

# MAINE STATE LEGISLATURE

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ELECTRICAL ENERGY

REPORT OF A STUDY

BY THE

JOINT STANDING COMMITTEE ON PUBLIC UTILITIES

TO THE

MAINE LEGISLATURE

January 19, 1982

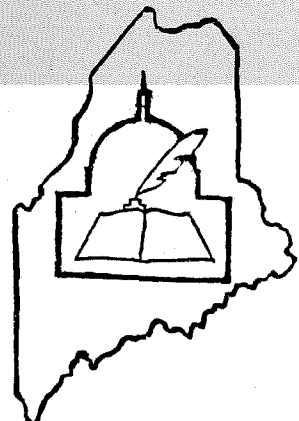
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The full report is available through the Office of  
Legislative Assistants.

## INTRODUCTION & SUMMARY

The Electrical Energy Study was authorized by the Legislative Council on June 3, 1981, and conducted by the Joint Standing Committee on Public Utilities.

Its purpose was to consider various aspects of electric supply & demand including: conservation, planning, regulation, and utility organization.

The Committee met twice, and also took advantage of the Legislative Energy Study's work on conservation financing. Because of other committee studies there was not time to go into much detail on these issues. However, after review of a number of ideas, it was possible to select four with sufficient value to merit introduction of legislation for detailed consideration in the Second Regular Session of the 110th Legislature.

The Committee wants to consider these ideas, but wants to reserve final judgment on the bills until after public hearing and further deliberation.

These are:

- (1) Standard procedures for municipal power districts;
- (2) Utility planning for financing for energy conservation measures (new draft of carry over bill L.D. 1027);
- (3) Electric & gas energy forecasts; and
- (4) Emergency Electrical Energy Conservation Plans.

In addition, the Committee notes that the Governor is proposing legislation on two matters related to this study, and welcomes the opportunity to consider them. They are: prior approval of purchase of out-of-state electricity or capacity; and waiting period between utility rate changes.

## FINDINGS & RECOMMENDATIONS

The following specific items were considered:

(1) Municipal Power Districts. There are 3 municipal power districts in the State, formed under the Private & Special Laws, each with a different charter. Last year, the Committee recommended legislation which was enacted to clarify or establish standard enabling legislation for new water districts (P.L. 1981, c. 447 & 438) and new sanitary (sewer) districts (P.L. 1981, c. 466). Existing districts could also reorganize under the new enabling acts. A bill (L.D.1100) was heard which would have established similar enabling legislation for electric districts, but it was withdrawn for further study.

The Committee recommends consideration of AN ACT to Establish Standard Procedures Enabling the Formation of Municipal Power Districts (see Appendix A), based on L.D. 1100, with certain changes, including: added procedures on issuing bonds and notes, similar to those previously adopted for water districts; just compensation for any electric company whose service area is entered by the district; letting the district set rates subject to appeal to the PUC; deletion of a ban on nuclear-generated electricity; and deletion of the Energy Resource & Development Fund. A section was also added to allow existing electric districts to reorganize under the Act.

(2) Utility Plans for Conservation Financing. Several States including Oregon, California, and Arkansas, have adopted a program whereby utilities perform customer energy audits and provide loans or grants to finance installation of conservation and renewable resources equipment as indicated by the audit. The loans would be at low or no interest, and can be

financed through normal financial institutions. The program can accelerate the displacement of oil-generated electricity used for space and water heating, and it can save money for all the utility customers, because in many cases utilizing conservation and renewable resources is cheaper per kilowatt-hour than building new electric generating facilities. Last year, the Committee heard a bill (L.D. 1027) which would have established a similar program in Maine, but it was held over until the Second Regular Session.

The Committee recommends consideration of AN ACT to Require Public Utilities to Submit a Plan to the Public Utilities Commission to Provide Financing to Customers for Energy Conservation and Renewable Resources, in the form of a new draft of L.D. 1027 (new title) incorporating changes recommended by the Office of Energy Resources as a result of last year's public hearing.

