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By Mr. MacLean, a petition (accompanied by bill, Senate, No. 1533) of William Q. MacLean, Jr., and James J. Kilroy for legislation to provide for the conversion of oil to coal by electric generating facilities. Energy.

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**The Commonwealth of Massachusetts**

In the Year One Thousand Nine Hundred and Eighty-five.

**AN ACT PROVIDING FOR THE CONVERSION OF OIL TO COAL BY ELECTRIC GENERATING FACILITIES.**

*WHEREAS*. The deferred operation of this act would tend to defeat its purpose, which is to provide forthwith for the conversion of oil to coal by electric generating facilities, therefore it is hereby declared to be an emergency law, necessary for the immediate preservation of the public convenience.

*Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:*

- 1 SECTION 1. Chapter 164 of the General Laws is hereby
- 2 amended by striking out the existing Section 94G-1/2 and in-
- 3 serting the following section:—
- 4 *Section 94G-1/2.* An electric company or other person which
- 5 distributes to retail customers all or a portion of the output
- 6 of any existing oil-burning electric generating facility which
- 7 is proposed to be converted from oil to coal-fired operation
- 8 may file with the department an application, in such form as
- 9 the department may prescribe, for an adjustment in its rates
- 10 through the oil conservation adjustment described in this sec-
- 11 tion, provided that environmental controls for sulfur and par-
- 12 ticulates will be required to ensure that approved long-term
- 13 emissions from the facility shall not significantly contribute
- 14 to any condition of non-attainment of ambient air quality stan-
- 15 dards established and approved by the environmental protec-
- 16 tion agency and the department of environmental quality
- 17 engineering and, provided further, that the conversion of any
- 18 electric generating facility in an urban area with a population

19 in excess of two hundred thousand people will enhance the air  
20 quality in the area by reducing sulfur dioxide emissions. Such  
21 application may be filed prior to the time the applicant incurs  
22 costs in connection with the conversion and operation of the  
23 facility.

24 Within thirty-five days of receipt of such application the  
25 department shall hold a public hearing to determine the oil  
26 conservation adjustment, and the manner in which said ad-  
27 justment shall be recovered from all retail customers of the  
28 applicant. The department shall render a decision upon such  
29 application within one hundred and twenty days of the begin-  
30 ning of such hearing. Said adjustment shall not be authorized  
31 unless it is determined by the department that there is a  
32 substantial probability that the share of the cost of conversion  
33 of such facility attributable to the applicant's retail customers,  
34 together with any incremental operating expenses  
35 necessitated by the conversion will be less than or equal to the  
36 fuel cost savings to accrue to said retail customers over the  
37 remaining life of the electric generating facility.

38 The oil conversion adjustment shall be determined by the  
39 department such that the applicant will recover the total cost  
40 of conversion within eighty-four months of the effective date  
41 of the adjustment, such conversion being hereinafter referred  
42 to as a short-term conversion, or will recover the total cost  
43 of conversion over a period more than seven years but within  
44 twelve years of the effective date of the adjustment, such con-  
45 version being hereinafter referred to as a long-term conver-  
46 sion. The effective date of the adjustment shall be the earlier  
47 of the date of initial conversion, in the case of a cancellation  
48 of the conversion, the date on which the department makes  
49 the finding required by the next paragraph concerning such  
50 cancellation.

51 All revenues derived through said adjustment shall be ap-  
52 plied solely to the cost of conversion of said facility. Except  
53 as provided in this section, said adjustment, once authorized  
54 by the department, shall not be disapproved, reduced, ter-  
55 minated, suspended or, without the consent of the applicant,  
56 otherwise modified by the department nor shall any portion  
57 thereof be applied by the department to reduce or modify the  
58 otherwise lawfully authorized rates and charges of the appli-

59 cant provided, however, that in the event a conversion is  
60 cancelled, the department shall review the reasons therefor  
61 and may modify the adjustment to allow recovery only of those  
62 costs prudently incurred at the time of their incurrence or may  
63 cancel the adjustment if no costs were prudently incurred; and  
64 provided further that, in the case of a long-term conversion  
65 any application for a delayed order of compliance or any  
66 similar request with respect to environmental protections shall  
67 work as an automatic denial of any application for an oil con-  
68 version adjustment or as an automatic revocation of any ad-  
69 justment authorized by this section. The department shall not  
70 recognize for purposes of establishing any rate, price or  
71 charge, pursuant to section ninety-four or section ninety-four  
72 G, costs of conversion which are recovered from said  
73 customers under said adjustment.

