



Regulatory Update

March 12, 1999

Announcements

1. **March 16, 1999-** Please remember the Power Contract Standardization Committee meeting is March 16, 1999 in Washington. Please contact Chris Bernard or Jeff Bandman if you wish to participate.
2. NJ electric rate cases are under intense negotiations. NEMA representatives have done an excellent job of helping to increase potential shopping credits. A full report will be forthcoming.
3. **March 18, 1999 at 2PM EST-NEMA Conference Call on New York.** The Automatic Dial in number is **(212) 346-0417**. NEMA members interested in NY Issues will be briefed and help formulate NEMA positions on issues raised in NTY Proceedings. NEMA urges your attendance.
4. NYPSC Reliability Collaborative will meet on March 22-24, 1999.

FERC

- **Commission Rejects NEPOOL Revised Governance Plan – Docket No. ER99-1142-000 – March 10, 1999.** NEPOOL has 60 days to file a modified governance plan that addresses the Commission's concern. The filed plan gave excessive weight to the 8 largest vertically-integrated utilities in the region. Chairman Hoecker noted that the Commission was becoming exasperated with NEPOOL's repeated failure to propose a governance structure that complies with the principles outlined in Order No. 888. If NEPOOL does not file an acceptable plan within 60 days, the Commission may impose governance requirements on NEPOOL.
- **Commission Granted Request filed by PJM member companies for removal of cost-based price caps – Docket No. ER97-3729-000 – March 10, 1999.** The instant order grants the member companies the authority to sell energy and ancillary services into the PJM system at market-based rates. The instant order requires the PJM member companies to file an updated market power analysis in 18 months.
- **PJM Interconnection – Docket No. ER98-3527 – March 10, 1999.** The Commission approved the PJM marketing Plan. The Market Monitoring Plan

includes the creation of an independent office authorized to monitor the PJM energy market. Commissioner Massey noted that the PJM Market Monitoring Plan allows the Commission to approve proposals like the one addressed in Docket No. ER97-3729-000 above. Reporting requirements imposed allow the Commission to monitor the development of the PJM market in a hands-off way.

FEDERAL

- **White House will introduce a revised electric deregulation bill to Congress in the next 4-6 weeks – March 1, 1999.** The revision allows states and unregulated municipal and electric coops to opt out of retail competition. The original bill called for a January 1, 2003 deadline for state restructuring, but it is unknown whether this bill will contain any such language. The White House claims nationwide retail choice could benefit consumers as much as \$20 billion a year in savings and improve the environment as well.
- **Americans for Affordable Electricity (AEE) supports a federal date-certain deregulation legislation - February 22, 1999.** Former Congressman – Bill Paxon (R/NY) is the new AEE chairman and he feels optimistic that federal restructuring legislation will pass this session. Former Deputy Energy Secretary Elizabeth Moler will serve as counsel to the AEE. They both believe that issues on reliability, market power, antitrust, tax-exempt bonds, and modernizing power market administrations can only be resolved at the federal level. **NEMA has been requested to join AAE. Your comments would be appreciated.**

Georgia

- **Legislation for Statewide Switch Deadline to sign up with a new gas company – March 3, 1999.** All natural gas customers must switch before next winter if current bill – HB 822 - proposed by the PSC is passed. If gas users have not switched service from Atlanta Gas Light by September 30, they will be randomly assigned a supplier by the PSC. AGL supports the latest legislation. Currently, 18 companies are certified for retail gas sales in Georgia, although less than 10 are actively signing up residential customers.

Maine

- **PUC adopts final rule on licensing competitive electric providers. – March 1, 1999.** A provider must prove its financial and technical capability, comply with consumer protections, prove it has the ability to satisfy portfolio requirements, and disclose customer complaints and all affiliates. Providers are also required to report annually their average prices, revenues, and customer complaints. Retail competition is expected to begin March 2000.

Arkansas

- **Entergy Arkansas files bill with General Assembly to open electric market by January 1, 2002.** Entergy worked in partnership with the state's 15 municipals and electrical cooperatives, and a coalition of industries to submit one bill. State Rep. Sheppard also filed a separate bill to call for a two-year study that would delay a decision until the 2001 session. The state's 16 electric cooperatives are also expected to file restructuring legislation in the next few weeks.

