

SENATE No. 414

By Mr. Clancy, a petition (accompanied by bill, Senate, No. 414) of Edward J. Clancy, Jr., for legislation to provide for the establishment of objective standards for evaluating efficiency of the management performance of utility companies. Government Regulations.

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 1986
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 per-
7 formance. These standards may be used to increase or decrease
8 the return on investment of each company.

9 Such standards shall include but not be limited to consideration
10 of the following criteria:

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

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

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

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

27 (a) plant availability;

28 (b) heat rates;

29 (c) unscheduled outage rates; and

30 (d) capacity factors.

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

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

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

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

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

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

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

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

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

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