



## Regulatory Update

March 26, 1999

### Announcements

- 1. *Reminder—March 29-2PM-EST- Conference Call to set agenda for April 6, 1999 NEMA Meeting with NYPSCX Chairman Helmer—Automatic dial-in number is 212-346-0365.*** A full review of the issues in the NY Reliability Meetings will also take place.
- 2. *Final Head Counts for the April 22 & 23, 1999 events are needed. Please contact Jon Gipson at 318-424-3800 as soon as possible. Also please confirm whether you're CEO wishes to make a presentation on the 4-23 afternoon panel.***
- 3. *Please call or email ASAP with agenda items for the 4-22 Executive Committee meeting (or other committee meetings). A Revised Agenda will be circulated next week.***

### FERC

- **California Power Exchange – ER99-2229 – Files Application Regarding Formation of an Electric Block-Forward Market – March 23, 1999.** This will enable Power Exchange participants to sell energy, in firm quantities, for delivery on specified hours of each on-peak day of delivery month specified by the parties to PX participants who choose to purchase block-forward power in the market with delivery arranged through the PX's Day Ahead Market. *This document is not yet available on the FERC site.*
- **NERC – Docket No. ER99-2021-000- NEMA filed a Protest and its alternative TLR proposal -Copies of the Draft are available on the NEMA site.**

### FEDERAL

- **U.S. Energy Secretary Richardson says Administration to send new restructuring bill to Congress after spring recess on April 12 – March 23,**

**1999.** Richardson maintains that federal restructuring legislation was necessary. The bill will supposedly be more environmentally friendly than last year's and will address issues of stranded costs, although state's should ultimately decide the questions. Chairman Hoecker said stranded costs may not be a serious roadblock due to the recent asset sales of utility generation plants that are selling at twice book value, mitigating this problem. The plan offers incentives for IPP's to bring more competition to markets, protects rural consumer rates and Indian reservations, and addresses Power Marketing Administration monopolies by making competition equalized.

- **Agriculture Study concludes that a Federal Retail Choice mandate would raise electricity prices in 19 states – March 22, 1999.** High-cost states would benefit at the expense of rural low-cost states. The document also states that to fully offset the costs of competitive pricing in rural America, a safety net would need to provide annual funding ranging from about \$1 billion in 2000 to about \$2.4 billion in 2015. The study complicates administration plans to deregulate electric bills nationwide.

## **Pennsylvania**

- **Senate Bill 943 Working Draft No. 14 –Restructuring of the Natural Gas Industry – is now available on the NEMA site.**
- **Proposed Gas Legislation contains anti-competitive provisions – March 23, 1999.** Marketers testified that the bill would give utilities complete discretion to force their current and future gas transportation costs onto competitive suppliers and thus will make it impossible for suppliers to manage their own transportation costs. Other anti-competitive issues are:
  - Small customers may be excluded.
  - All customers should be the same amount for utility transportation regardless if they are a sales or transportation customer.
  - Exclusion of the state's largest gas utility – Philadelphia Gas Works.
  - A prohibition on competitors providing billing and metering services.
  - The ability for utilities to change rates often.
  - Allows utilities to pass to customers the cost of financial derivatives.
  - Licensing requirements on providers with over 15 years of PA service.
  - Competitive License revocation for minor rule infractions.
  - No clear provision of only the utility to provide default service.

## Maryland

- **Electric Utilities Support Senate Bill 300 – March 23, 1999.** The bill provides for electric competition to start July 2000. All 6 utilities operating in Maryland issued a statement in support of the bill introduced by Senate President Mike Miller and Senator Thomas Bromwell. The bill allows for a residential rate cut of at least 3% on generation, consumer safeguards, benefits low-income consumers and strengthens environmental safeguards by requiring all suppliers to disclose both sources of power and emissions data and discuss renewable programs within the state.

## Georgia

- **Senate Approves Legislation to give the Commission to move sales customers off AGL's System – March 17, 1999.** The bill seeks to amend the gas Restructuring Act to allow the Commission to initiate random customer assignment without a showing of 30% customer migration. The Commission would likely assign all AGL customers before the winter of 1999.

