Philadelphia Electric	PA	169,341
18.	Atlantic City Electric	N.J	164,294
19.	Northern Indiana Public Service	IN	163,706
20.	Detroit Edison	MI	161,825
21.	Public Servica Electric & Gas	NJ	160,622
22.	Toledo Edison	OH	159,966
23.	Public Service of New Hampshire	NH	158.557
24.	N.E. Electic System (Massachusetts Electric)	MA-	157,741
25.	Public Service of New Merico	NM	156.305
26.	Commonwealth Edison	п	155,250
27.	Rochester Gas & Electric	NT.	153,462
28.	S. erra Pacific Power	NV	147.212
29.	Central Louisians Electric	LA	146.240
30.	Duquesna Light	PA	144.037
31.	Nilsara Mohavit Power	NY	142.227
32.	Texas-New Merico Power	π	141.216
33.	New York State Electric & Gas	NY	140.752
34.	Consumers Power	MI	139,401
35.	Ohio Ediaon	08	1.39,230
36.	Savannah Electric & Power	GA.	137.520
37.	Tampa Electric	n.	1.35, 490
38.	Houston Lighting & Power	17	134,468
39.	Portland General Electric	OR	129.275
40.	Delmarva Power & Light	DE	129.045
41.	Arizona Public Service	AZ.	127.530
42.	Madison Gas & Electric	WT .	126,965
43.	Florida Power	FL.	125,912
44.	Southwestern Public Service	π	125.325
45.	Central Maine Power	ME	125,279
46.	Carolina Power & Light	NC	125,113
47.	Cleveland Electric Illuminating	OF	123.643
48.	Public Service of Colorado	0	123.524
49.	Kansas Pover & Light	xs	123,065
50.	Missouri Public Service	NO	122.519
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(Source: EEI Typical Residential, Commercial and Industrial Bills -Investor-Owned Utilities for rates in effect on January 1, 1985. Bills include fuel, tax, and other adjustments. Where a Company (either holding or operating) reports more than one typical bill for a given KWH use level, the bill which is applicable to the service area having the greatest number of customers or largest portion of total revenue is listed.)

4/5/85 Rate Design

Typical Industrial Electric Bills for 5,000 KWD & 2,500,000 KWH (68% L.F.) For Top 100 Electric Companies in U.S. As of January 1, 1985

Page 2 of 2

	COMPANY	State	8111	•
51.	Thesen Electric Power	AZ	122,117	
52.	Cantral Illinois Light	· <u> </u>	120,546	
53	Cincinnati Gas & Electric	08	118,098	
54.	Deston Primer & Light	08	117.994	
55	Yanang City Down & Tight	HO I	117 232	
54	Caurant Talanhana, L Ettlites	ä	115 545	
57	Winner Thermony	्र भा	115 687	
J/-	Angenier Vietnic Further (Obin Bernet)	04	115 092	
20.	AMERICAN ELECTRIC POWER (VALO POWER)	UH TA	116 000	
J Y -	Lower Public Service		114,300	
6U+	Pennsylvania rower a Light	ra-	117 007	
27	Con rower a light	UL TA	112,302	
62.	Interstate Power		112,000	
67	Almasott ruwer & Light		112,036	
64.	Source: Caroline: Alectric & Gas	36.	112,025	
0.3	CARIERAL & SOCIA, WERE (15 OF ORLADORA)	UK	111,903	•
00.	Wisconsin Fiblic Service	WT.	111,011	
0/.	Wisconsin: Power & Light.	WL.	111,326	
- 66	Gilf States Utilities	<u>I</u>	110,650	
69 .	Central Illinois Public Service	IL.	110,246	
70.	Iowa Resources. (Iowa Power & Light)	IA	110,161	
- 71.	Kansas Gas & Electric	xs	109,145	
72.	Pacific Power & Light	OR.	107,9 99	•
73.	Louisville Gas: & Electric	KT	107,443	
74.	Southern Company (Georgis Power)	GA	106,966	
75.	Potomac Electric Power	DC.	106,824	
76	Montana-Dakota, Utilitias.	Я	105,288	
_77.	Virginia Electric & Power	VA	105,080	
78.	Iowa-Illinois Gas & Electric	IA	104,985	
79.	Texas Utilities (Texas Power & Light)	TX	104,923	
80.	Kantucky Utilities	a	104,820	
81.	Duke Power	1C	104,599	•
82.	Ottar Tail Power	HIN	104,552	
83.	Public Service of Indiana	' _ N	103,597	
84.	Love Electric Light & Power	IA	101,349	
85.	Hinois Bower	II.	100,682	
86.	Baltimore Gas & Electric	MD	99,905	
87.	Southern Indiana Gas & Electric	IN	97,781	
88.	Northam States Power	HN	97,157	•
89.	Oklahoma Gas & Electric	OK.	97.048	
90.	Neveda: Power	20	96.279	
91_	Middle South Utilities (Arkansas Power & Light)	AR	94.245	
92.	Union Electric	MD-	90.222	
93-	Indianapolis, Power & Light	IN	88,430	
94	Empire District Electric	HO	82.760	
95.	Hontana Power	MT	79.843	
96-	Allegheny Power System (Western Penn. Power)	PA	79,812	
97.	Vashington Water Power	UA.	65 070	
98	Idaho Power	75	61 740	
90	Prost Sound Prost & Light		56 775	
100	F1 Page Electric	-A 77	JU,/LJ M/D	
7060	the start which the start sta	<u></u>	617 K	

