

By Mr. Slattery of Peabody, petition of John P. Slattery relative to the rate making formula of electric companies due to utility restructuring orders of the Department of Public Utilities. Government Regulations.

The Commonwealth of Massachusetts

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

AN ACT RELATIVE TO FURTHER REGULATING THE DEPARTMENT OF PUBLIC UTILITIES.

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

1 Notwithstanding any general, special law, rule or regulation to
2 the contrary, any utility restructuring order issued by the
3 Massachusetts Department of Public Utilities which provides for
4 retail access to electric utility facilities or property by electric
5 companies regulate pursuant to Chapter 164 and 164A of the
6 General Laws shall ensure that prices for utility generation, trans-
7 mission and distribution shall be set using a performance-based
8 rate making formula. The Department of Public Utilities shall,
9 taking into consideration a utility company's capital and operating
10 costs, establish that company's baseline for a performance based
11 rate and minimum cost curve which the Department of Public
12 Utilities determines the utility can meet if it maximizes efficiency
13 and minimizes costs. The Department of Public Utilities shall
14 develop a progressive distribution formula for gains resulting
15 from improved efficiency and reduced costs as the utility com-
16 pany moves from its performance baseline to utility customer,
17 said formula to be initially weighted in favor of the customer and,
18 the nearer the utility moves towards its minimum cost curve, pro-
19 gressively weighted in favor of the utility. In establishing the min-
20 imum cost curve, the Department of Public Utilities shall
21 incorporate quality controls to ensure that the utility does not
22 pursue cost savings at the expense of system reliability, safety and
23 customer satisfaction.

