



Regulatory Update

May 10, 1999

Announcements

- 1. A Conference Call for the NYISO is scheduled with Administrative Judge Lee on May 12, 9-11AM. The dial-in number is 1-805-240-9463 access code-628-244**
- 2. The next meeting of the mini-collaborative on proposals to ensure reliability in NY is scheduled for 1:00 p.m., on May 17th at One Penn Plaza, NYC (in the Board Room).**
- 3. The next Upstream Issues Group II Reliability Collaborative will be held in the Department's New York City offices starting at 9:00 AM on Wednesday May 26 in Conference Room B, on the 8th floor at One Penn Plaza.**
- 4. This week, NEMA advocacy efforts in La, Fla., Mich., NY, and NJ are active. Discussions are underway to develop NEMA's SE advocacy strategy. Meetings are being held in Houston regarding uniform business rule development.**

FERC

- NEPOOL – Docket Nos. OA97-237-000, et al. – Comments of United Illuminating Co. on the Comprehensive Agreement Resolving All Issues Raised in this Proceeding Except for one Issue Raised by Great Bay Power Company – UI supports the Settlement Agreement and urges the Commission to approve it. UI also supports severance of the Great Bay Power Co. issue from the Settlement Agreement. The Agreement also provides for a zero “CC” or capacity cost component in Ancillary Service Schedule 2.**

Federal

- Republican unveils alternative electric deregulation proposal – May 3, 1999.** Rep. Steve Largent (R-OK) will unveil the new plan at Thursday's hearing of the House Energy and Power Subcommittee that closely follows the plan he submitted last spring. A Largent aide said the new plan would not contain a deadline for states to open retail power markets to competition. He hopes the plan can be delivered to the House floor for a vote this year.

Democrats expect the plan will also dispose of Clinton's renewable mandate and throw out the creation of a new power reliability board under control of FERC.

Pennsylvania

- **Commission Order – Docket No. M-00991226- April 23, 1999 – Sustainable Energy Funds.** To oversee the management of these Funds, the Joint Petitioners provided for the establishment of a 7-member Advisory Board, nominated by the Joint Petitioners and approved by the Commission. The Commission has received nominations from the GPU, PP&L and PECO boards. Allegheny Power is currently initiating a process to finalize its advisory board nominees. Interested parties will have until May 10, 1999 to submit comments to the Commission on the proposed nominees. It is staff's intention to submit the proposed nominations to the Commission for consideration at the May 20, 1999 Public Meeting.
- **PECO Joint Petition for Full Settlement Competitive Provider of Last Resort Paragraph 38 – Final ORDER - Docket Nos. R-00973953 and P-00971265, April 29, 1999.** The Commission has filed Annex A to provide rules for the qualification of Competitive Default Service (CDS) bidders, the selection of the winning bidder, and the terms and conditions of the provision of CDS under Issue L, Paragraph 38 of PECO Energy Company's Joint Petition. All interested CDS bidders will prepare a qualification package and submit that package to the Commission no later than May 1, 2000.
The Annex A will be available on the NEMA site as soon as possible.
- **Senate Consumer Affairs Committee reports out Senate Bill 601 - Natural Gas Choice and Competition Act – May 5, 1999.** Gary Robinson, CEO of Columbia Gas of PA, thanked the Committee and believes the bill will increase competition, leading to a host of new energy services and pricing options for energy customers throughout the commonwealth. More than 95,000 customers of Columbia Gas, 34% of those eligible, are enrolled in the third - year program in Pennsylvania.