(Source: EEI Typical Residential, Commercial and Industrial Bills -Investor-Owned Utilities for rates in effect on January 1, 1985. Bills include fuel, tar, and other adjustments. Where a Company (either bolding or operating) reports more than one typical bill for a given XVH use level, the bill which is applicable to the service area having the greatest number of customers or largest portion of total revenue is listed.)

4/5/85 Rate. Design.

Typical Industrial Electric Bills for 20,000 KHD & 10,000,000 KWH (68% L.F.) For Top 100 Electric Companies in U.S. As of January 1, 1985

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Page 1 of 2

	Company	State	<u>B111</u>
1.	San Diego Gas & Electric	CA	1,296,5 69
2.	Consolidated Edison	NY	935,960
з.	Long Island Lighting	NY	892,584
4.	United Illuminating	CI	873,880
5.	Bawaiian Electric	ET	857,218
6.	Boston Edison	MA	807,024
7.	Eastern Utilities Assoc. (Eastern Edison)	. MA	803,277
8.	Pacific Gas & Electric	CA.	802,355
9.	GPU (Jersey Central Power & Light)	NJ	797,250
10.	Orange & Rockland	NT	791,364
11.	Southern California Edison	CA.	768,483
12.	Florida Power & Light	FL.	729,099
13.	Central Hudson Gas & Electric	NY	713,052
14.	Central Vermont Public Service	VI	692,597
15.	Northeast Utilities (Connecticut Light & Power)	ст	678,525
16.	Philadelphia Electric	P▲	676,584
17.	Atlantic City Electric	NJ	648,501
18.	Northern Indiana Public Service	IN	638, 421
19.	Public Service Electric & Gas	NJ	635,946
20.	Derroit Edison	нI	630,625
21.	N.E. Electic System (Massachusetts Electric)	HA	629, 499
22.	Public Service of New Hampshire	NEE	627,930
23.	Toledo Edison	0H	606,818
24.	Sierra Pacific Power	NV	586,704
25.	Commonwealth Edison		575,167
26.	Rochester Gas & Electric	NY	568,227
27.	Public Service of New Merico	юM	562,455
28.	Central Louisiana Electric	I.	561,900
29.	Texas-New Maxico Power	Ħ	561,413
30.	Savannah Electric & Power	GA	548,370
я.	Tampa. Electric.	FL	541,645
32.	Consumers. Power	Ж	541,602
33.	Duquesne Light.	PA	540,678
34.	Houston Lighting & Power	TX I	534,756
35.	Nlagara Mohawk Power	NY	532,707
36.	New York State Electric & Gas.	NY	529, <u>21</u> 4
37.	Portland General Electric	OR	517,100
38.	Delmarve Power & Light	DE	516,180
39.	Ohio Edison	OH	513,805
40.	Hadison Gas & Electric.	WI	507,725
41.	Moride Power	FL.	503,365
42.	Arizona Public Service	∆Z `	502,830
43.	Southwestern Public Service	TX .	501,105
44.	Carolina Power & Light	NC	499,288
45.	Public Service of Colorado	8	493,819
46.	Kansas Power & Light	XS	491,727
47.	Tucson Electric Power	. <u>AZ</u>	488,469
48.	Central Maine Power	XE	<u>487,339</u>
49.	Cleveland Electric Illuminating	0 <u>H</u>	482,329
50.	Missouri Public Service	MO	470,532

(Source: EEI Typical Residential, Commercial and Industrial Bills -Investor-Owned Utilities for rates in effect on January 1, 1985. Bills include fuel, tax, and other adjustments. Where a Company (either bolding or operating) reports more than one typical bill for a given KWH use lavel, the bill which is applicable to the service area having the greatest number of customers or largest portion of total revenue is listed.)

4/5/85 Rate Design

Typical Industrial Electric Bills for 20,000 KWD & 10,000,000 KWE (68% L.F.) For Top 100 Electric Companies in U.S.