74 The applicant may assign to any person or entity, in whole  
75 or in part, the revenues to be collected under the oil conserva-  
76 tion adjustment in connection with financing the cost of con-  
77 version. If such an assignment is made, or if the applicant has  
78 filed its application in whole or in part for the benefit of any  
79 other person or entity that proposes to own and finance all or  
80 part of the assets to be added to the facility in connection with  
81 the conversion, the revenues to be collected by applicant under  
82 said adjustment shall constitute revenues of such person or  
83 entity and not revenues of the applicant. The applicant shall  
84 collect such revenues solely for the benefit of such person or  
85 entity.

86 In this section the following words and phrases shall have  
87 the following meanings, unless the context requires otherwise:

88 "Coal", coal used as a primary energy source and any other  
89 primary energy source which is derived from coal or synthetic  
90 fuels which use coal as a base.

91 "Cost of conversion", costs as determined by the depart-  
92 ment to be reasonable and necessary for the conversion of an  
93 oil-burning electric generating facility to the burning of coal.  
94 Such costs shall include, but not be limited to, engineering, ad-  
95 ministrative and legal costs, the cost of environmental studies,  
96 and control equipment, coal handling and storage equipment,  
97 equipment and facilities necessary to permit the combustion  
98 of coal, the cost of retrofitting or refurbishing boilers to per-

99 mit the combustion of coal, the cost of on-site and off-site  
100 facilities for handling, storing, and disposing of wastes  
101 resulting from the combustion of coal, and the cost of all other  
102 facilities reasonable and necessary to allow the conversion of  
103 an oil-burning electric generating facility to burn coal, whether  
104 such costs are incurred before or after the date of initial con-  
105 version of such facility. Such costs shall also include the  
106 reasonable costs of capital for such conversion until such costs  
107 are recovered as provided in this section. In no case shall costs  
108 of conversion include any costs incurred pursuant to an ex-  
109 pansion of an electric generating facility's generating capacity  
110 above the generating capacity of said facility that existed prior  
111 to the oil conservation adjustment period.

112 "Date of initial conversion", the first day on which an ex-  
113 isting oil-burning electric generating facility generates elec-  
114 tricity for continuous distribution to customers by the combus-  
115 tion of coal or is certified as having the capacity to do so  
116 whether or not additional facilities must be constructed or  
117 installed.

118 "Fuel cost saving", the differential costs between an equal  
119 amount of coal and oil calculated on the basis of British Ther-  
120 mal Units.

121 "Oil conservation adjustment", in the case of a short-term  
122 conversion, shall be an amount which is the greater of (a) two-  
123 thirds of the fuel cost savings per kilowatt hour sold accruing  
124 to retail customers on the date of initial conversion or (b) the  
125 cost of conversion of an existing oil-burning electric genera-  
126 tion facility to coal divided by the estimated kilowatt hours  
127 to be generated for sale by the estimated kilowatt hours to be  
128 generated for sale by the facility during the first eighty-four  
129 calendar months after the date of initial conversion; provid-  
130 ed, however, that if the total amount of cost of conversion per  
131 kilowatt hour initially calculated by application of method (b)  
132 exceeds one hundred percent of the fuel cost savings per  
133 kilowatt hour sold accruing to retail customers on the date of  
134 initial conversion, the eighty-four month period referred to in  
135 said method (b) shall be extended so that the total amount of  
136 cost of conversion per kilowatt hour shall be no more than one  
137 hundred percent of such fuel cost saving per kilowatt hour;  
138 or, in the case of a long-term conversion, amounts which will

139 provide sufficient revenues during a period not to exceed  
140 twelve years to repay or otherwise discharge all obligations  
141 incurred by or on behalf of the applicant in connection with  
142 financing arrangements that the department determines to be  
143 reasonably necessary for financing the cost of conversion. The  
144 oil conservation charge determined by the department shall  
145 permit recovery by the applicant of the cost of conversion net  
146 of such federal, state, or local taxes based on revenue and in-  
147 come which may be imposed upon the applicant for receipt  
148 of proceeds of the oil conservation adjustment which cannot  
149 be reasonably avoided by the applicant using due diligence.  
150 In no event shall the oil conservation adjustment include  
151 amounts attributable to non-retail customers.