New York

- **NYSEG – Case No. 98-M-1343- In the Matter of Retail Access Business Rules – April 23, 1999.** NYSEG has filed new and revised leaves in compliance with the Commission's Opinion and Order Concerning Uniform Business Practices, issued February 16, 1999. *These leaves will be available on the NEMA site as soon as possible.*
- **Central Hudson Gas & Electric Corp. et al., Docket Nos. ER97-1523-000, OA97-470-000 – April 23, 1999.** A Settlement Proposal has been submitted on behalf of the Independent Power Producers of NY, Inc. (IPPNY) on the issue of the criteria which will be used to accredit generation as meeting the

installed capacity requirement. IPPNY's Settlement Proposal is based, in principle, on the PA-NJ-MD Interconnection's proposal for installed capacity as approved by Commission Order. If this proposal is adopted in NY, specific implementing details will need to be drafted by the parties. The Proposal resolves 2 concerns with NYPP member's installed capacity, as identified in the Commission's January 27, 1999 Order.

- The NYPP's proposal tends to overstate the capacity value of classes of generating units with low availability when compared to other generator classes that have better availability ratings. IPPNY's proposal treats all generation equally by allowing each generator to sell capacity based solely upon each generator's capability derated for historic full and partial forced outages and not on a generator's relative performance within a given class of generators.
- The NYPP's proposal has the potential to impose installed capacity requirements on load serving entities (LSE) greater than LSEs actually need to impose maintain system reliability. IPPNY's Settlement Proposal allows LSEs to be able to determine their installed capacity requirements in advance based upon the specific customers they serve. When customers switch LSEs, the capacity requirement will be transferred from the customers' old LSE to the new LSE at the time of switch. LSEs will not risk carrying capacity for customers they no longer serve and there is no potential that LSEs' capacity obligations will increase because their customers' contribution to peak load was higher than originally expected.
- **NEMA is technical comments on NYISO issues among members currently.**

New Jersey

- **South Jersey Gas – Docket No. GO99030125 – In the Matter of the Rate Unbundling Filings by Gas Public Utilities Pursuant to Section 10, Subsection a Of the Electric Discount and Energy Competition Act of 1999 and Docket Nos. GR97090649 et al. To Change the Level of its Gas Adjustment Clause, Temperature Adjustment Clause, the Level of its Demand Side Management Clause – PHASE II Unbundling. - April 30, 1999.** Testimony of David Kindlick, Senior VP, Finance and Rates, and David Heintz on Behalf of South Jersey, have been filed in this proceeding. *Testimony will soon be available on the NEMA site.*

Electricity Law Developments

- **Prepared for ELCON and AISI – May 3, 1999. Summarizes recent developments in proceedings that ELCON and AISI have been active and other matters of interest to Industrial Consumers.** This is a very interesting summary on what is of interest to Industrial Consumers that may also be of interest to NEMA members. Most significant developments since a report in April are:

- Industrial Consumers file Motion to Intervene in FirstEnergy Transco Proceeding.
- Entergy seeks Declaratory Order on Transco Governance Structure – Industrial Consumers prepare Motion to Intervene.
- Pete Mehra submits Testimony on behalf of Industrial Consumers in the AEP/CSW Merger Proceeding.
- ELCON joins Petition to SEC claiming AEP/CSW Merger Violates PUHCA.
- FERC Initiates CBM Inquiry (see May 4 update)
- FTC Outlines Public Workshop on Market Power in U.S. Electric Industry..

MISC

- **Georgia’s Natural Gas Deregulation is called “National Model” – May 6, 1999 – by a study from Atlanta-based Energy Market Solutions.** The speed of Georgia’s deregulation is setting a new precedent in utility deregulation and marketers’ strategies. In Georgia, over 50% of natural gas customers have switched in only 6 months of competition. The study explains why and how deregulation occurred and how the GA deregulation process works; strategies, tactics and pricing schemes of key players; detailed profiles of players, quitters and influencers; and lessons learned. Topics include the effect of “anti cherry-picking” rules and their dramatic effect on “interruptible” gas pricing strategies, the importance of understanding the long-term implications of the “rules of the game,” and the impact of non-energy related competitors, such as Amway, entering a traditional utility game. This study is Phase One and Phase Two will quantitatively survey both residential and commercial customers’ switching characteristics, perceived performance and satisfaction ratings of the gas marketers and AGL. Phase Two will also identify interest in new services/products from gas marketers, and perception of deregulation as a whole.