As of January 1, 1985 Page 2 of 2

. . State B111 Company 465,279 51. Kansas City Power & Light HD 52. Wisconsin Electric Power 460,451 ΨT. 53. Iowa Public Service 459,600 IA 54. Minnesota Power & Light MN 457,874 55. Interstate Power IA 448.599 447,395 56. Central & South West (PS of Oklahoma) OK 57. South Carolina Electric & Gas. SC 445,925 58. Wisconsin Public Service 59. Wisconsin Power & Light 445, 575 WI. WI 445,305 60. Central Illinois Public Service II. 440,188 61. Central Illinois Light IL. 439,255 438,336 62. Deyton Power & Light OĦ 63. Gulf States Utilities 14 438,250 64. Cincinnati Gas & Electric ΒO 437,473 434,028 65. Pennsylvania Power & Light PA 66. Pacific Power & Light OR 431,243 67. Central Telephone & Utilities co 430,454 427,029 68. Kansas Gas & Electric TS. 69. Montana-Dakota Utilitias 70. Southarn Company (Georgis Power) ND 421,150 GA. 417,871 71. American Electric Power (Ohio Power) ΒO 417,340 72. Virginia Electric & Power 73. Texas Utilities (Texas Pow VA. 416,631 Taxas Utilities (Taxas Power & Light) IX 415,730 74. Ottar Tail Power MN 414,530 75. Public Service of Indiana. . IN 414,401 76. Duke Power NC 414,349 77. Iowa Resources (Lowa Power & Light) IA 409,654 407,745 X 78. Kenrucky Urilities 407,115 79. Louisville Gas & Electric XY 80. Potomac Electric Power DC 399,832 81. Iowa Electric Light & Power 398,524 IA 82. Baltimore Gas & Electric ЖD 398,343 83. Southern Indiana Gas & Electric 391,128 TN 84. Northern States Power MN 388,517 85. Oklahoma Gas & Electric OK 387,439 86. Illinois Power 386,589 п 87. Nevada Power NV 385,104 88. Iown-Illinois Gas & Electric 381,480 IA 89. Middle South Utilities (Arkanses Power & Light) AR. 375,853 90. Utah Power & Light 359,645 UT Union Electric · 91. HD 354,694 92. Indianapolis Power & Light 340,760 IN 93. Empire Discrict Electric HO 329,660 94. Montana Power MT 319,343 95. Allegheny Power System (Western Penn. Power) ₽A 318,625 96. Washington Water Power WA. 260,278 97. Idaho Powar 245,394 TD. 98. Puget Sound Power & Light ¥A. 190,720 99. Commonwealth Energy System (Commonwealth Electric) MA N/R 100. EL Paso Electric \mathbf{T} N/R

(Source: EEI Typical Residential, Commercial and Industrial Bills -Investor-Noved Utilities for rates in effect on January 1, 1985. Bills include fuel, tax, and other adjustments. Where a Company (either holding or operating) reports more than one typical bill for a given KWH use level, the bill which is applicable to the service area having the greatest number of customers or largest portion of total revenue is listed.)

4/5/85 Rate Design

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AVERAGE REVENUE PER KILOWATT-HOUR SOLD TOTAL ELECTRIC UTILITY INDUSTRY 1984P 5 DENTS PER KILOWATT-HOUR