Texas

- **Senate Panel Passes Electric Deregulation Bill 7– March 8, 1999.** After 54 amendments, it will now go to the Senate Floor with a vote expected on March 17, 1999. The vote marks the furthest any such bill has made it through the legislature. The electric markets would be opened to competition on January 1, 2002 and all customers (70% of 8.6 million served by IOU's) immediately receiving a 5% rate reduction. The largest utilities would be allowed to recover all of their stranded costs. Sen. Sibley's proposal also allows utilities, who install pollution control devices, to pass along these costs to customers. The POLR/default service is getting much more visibility as well. A key offer was to let the affiliated Retail Electric Providers decide on either to be the sole default provider, or let them compete openly in their own territory, only after they assign all the non-choosers to a provider of last resort, which shall then be bid. Possibly the assignment process could be done similar to the Georgia gas industry, all customers stay with the affiliate for 100 days then would be "assigned" to a new company. *The REP competition amendments offered by Green Mountain Energy are available on the NEMA site.*

Ohio

- **Legislature is considering a revised electric deregulation plan – March 10, 1999** – Choice may start as soon as January 1, 2001. The plan includes a new "kilowatt hour tax." It may be introduced as early as next week. The Governor called for quick action by lawmakers on deregulating the electric industry on Tuesday, March 9, 1999.

Colorado

- **Senate gave preliminary approval of bill to open up gas choice – March 4, 1999.** Consumer protection and language spelling out the role of the Colorado PUC in accepting or rejecting a voluntary deregulation plan from a utility were significant amendments to the bill. The PUC has the authority to determine how much "stranded costs" a utility could recoup and how much a utility could charge for gas distribution as a means to recover stranded costs.

Florida

- **Commission issued proposed rules to file unbundled tariffs – February 19, 1999.** The tariffs for non-residential customers are due by December 31, 1999. The rules allow but do not require utilities to offer unbundled services to residential customers. On March 24, 1999 a workshop has been scheduled.
- **Environmental Tagging--Commission Rules that IOU's must inform customers of the source of their power generation – March 1, 1999.** IOU's are required to provide this information four times a year with bill inserts. IOU's supply 80-85% of power to the state.

New Mexico

- **An Electric Restructuring Bill has just been introduced to the legislature –** The bill calls for a competitive market to begin January 1, 2001 for residential and small business customers and a year later for larger commercial and industrial customers. Rural electric co-ops and municipals may opt out. Recovery of stranded costs would be guaranteed at least to 50% by a mandatory charge on all bills for 4 years.

Michigan

- **Consumers Energy receives MPSC Order – March 8, 1999.** The order accepts the electric tariffs proposed by the utility in its June 1998 restructuring filing, including the full recovery of stranded costs. The order also allows utility affiliates to participate in competition. The plan calls for a three-year phase-in schedule before full competition to begin.

MISC

- **57th NRECA Annual Meeting - March 8, 1999 –** The National Rural Electric Cooperative Association, predicts that consumers will increasingly turn to cooperatives for energy services as the electric industry abandons its long-held obligation to serve all customers. Energy suppliers, such as Enron, have either threatened to or have abandoned residential electric customers in states that have allowed some form of electricity deregulation and therefore define the principals of cooperatives. Legislatures and regulators must tailor restructuring in a way that preserves and keeps the cooperative business model
- **Commonwealth Energy Corp –** has offered savings beyond the mandated 10% in California, while at the same time is providing 100% renewable energy to the residential and small commercial customer.

- **DTE Edison America – March 8, 1999** - Electric supplier to Pennsylvania's deregulated market, offers a \$25 energy credit for referrals to the company's Energy Club. A member can save up to \$250 by encouraging others to take advantage of additional services. The program includes a network of local merchants providing members savings and discounts on products and services ranging from dry cleaning to dinners for two.
- **Pennsylvania Customer Choice Study – February 25, 1999** – Another PA study, this time by Xenergy, indicates choice is progressing well. There appears to be six clear winners with the bulk of customers. The study looked at how consumers chose suppliers and indicated that aggregation was one of the most important tools influencing consumers. Price and green power were the 2 most important factors for residential customers and price and supplier reliability for commercial and industrial customers.