152 Upon recovery by the applicant of its share of the cost of con-  
153 version as herein provided, the applicant shall terminate the  
154 oil conservation adjustment. Upon such termination the ap-  
155 plicant shall demonstrate to the department that its oil con-  
156 servation adjustment revenue collections are in compliance  
157 with orders issued pursuant to this section. In the event such  
158 collections are lesser or greater than the applicant's share of  
159 the cost of conversion, the department shall make such deter-  
160 minations and issue such orders as are necessary to result in  
161 compliance with this section.

162 In the event the facility or the applicant should become en-  
163 titled, by reason of the conversion, to any federal or state  
164 grant, the department shall make such determinations and  
165 issue such orders as are necessary to reduce the amount of  
166 conversion costs which the applicant would otherwise recover  
167 by means of such oil conservation adjustment, or if such grant  
168 is received after termination of such adjustment make such  
169 determinations and issue such orders as are necessary to  
170 result in the applicant receiving no more than the cost of con-  
171 version after taking into account the retail customers' appor-  
172 tioned share of such grant.

173 In the case of a long-term conversion, the department shall,  
174 every six months, review the revenues collected pursuant to  
175 the oil conservation adjustment in order to determine whether  
176 the applicant is recovering the cost of conversion over the  
177 period approved by the department. In the event any over-  
178 collection of such cost of conversion has occurred, the depart-

179 ment shall order such overcollection to be returned to the  
180 ratepayers.

181 In the case of a short-term conversion, the department shall,  
182 upon its own initiative or upon petition of the original appli-  
183 cant, but in any event at least twice each year, review the ac-  
184 tual cost of conversion and fuel cost savings and changes in  
185 estimates thereof, and may, where necessary after notice and  
186 public hearing, modify the oil conservation adjustment to per-  
187 mit, if method (a) referred to in the definition of "oil conser-  
188 vation adjustment" in this section was initially used, recovery  
189 by the applicant of two-thirds of the recalculated fuel cost sav-  
190 ing per kilowatt hour accruing to retail customers on the date  
191 of recalculation of the saving by the department or, if method  
192 (b) referred to in said definition was initially used, to permit  
193 recovery by the applicant of the recalculated cost of conver-  
194 sion over such recalculated number of months as would not  
195 result in a charge exceeding the fuel cost saving per kilowatt  
196 hour accruing to retail customers on the date of recalculation  
197 of the saving by the department. Said adjustment also may  
198 be modified to permit switching from said method (a) to  
199 method (b) or from method (b) to method (a), where  
200 necessary to either permit the applicant to recover the cost  
201 of conversion as promptly as possible, consistent with the in-  
202 tent of this section that no adjustment for a short-term con-  
203 version shall exceed fuel cost savings accruing to retail  
204 customers or prevent such adjustment from exceeding fuel  
205 cost savings accruing to retail customers.

1 SECTION 2. Any corporation or agent for the corporation  
2 responsible for said coal conversion projects shall give priority  
3 in employment to individuals residing within the city, town or  
4 political subdivision in which said project is taking place pro-  
5 vided that those individuals have displayed the necessary  
6 qualifications for employment.

1 SECTION 3. The provisions of this act are severable and if  
2 any of its provisions shall be held invalid in any circumstances,  
3 such invalidity shall not effect any other provisions or  
4 circumstances.

1 SECTION 4. This act shall take effect upon its passage.



The first of these is the fact that the  
 government has been successful in  
 maintaining a high level of  
 economic growth. This has been  
 achieved through a combination of  
 factors, including a strong  
 industrial base, a highly skilled  
 workforce, and a stable political  
 environment. The government has  
 also been successful in  
 maintaining a low level of  
 inflation, which has helped to  
 maintain the value of the  
 currency and the purchasing  
 power of the population.

Another important factor is the  
 government's commitment to  
 social welfare. This has been  
 achieved through a series of  
 reforms, including the  
 introduction of a universal  
 health care system, a  
 comprehensive social security  
 system, and a range of other  
 social services. These reforms  
 have helped to reduce poverty  
 and improve the quality of  
 life for the population.

Finally, the government has  
 been successful in maintaining  
 a high level of international  
 trade. This has been achieved  
 through a series of trade  
 agreements, including the  
 General Agreement on  
 Tariffs and Trade (GATT),  
 the World Trade Organization  
 (WTO), and the European  
 Union (EU). These agreements  
 have helped to reduce trade  
 barriers and increase the  
 volume of international trade.