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21-May-85

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Total from Ultimate

Division/State	Customers	Residential	Commercial	Industrial	Dther
Total United States	Б.24	7.16	7.08	4.84	5.84
			***********	***********	
Maine	0.52	7.57	7.33	5.03	8.65
Nermont	6.45	5.63	C0.0	5 64	10 48
Massachusetts	8,93	9,55	9.12	7.59	11.00
Rhode Island	8.75	9.43	8.58	8.06	8.44
Connecticut	9.14	10.05	9.16	7.71	12.37
New England	8.5 5	9.29	8.88	7.08	10.80
			TERFETERS		SERECES
New York	9,14	10.74	10.93	5.66	8.82
New Jersey Renocylyania	. 6.81	7 00	5.14 7.25	(•4) 5 57	10.07
Middle Atlantic	8.24	9,57	9,41	5.92	9,25
Ohio	5.72	7.54	7.07	4.11	5.91
Indiana .	5.58	6.50	5.53	4.89	7.48
Illinois	7.13	8.72	7.79	5.34	5.21
riichigan Ni seopsio	. 0.37	D.90 5 51	7.JI 5.40	5.40	D. 57 6 / 5
Fast North Central	6.16	7.43	7.07	4.75	6.24
		IFEZENERESEEN			EFESSES
Minnesota	5.25	6.40	5.53	4.32	5.12
Iowa	6.45	7.60	7.40	4.68	7.26
FLISSOUTI	5.49	5.10	5.61	4.22	5.15
NUTTH Dakota	5.00	5.33	5 20	5.15 / 79	2.30
Nebraska	5.52	6.14	5.93	4.03	4.67
Kansas	6.60	7.53	6.72	5.25	Б.77
West North Central	5.77	6.61	6.12	4.49	5.51
	**********		ELLERERES.	********	*******
Delaware	7.00	9.09	7.47	4.99	9.78
Maryland Distaist of Columbia	6.U2	D.92	D.92 7 21	4.51	8.75
Virginia	5 90	6 62	6.09	2.00	5 21
West Viroinia	4,61	5.60	5.25	3.63	7.10
North Carolina	5.57	6.75	S.85	4.25	5.79
South Carolina	5.20	6.61	5.84	3.96	5.02
Georgia	5.65	6.39	6.18	4.53	6.81
Florida	7.44	8.19	7.25	5.65	7_18
South Atlantic	0.00	(•12	0.31	4.47	D. IU
Kentucky	4.87	5.69	5.69	4.81	2.92
Temessee	4.72	4.79	5.52	4.53	5.70
Alabama	5.52	6.34	6.72	4.50	6.11
Mississippi	5.52	5.83	6,35	4.70	5.88
East South Central	5.07	5.53	6,09	4.63	3.34
	5 74	**************************************	E 28	έπεσε μετά του	5 76
iouisiana '	5.31	6.51	5.83	4.35	4.29
Oklahoma	5.44	6.37	5,77	4.30	4.34
Texas	6.21	7.43	6.78	4.93	5.88
West South Central	5.92	7.11	Б.47	4.71	5.02
Restaurana'	1 20 T	:=========== / 1с	·	ニドニドテニニニニ フ 57	32222222 7 10
Idabo	3.23	3.56	3.82	2.44	5.85
Wyoming	4.22	5.60	5.07	3.57	4.31
Colorado	5.96	6.79	6.11	4.21	7.93
New Mexico	6.93	8.24	7.67	5.33	5.37
Arizona	7.02	8.05	7.31	5.51	5,83.
Utan Nevada	D.U4 5 30	(.43 E 00	D.(2 6 0/	ده.µ ۱۱	J.20 6 /6
Mountain	5.51	5.46	6.15	4,00	5.91
genterrerererererer	CTEFEEEE		REELEVENER	ITCHERES	CAECINES
Washington	3.06	3.87	3.48	2.33	2.05
Dregon	4.15	4.39	4.82	3.35	7.88
California	7.11	7.09	7.86	6.75	4.09
Pacific	5.65	5.83	5.74	4.(2	3.78
Liska	A.RS	<u>9,80</u>	7.87	9.06	9.73
Hawaii	10.64	11.83	12.01	9,28	11.03
Alaska & Hawaii	10.02	10.95	9.90	9,26	10.00
	*********	*********		**********	********

SELECTED TYPICAL ELECTRIC BILLS FOR NEW ENGLAND COMPANIES AS OF JULY 1, 1985

(Includes Fuel and Other Adjustments but Excludes State Sales Tax)

				Indus	trial
		Residential 500 kWh	Commercial 6 kW/750 kWh	5,000 kW 2,500,000 kWh	20,000 kW 10,000,000 kWh
Central Maine Power*	ME	\$41.27	\$ 89	\$131,559	\$510,687
Bangor Hydro Electric	ME	41.76	70	132,162	528,651
Maine Public Service	ME	45.15	81	132,539	530,164
Boston Edison	MA	58.41	103	159,813	764,587
Massachusetts Electric	MA	41.75	70	148,726	594,377
Western Mass. Electric	MA	49.58	111	142,726	570,663
Fitchburg G & E	MA	55.03	116	169,661	677,892
stern Edison	MA	48.21	· 82	176,294	703,967
Connecticut L&P	CT	51.46	111	164,441	657,455
United Illuminating	CT	58.96	. 117	201,342	804,880
PSCo of New Hampshire	NH	47.53	76	152,108	602,130
Green Mtn. Power**	VT	32.86	45	115,517	461,948
Central VT P.S.**	VT	29.65 _. ,	57	138,547	553,597
Narragansett Electric	RI	45.42	77	163,295	651,995
Blackstone Valley	RI	51.42	87	197,569	789,841
Newport Electric	RI	50.56	95	207,577	800,430
*Typical bills resulti	ng f	rom fuel cos	t decrease effe	ctive 9-1-85 ar	e shown below:
Central Maine Power	ME	40.04	87	125,324	485,747
**Company has summer/wi than summer. Typical	nter bil	seasonal ra 1 amounts as	tes. Winter ra of 1-1-85 are	tes are substan shown below:	tially higher
;en Mtn. Power ∪entral VT PS	VT VT [.]	38.73 51.18	75 115	169,272 173,297	676,968 692,597