(3) Electricity & Gas Forecasts. At present, most forecasts are done by the utilities themselves, although the Office of Energy Resources does some projections in connection with the State Energy Plan, and a specific forecast was prepared for use in the Sears Island case. The Public Utilities Commission used to discuss the utilities' forecasts and plans directly with them in informal meetings, but since there are cases involving the major utilities constantly before the PUC, the new rules against ex parte communication have raised a barrier to such discussions. There could be great advantages in having detailed objective forecasts and information on the utilities plans available to the responsible State agencies on a regular basis.

The Committee recommends consideration of AN ACT to Require Electric & Gas Energy Forecasts. This bill would require any

electric or gas utility serving in the state to file 5 and 10-year demand forecasts with the Public Advocate (to avoid ex parte problems with the PUC). It also establishes a biennial Conference on Energy Forecasting with 10 members, to forecast electric & gas demand and present options for bringing them into balance.

(4) Emergency Electrical Conservation Plan. The State does not have an official emergency electrical energy conservation plan to use in case of a brownout or similar problem, although the Governor does have broad, general emergency powers. But, a major shortage of electricity could be caused by fuel shortages, weather problems, international events or breakdown of a major generating facility, so there is a need for advance planning. Because the electric utilities in the State are tied into a regional power grid, that planning must also be related to regional planning. The utilities are working on such a plan.

The Committee recommends adoption of a JOINT RESOLUTION to Establish a State Emergency Electrical Conservation Plan which will require the Public Utilities Commission, with the assistance of other agencies and the electric utilities to propose a mechanism for developing such a plan before 1983. The resolution also directs the Joint Standing Committee on Public Utilities to report out any necessary implementing legislation by March 31, 1982.

(5) Prior Approval of Out-of-State Facilities. At present, electric utilities must get a certificate of convenience and necessity from the Public Utilities Commission before building new generation or transmission facilities with the State. They do not have to get such approval for facilities outside the

State, or for long-term power purchase contracts. Maine Utilities have made substantial investments in out-of-state nuclear plants including: Pilgrim II, Seabrook, Point Lepreau and Millstone III. These investments have not always turned out well: Pilgrim II has been cancelled, and construction of Seabrook has been very slow. So, some customers question the wisdom of these investments. On the other hand, the utilities have no assurance that these costs will all be allowed in their rates. Prior approval of such investments could give the consumers the assurance that a State regulatory body has reviewed and concurs with management's investment decision. It could give the utilities assurance that, absent gross mismanagement, their reasonable costs will be recovered through rates. The Governor is introducing a prior approval bill.

Therefore, the Committee welcomes the opportunity to review legislation on prior approval. The Governor's bill can provide the vehicle for that review.

(6) Waiting Period Between Rate Changes. In the past, PUC regulations have required a one-year waiting period between rate changes, except with PUC approval emergency changes could come faster. However, the Supreme Judicial Court in *Central Maine Power Co v. Maine Public Utilities Commission* (Docket No. Law - 81-327, decided November 3, 1981) decided that PUC was misinterpreting the law. The PUC is now concerned about possible "pancaking" of rate filings which could overload their capability for proper and expedition review. The Governor is introducing an "anti-pancaking" bill.

The Committee welcomes the opportunity to review legislation on the waiting period in order to see whether the court decision



creates new problems that require legislative solution. The Governor's bill can provide the vehicle for that review.

(7) Inverted Block Rate Structure. There have been proposals for an inverted block electric rate structure, with large users paying more per kilowatt-hour than small ones. This is intended to promote conservation. Michigan adopted this system in 1981. Maine has only recently gone from the traditional declining block electric rate structure to a flat rate structure, and abolished the customer charge.

The Committee decided it would be premature to consider further modifications in the statutory rate structure.

(8) Other Items. Several other concepts that were presented to the Committee last year were briefly reviewed, including: prohibition on burning oil for base-load electric generation; promotion of cogeneration facilities; establishment of a Maine Energy Authority.

The Committee decided not to propose legislation on these items at this time.