

SENATE No. 395

By Mr. Montigny, a petition (accompanied by bill, Senate, No. 395) of Mark C. Montigny, Joseph B. McIntyre, Therese Murray and Antonio F. D. Cabral for legislation to provide for the establishment of objective standards for evaluating the efficiency of the management performance of utility companies. Energy.

The Commonwealth of Massachusetts

In the Year One Thousand Nine Hundred and Ninety-Five.

AN ACT PROVIDING FOR THE ESTABLISHMENT OF OBJECTIVE STANDARDS FOR EVALUATING THE EFFICIENCY OF THE MANAGEMENT PERFORMANCE OF UTILITY COMPANIES.

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

1 Chapter 164 of the General Laws, as appearing in the 1992
2 Official Edition, is hereby amended by inserting after section 94H
3 the following section: —

4 Section 94I. In order to promote more efficient management of
5 gas and electric companies, the department shall establish objec-
6 tive standards for evaluating the efficiency of management perfor-
7 mance. These standards may be used to increase or decrease the
8 return on investment of each company.

9 Such standards shall conform to current criteria as employed by
10 the department, including but not limited to consideration of the
11 following criteria:

- 12 (a) extent of management knowledge of particular problems;
- 13 (b) operation and maintenance costs per unit of service;
- 14 (c) price per unit of service;
- 15 (d) bad debt ratio;
- 16 (e) changes in net worth of revenue requirements;
- 17 (f) quality of service as shown by customer complaints;
- 18 (g) innovative ideas implemented by management;
- 19 (h) top management salaries in proportion to total revenues
- 20 from sales;

21 (i) cost-effectiveness and extent of implementation of energy
22 efficiency and load management programs based on projected
23 energy savings; and

24 (j) comparison with other comparable utilities in meeting all
25 relevant evaluation criteria.

26 In assessing management efficiency of electric utilities, the
27 department shall also examine the following criteria:

28 (a) plant availability;

29 (b) heat rates;

30 (c) unscheduled outage rates; and

31 (d) capacity factors.

32 In assessing management efficiency of natural gas utilities, the
33 department shall also examine the following criteria:

34 (a) total cost per unit of gas purchased by distribution compa-
35 nies from the pipeline;

36 (b) total cost per unit of gas purchased from other sources;

37 (c) total cost per unit of gas the utility obtains from its
38 resources;

39 (d) residential and commercial sales volume in relation to
40 investment in the system; and

41 (e) unaccounted for gas as a percentage of total sales volume.

42 If the department determines in the course of a proceeding con-
43 ducted under section ninety-four of this chapter that a utility is
44 operating in such an efficient manner that tangible financial bene-
45 fits resulted to the ratepayer, the department may increase the rate
46 of return.

47 If the department determines in the course of a proceeding con-
48 ducted under section ninety-four of this chapter that application of
49 the evaluation standards promulgated in accordance with this sec-
50 tion shows that a utility is operating in an inefficient manner, the
51 department may reduce the rate of return to provide sufficient
52 incentives to the utility to correct such inefficient operation.

53 The department shall promulgate rules and regulations to deter-
54 mine the rate of return that would be appropriate for rewarding
55 management efficiency or penalizing management inefficiency.

56 The department shall publish regular reports of the manage-
57 ment efficiency of each gas and electric company summarizing
58 the data collected and the evaluation conducted by the department.