(1864r/0054)

Average Industrial Power Rates By L._gion

1984



At

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Cents per Kwh

Typical Bill Comparison of W England Electric U lities 5,000 KW, 2,500,000 KWH (Industrial)



tachment G

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Typ[;] al Bill Comparison of ^Mew England Electric U[⊥]ilities . 20,000 kw, 10,000,J00 kwh (Industrial)



tachment H

Average Industrial Power Kates 1 34



Source[•] Edison Electric Institute (1984)

ATTACHMENT

Cents per Kwh

FIGURE 47 1982 STATE RANKING BY INDUSTRIAL ELECTRICITY PRICES

TOTAL ELECTRIC UTILITY INDUSTRY

NOMINAL CENTS PER KWH

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FIGURE 46

STATE RANKING BY INDUSTRIAL GROWTH RATE, 1972-1980 PERCENT AVERAGE ANNUAL GROWTH RATE FOR VALUE ADDED BY MANUFACTURE



FIGURE 45

ATTACHMENT

STATE RANKING BY AVERAGE ANNUAL INCREASE IN INDUSTRIAL ELECTRICITY PRICES, 1972-1982 TOTAL ELECTRIC UTILITY INDUSTRY



FIGURE 44

STATE RANKING BY INDUSTRIAL GROWTH RATE, 1972-1980 PERCENT AVERAGE ANNUAL GROWTH RATE FOR VALUE ADDED BY MANUFACTURE

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ATTACHMENT J



MAINE CHAMBER OF COMMERCE AND INDUSTRY

ENERGY COSTS SURVEY RESULTS

The question was what is your total energy costs as a percentage of total operating costs? The respondents were then asked about specific energy costs as a percentage of total operating costs (i.e., electricity, petroleum fuels, etc.)

Average total energy costs as a percentage of total operating costs, all classifications:

10.26%

Specific Classifications:

#20: Food

16.31%
7.77%
6.58%
5.87%

#22: Textiles

Total Costs:	6.89%
Electricity:	2.46%
Petroleum Fuels	4.32%
Other (Natural Gas):	.418

#24: Lumber and Wood Products, excluding Furniture

Total Costs:	6.78%
Electricity:	5.46%
Petroleum Fuels:	.798
Wood*:	?

* One-half of the respondents indicated that wastewood compromises most of their energy source, yet did not indicate a cost attributable to the source.

#26: Paper

(Please note: Not included in the survey were paper companies who are also members of the Paper Industry Information Office. PIIO indicated it would be conducting its own survey).

Total Costs:	18.52%
Electricity:	8.14%
Petroleum Fuels:	10.38%

ENERGY COSTS SURVEY RESULTS Page 2

#27: Printing and Publishing

Total Costs:	2.02%
Electricity:	1.63%
Petroleum Fuels:	.40%

#28: Chemicals and Allied Products

Total Costs:	33.48%
Electricity:	25.14%
Petroleum Fuels:	8.35%

#31: Leather

Total Costs:	12.35%
Electricity:	8.25%
Petroleum Fuels:	4.10%

#34: Fabricated Metal Products

Total Costs:	6.61%
Electricity:	3.91%
Petroleum Fuels:	1.35%
Other (Gas):	2.28%

#35: Machinery, excluding Electrical

Total Costs:	2.66%
Electricity:	2.27%
Petroleum Fuels:	.398

#36: Electrical and Electronic Machinery

Total Costs:	2.49%
Electricity:	1.89%
Petroleum Fuels:	.51%
Other (Gas):	.10%

#39: Miscellaneous

Total Costs:	4.70%
Electricity:	2.50%
Petroleum Fuels:	2.20%

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DATA SHEET: CMP AND BANGOR HYDRO INDUSTRIAL RATE, FORECAST AND TAX INFORMATION (most non-rate data as of 12/31/84)