## Colorado

- **Senate Passes Bill SB 153 - Gas Deregulation – March 22, 1999.** City owned utility companies (e.g. Colorado Springs) could keep private their supply contracts, business strategies and marketing plans. Existing natural gas providers could choose whether or not to deregulate their services. Small business and residential customers would have their pick of natural gas providers in a competitive market under the measure. Service for large industrial users already has been deregulated. The measure will be debated on the House floor next.

## New Jersey

- **PSE&G Restructuring Ruling Delayed - March 24, 1999.** Regulators delayed until April 14, 1999 their ruling on PSE&G's implementation of the state's restructuring law. In delaying its ruling the board made no mention of its schedule for rulings on Conectiv and GPU. Ratepayer Advocate Blossom Peretz wants a higher shopping credit than proposed and is looking for a credit of 6.37 cents per kWh. NEMA's representatives to these negotiations believe have said the odds are slim that the BPU will increase it especially since, on average, the credit is in line with PECO's. In addition, the BPU staff does not feel that an argument for higher shopping credits based on today's "forward market" is persuasive. A risk of delay in implementing retail choice with further litigation vs. accepting the Settlement Agreement reached last week with little or no margins offers a dilemma for marketers in this proceeding.

- **BPU Refuses to reopen Case Record in PSE&G's restructuring – March 24, 1999.** The petition was filed by MAPSA and supported by the Ratepayer Advocate. The petition was mostly related to the recovery of \$3 billion in long term debt that PSE&G is seeking and that the record does not show GPU's recent power plant sales at more than two-and-a-half times what they paid for them. The BPU felt the record on the PSE&G power plant debt is "extensive" enough and they have a very well-developed record on this issue. *A copy of the draft MAPSA proposal and PSE&G term sheet is available on the NEMA site.*

### **New Mexico**

- **Legislature Passes Electric Industry Restructuring Bill – March 20, 1999.** The bill passed unanimously by the House and now goes to the Governor who has 20 days to sign it into law. Schools, residential consumers and small business customers will have a choice of power suppliers beginning January 1, 2001. All other customers will have choice January 1, 2002. Utilities will be allowed to recover at least half of their stranded costs over a 5-year transition period. Utilities could recover up to 100% with the approval of the PRC. The bill contains strong provisions to guard against incumbent utilities using their market position to favor or subsidize their own power generation resources. The bill requires PNM and other electric utilities to file a transition plan to the PRC no later than March 1, 2000, to be approved no later than December 1, 2000.

### **Illinois**

- **CILCO Electric Choice starts for Businesses October 1999 – March 23, 1999.** Enrollment deadline is July 15, 1999. Lottery process will determine which customers are eligible. Those customers not selected will be able to choose their electric supplier beginning December 31, 2000. Residential customers will be able to choose their electric supplier beginning May 1, 2002.

### **MISC**

- **Electric Consumers' Alliance Survey Finds Consumers want States to Manage Electric Deregulation – March 23, 1999.** Nearly 75% of survey respondents indicated that the states would do a better job of managing competition than the federal government. The study found that:
  - Consumers are guardedly optimistic about the potential benefits of regulation but want to choose an electricity provider on their own terms.

- Nearly half the population has limited knowledge and awareness of the issue.
  - There is a high level of overall satisfaction for current utilities and 87% felt they should continue to be allowed to sell electricity.
  - Given the option, consumers would prefer to have an immediate reduction in their electricity bill rather than an immediate choice of electric providers.
  - American agree that choice will increase the level of consumer confusion.
  - Consumers are interested in forming buying groups and view them to be a non-profit, voluntary organization such as a city or county government.
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- **Green Power emerges as popular choice in California after first year – March 23, 1999.** Experts estimate that more than 50% of all residential power switches, about 100,000 households, have switched to green power. California's supply of renewable resources is also growing. Over 480 MW of new wind, geothermal, biomass and landfill gas projects are being developed. Marketers such as Green Mountain Energy, Keystone, Edison Source and PG&E Energy Services all are now devoted to signing up California consumers for green power.