			CMP	BANGOR HYDRO
SALE	<u>5</u>			
	Total Service Area Revenu	1es	\$489.6 million	\$94.8 million
	Average Number of Industr	<u>cial</u> Customers	1,944	373
	Industrial Kilowatt-Hour	Sales	3.2 billion kWh	559 million kWh
	Revenues from Industrial	Customers	\$160 million	\$29.5 million
	<u>% of Total Service Area H</u> Industrial Customers	Revenues from	33%	31%
RATE	3			
*	Current ('85) Ave. Indust	crial Electric Rate	4.9¢ (GST)	5.3¢
**	Projected Industrial Rate	e (cents per kWh) Through 1990 Through 1995	6.6¢ (GST) 9.2¢ (GST)	$6.8 \pm - 7.4 \pm $ 8.6 \pm - 10.4 \pm
***	Projected Compound Averag Increase in Industrial F (Includes Inflation)	ge Annual Rates Through 1990 Through 1995	<u>6.1%</u> 6.5%	<u>5 - 7%</u> 5 - 7%
	Number of Customers on Ir Time of Day Rate	ndustrial	9	0
	Number of Customers on an Interruptible Rate	n Industrial	6	<u>1</u>
	% of <u>Industrial</u> Electric by <u>Fuel</u>	Bill Represented	61.5%	64.7%
	% of <u>Residential</u> Bill Rep	presented by <u>Fuel</u>	37.3%	40.3%
TAXES	3			
****	Use Tax paid by utility of Fuel-Used-For-Generation	on 1	\$3.3 million	***** \$411,000
	% of Total Use Tax Paid b Industrial Customers	у	40%	41%
	Total <u>Sales Tax</u> Paid by U Customers on kWh	Jtility	\$13.8 million	\$1.9 million
	Sales Tax Paid by Industr	ial Customers	\$7.9 million	<u>\$760,000</u>
NOT	Ea reference to use tax	means sales or use	tax.	

				CM	<u> </u>	BANGUR HYDRU
% of Total Sales Ta Customers	x Pa	id by <u>Indu</u>	strial	57%		40%
GENERATION MIX		<u>CMP</u> kWh	% of Total	L	BANGOF kWh	HYDRO % of Total
Nuclear	2.3	billion	28%	353	million	24%
Own Hydro	1.5	billion	18%	226	million	15%
011	2.2	billion	26%	584	million	40%
Cogeneration/spp	920	million	11%	36	million	2%
Canadian Purchases	1.4	billion	17%	275	million	19%

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DANGOD UNDO

*Current (1985) average industrial rate for U.S. is 5.3 cents per kWh; New England rate is 7.2 cents per kWh. (National data developed from <u>DRI Winter</u> 84/85 Forecast; New England data from 1985 Nepool Forecast.)

**Projected industrial rate for <u>U.S.</u> is 6.8 cents in 1990 and 9.1 cents in 1995; projected rate for <u>New England</u> is 10.2 cents in 1990 and 13.6 cents in 1995. (National data developed from <u>DRI Winter 84/85 Forecast</u>; New England data from 1985 Nepool Forecast.)

***Projected compound average annual increase in industrial rates for U.S. is 5.1 through 1990 and 5.6 through 1995; projected increases in same rates for <u>New</u> <u>England</u> is 7.2 through 1990 and 6.6 through 1995. (National data developed from DRI Winter 84/85 Forecast; New England data from 1985 Nepool Forecast.)

****The total use tax paid to the state by Maine Yankee and Wyman Station in Yarmouth was \$5.5 - \$6 million in 1984. Both facilities are jointly owned by several New England utilities.

****see A.

- 2 -

ENERGY AND LOAD MANAGEMENT SERVICES FOR COMMERCIAL AND INDUSTRIAL SERVICES

Time-of-Day Rate

There are presently five large industrial customers on CMP's Time-of-Day rates, all of whom take transmission service. All large customers are eligible for Time-of-Day service which provides for a reduced charge per kilowatt-hour of electricity consumed during off-peak periods. Although Time-of-Day rates do not save energy, CMP's Time-of-Day rate has resulted in an estimated reduction of peak load demand requirements of approximately 7800 kW and saved the customers on these rates approximately \$600,000 per year.

Interruptible Rate

A new Short-Term Interruptible rate is available to any CMP customer having a monthly load factor greater than 60% and having 500 kW or more of interruptible load. There are several customers presently interested in the rate with a total interruptible capacity of between 30 and 40 MW. Each kW of interruptible capacity covered by contract will result in savings to the customer of \$1.33 per kW per month, or approximately \$16 per kW per year. If all of the interruptible capacity under consideration is brought under contract, the customers could save between \$480,000 and \$640,000 per year in total. The Short-Term Interruptible rate is not an energy-saving measure, but should result in peak load capacity savings, i.e., requirements, equal to the contracted interruptible load.

The concept of Long-Term Interruptible rates is currently the subject of a PUC proceeding but no specific rate schedule has been approved.

Demand Control

The company has, for a number of years, encouraged industrial customers to install demand controllers. Most of these demand controllers are fed with data pulses from the companies' billing meters. To date, CMP has more than 100 customers taking advantage of this service. The customers' savings will amount to approximately \$4 per kW per month times the amount by which they are able to reduce their demand. The total resulting kilowatts saved are unknown, but the objective of the program is to provide a better load factor for each individual customer, reduce their monthly bill, and improve the company's overall load factor. Any customer is eligible for this service. The company will provide demand load profiles for individual customer's loads and assist in analyzing those profiles to determine (1) if loads can be shifted to shoulder or off-peak periods, (2) if, when a customer is considering additional load, it may be added during those periods and thereby minimize the impact on system demand, and (3) to allow customers and their consultants to work with the graphic profiles in analyzing the feasibility of demand controllers.

Advisory Services

The company also provides advisory services on energy management, rates, rate options, and electric service alternatives. In addition, the company provides advice and assistance on interconnection arrangements and billing alternatives regarding cogeneration and small power production.

Commercial Energy Audits

Central Maine Power will perform a comprehensive commercial energy audit at no charge. The audit begins with an on-site visit by a state certified energy advisor. The advisor will collect data about how energy is being used, and will identify any areas where energy can be saved. The energy auditor returns to the office, conducts a computer analysis and prepares a written report for the customer. The written report includes savings estimates and the approximate cost associated with each recommendation identified by the energy advisor. The auditor will also provide assistance in obtaining a CMP low-interest loan for any items that qualify.

Commercial Conservation Loans

Central Maine Power has made \$5 million available to assist commercial customers finance certain energy saving measures. Loans are available at an interest rate of 6%. The program is operated through participating banks and is available for measures that save electricity.

Water Heater Conservation

CMP will install insulation jackets and lower the temperature on commercial electric water heaters of up to 80 gallons in size for a \$5 charge.

- 2 -

Commercial and Industrial Energy Management Program

On October 3, 1985 the Public Utilities Commission approved a new \$6 million program to encourage the wise use of electricity. The Program includes \$1,250,000 for rebates to commercial and industrial customers that purchase and install efficient lighting systems and efficient replacement electric motors, and makes \$5 million available for an expanded low-interest loan program.

The Program offers:

- . Energy audits to all commercial and industrial customers
- . Low-interest (6%) loans of up to \$150,000
- . Rebates of up to \$30,000 for efficient lighting measures
- . Rebates of up to \$30,000 for efficient electric motors

CMP plans to implement the Program no later than January 1, 1986.

Energy Management Consulting and Investment Program

Central Maine Power is presently developing an Energy Management Consulting and Investment Program for larger commercial and industrial customers. The purpose of this Program will be to provide individual energy management assistance to larger businesses. The company will work with Maine businesses, retain engineering consulting firms to help customers identify and develop comprehensive energy management plans, and will offer a package of financial incentives to customers willing to implement their plans.

CMP will be completing the development work on this effort shortly and will be presenting a proposal to the Public Utilities Commission no later than January 1, 1986.

Legislative Document		No
	·	
H.P. 284	House of Repre	esentatives, February 1, 1
Reference to the Co	mmittee on Taxation sugg	sested and ordered printed
		EDWIN H. PERT, C
Presented by Representat Cosponsored by Sen Zirnkilton of Mount Des	ive Cashman of Old Tow ator Diamond of Cumber ert and Senator Twitchell	n. land, Representative of Oxford.
	STATE OF MAINE	•
IN NINETEE	I THE YEAR OF OUR IN HUNDRED AND EIG	LORD HTY-FIVE
AN ACT to Pha Energ Be it enacted by follows:	se Out the Sales Y Used in Manufac 	and Use Tax on turing. State of Maine
	IRSA §1752, sub-§1	1, as amended by 1 is further amend
Sec. 1. 36 M 1983, c. 859, P to read:	t. M, §§2 and 13,	

tail sale" or "sale at retail" includes conditional sales, installment lease sales, and any other transfer of tangible personal property when the title is retained as security for the payment of the purchase price and is intended to be transferred later. The term "retail sale" or "sale at retail" also means sale of products for internal human consumption to a person for resale through coin-operated vending machines when sold to a retailer whose gross receipts from the retail sale of tangible personal property derived through sales from vending machines are more than 50% of his gross receipts, which tax shall be paid by the retailer to the State. The term "retail sale" or "sale at retail" does not include any sale by an executor or administrator in the settlement of an estate, unless such sale is made through a retailer, or unless such sale is made in the continuation or operation of a business; nor does the term include any other isolated transaction in which any tangible personal property is sold, transferred, offered for sale or delivered by the owner thereof, such sale, transfer, offer for sale, or delivery not being made in the ordinary course of repeated and successive transactions of a like character by such owner, such transactions being elsewhere sometimes referred to as "casual sales." "Casual sales" includes transactions by a civic, religious or fraternal organization, which is not a registered retailer, at bazaars, fairs, rummage sales, picnics or similar events but not exceeding 8 days in a calendar year. The sale by registered retailer of tangible personal property, a which that retailer has used in the course of his or its business, is not a casual sale and is a retail sale subject to taxation under this Part, if that property is of a like character to that sold in the ordinary course of repeated and successive transac-"Casual sale" shall not include any transactions. tion in which tangible personal property is sold, transferred or offered for sale by a representative for the owner's account when such representative is a registered retailer, in which event such registered retailer shall have the same duties respecting such sale as if he had sold on his own account. "Retail sale" and "sale at retail" do not include the sale of tangible personal property which becomes an ingredient or component part of, or which is consumed or destroyed or loses its identity in the manufacture of,

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tangible personal property for later sale or lease, other than lease for use in this State, but shall inelude fuel and electricity but shall not include electricity separately metered and consumed in any electrelytic process for the manufacture of tangible personal property for later sale, nor any fuel oil or coai, the by-products from the burning of which become an ingredient or component part of tangible per-"Retail sale" sonal property for later sale. and "sale at retail" do not include the sale, to a person engaged in the business of renting automobiles, of automobiles, or integral parts thereof or accessories thereto, for rental or for use in an automobile rented, on a short-term basis. It shall be considered that tangible personal property is "consumed or destroyed" or "loses its identity" in such manufacture, if it has a normal physical life expectancy of less than one year as a usable item in the use to which it is applied. "Retail sale" or "sale at retail" do not include the sale of containers, boxes, crates, bags, cores, 'twines, tapes, bindings, wrappings, labels and other packing, packaging and shipping materials when sold to persons for use in packing, packaging or shipping tangible personal property sold by them or upon which they have performed the service of cleaning, pressing, dyeing, washing, repairing or reconditioning in their regular course of business and which are transferred to the possession of the purchaser of such tangible personal property.

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Sec. 2. 36 MRSA §1811, first ¶, as amended by PL 1983, c. 859, Pt. M, §§7 and 13, is further amended to read:

A tax is imposed at the rate of 5% on the value of all tangible personal property, on telephone and telegraph service and on extended table television service sold at retail in this State, and upon the rental charged for living guarters in hotels, rooming houses, tourist or trailer camps and the rental charged for automobiles rented on a short-term basis, other than a rental charged to a person engaged in the business of renting automobiles, measured by the sale price, except as in chapters 211 to 225 provided. Retailers shall pay such tax at the time and in the manner provided, and it shall be in addition

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to all other taxes. <u>Anything in this section or section 1812 to the contrary notwithstanding, retail</u> sales of fuel or electricity which are otherwise subject to tax under this section shall be taxed in the following years at the following persontages of the sale price, rounded to the nearest dol so where the fuel or electricity is purchased for insumption in the manufacture of tangible personal property for later sale or lease:

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3 1/2%
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Sec. 3. 36 MRSA §1861, as amended by PL 1969, c. 295, §4, is further amended to read:

18 §1861. Purchase of tangible personal property

A tax is imposed on the storage, use or other consumption in this State of tangible personal property, purchased at retail sale, at the rate of 5% of the sale price. Every person so storing, using or otherwise consuming is liable for the tax until he has paid the same or has taken a receipt from his seller, thereto duly authorized by the Tax Assessor, showing that the seller has collected the sales or use tax, in which case the seller shall be liable for it. Retailers registered under section 1754 or 1756 shall collect such tax and make remittance to the State Tax Assessor. The amount of such tax payable by the purchaser shall be that provided in the case of sales taxes by section 1812. When tangible personal property purchased for resale is withdrawn from inventory by the retailer for his own use, use tax liability accrues at the date of withdrawal. Anything in this section or section 1812 to the contrary notwithstanding, the storage, use or other comsumption of fuel or electricity which is otherwise subject to tax under this section shall be taxed in the following years at the following percentages of the sale price, rounded to the nearest dollar, when the fuel or electricity is purchased for consumption in the manufacture of tangible personal property for later sale or lease:

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Year of Purchase

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Fercentage Rate

 $\frac{4 \ 3/4\%}{4 \ 1/2\%}$ $\frac{3 \ 1/2\%}{2\%}$ $\frac{2\%}{1\%}$

Sec. 4. Effective date. Section 1 of this Act shall become effective January 1, 1991.

STATEMENT OF FACT

Many states either do not tax sales of fuel or electricity consumed in manufacturing, provide related tax credits or tax fuel and electricity at lower rates than does Maine. As a result, Maine manufacturers are placed at a competitive disadvantage. In addition, all electric customers ultimately incur the cost of the sales tax on fuel consumed by Maine utilities in manufacturing electricity. This bill would phase out over a 6-year period the sales and use tax on fuel and electricity used in manufacturing, with total elimination of the tax in 1991. This would, for example, include the various forms of fuel used to power boilers which produce electricity or steam used in manufacturing, electricity purchased to power machines or otherwise used in manufacturing and fuel purchased by utilities to manufacture electricity sold to their customers. This bill allows Maine manufacturers to be more competitive with manufacturers in other states and also reduce the fuel costs of Maine utilities which are passed on to their customers.

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