



Regulatory Update May 14, 1999

FERC

- **Commission Issues RTO NOPR – Docket No. RM99-2-000 – May 12 1999.** The Commission policy expressed in the NOPR: 1) does not include a mandate that transmission-owning utilities develop or join an RTO; 2) does not support a specific format for RTOs; and 3) does not set geographic or size boundaries for RTOs. The NOPR does set certain minimum requirements that an RTO must conform to: a) independence; b) regional scope and configuration; and c) effective operational control of transmission within operating region; and d) exclusive operational authority for maintaining short-term reliability. The NOPR also set no limits on what forms of transmission pricing models an RTO may propose. Comments are due on the NOPR by **August 16, 1999** and reply comments are due by **September 15, 1999**. *Copies of the Order will be on the NEMA site shortly.*
- **New England Power Pool - Docket Nos. OA97-237-000, et al., - May 7, 1999.** FERC Trial Staff submitted comments supporting NEPOOL's April 7, 1999 Comprehensive Settlement Agreement. Vermont Dept. of Public Service also filed comments, but seeks no position, but clarification on two aspects of the Agreement. NEPOOL Executive Committee also filed comments stating that Great Bay Power Company, the only entity filing comments opposing the settlement, should be severed from the settlement, and that the Agreement be certified and approved as an uncontested offer of settlement as to the parties which support it.
- **Central Hudson Gas & Electric Corp. et al., Docket Nos. ER97-1523-000 et al. May 7, 1999.** State of NY, Dept. of Public Service's filed its proposed settlement on the issue of "whether and to what extent the formula methodologies for computing transmission charges should be revisited in the future." The issue will be resolved by a Stipulation and Agreement under which the NY ISO agrees to file at the FERC an evaluation of the operation of the formula after 15 months of operation.

Michigan

- **Electric Supplier Licensing Program Proceeding – PSC Case No. U-11915 - May 10, 1999.** PSC consideration of a Staff proposal to implement a simplified licensing program for electric marketers in lieu of obtaining Michigan “Act 69” certificates of public convenience and necessity, has received rebuttal testimony only from Nordic Electric as of May 7, 1999. Rebuttal testimony was due by close of business on May 6, 1999.

Nordic believes the main impediment for marketers doing business is not Act 69 but rather the process in obtaining local franchises (Nordic already has its Act 69 Certificate). Nordic would like Commission rules with respect to supplier licensing to preempt and supersede the wide variety of local processes and local requirements involved with the 155 communities in which Nordic has either obtained or is trying to obtain a franchise. Nordic points to the green power requirement which Ann Arbor imposes on Nordic but not on utilities, as well as required contributions to low income funds, as examples of disparate local requirements making it administratively difficult and expensive to comply and monitor. Hearings are scheduled to begin **May 17**. Initial and reply briefs are due **June 7 and June 30**, respectively.

- **Electric Choice Lottery begins for Detroit Edison – May 10, 1999.** Seven large customers that together use 110 MW, who were selected from 38 eligible in a lottery, will be the first to choose a new supplier. These customers are expected to begin receiving electricity by June 1, in time to meet the peak summer demand period for electricity. The next phase of the program will be in September, when another 225 MW are opened to competition. All classes will be eligible to participate in September, as well as each of the 4 additional phase-in steps before full open access by January 1, 2002.

Delaware

- **Conectiv to unveil major restructuring plans – May 11, 1999.** To cut costs and generate capital the proposal includes shedding some major assets, buying back stock and cutting its dividend. The company wants to become the premier mid-Atlantic supplier of several household services, including telephone service, alongside natural gas and electricity.

New Jersey

- **Order Adopting Interim Stipulation Phase 1 – PSE&G Implementation of a Gas Residential Transportation Program – Docket No. GT98050259.** The Company’s experimental pilot SelectGas program for approximately 65,000 residential customers, May 1, 1997 inception, has no third-party suppliers

participating and no residential customers have switched to transportation services. Under the Interim Stipulation dated December 22, 1998 the existing pilot program will be subsumed into the Interim Phase I Residential Gas Transportation Program as modified. The Company shall initiate a sign-up of up to 300,000 residential gas customers for gas transportation on a first-come, first-served basis, within 60 days after the issuance of a Board Order in the Energy Master Plan Phase II Proceeding to investigate the future of the Electric Power Industry as it pertains to the company. The Phase I Residential Gas Program shall remain in effect on an interim basis pending the Phase II Residential Gas Transportation Program and/or other further proceedings and subject to further Board Orders. Several modifications of the SelectGas Pilot Program have also been incorporated into the Phase I Program.

Ohio

- **Substitute Electric Bill submitted to Legislature – May 12, 1999.** The PUCO would be given significant control over the collection of transition costs. The level would include both the revenue each utility will receive as well as the length of time the revenue would be collected. The start of competition remains January 1, 2001. A mandatory 5% cut in residential rates is also contained in the bill. The Ohio Electric Institute said the bill “punts” on key decisions, effectively prolonging financial uncertainty.

New York

- **NYISO Filings – April 30, 1999.** The following 6 volumes are soon to be available on the NEMA site:
 1. Filing Summary (Vol. 1)– 111 pages.
 2. ISO Open Access Transmission Tariff (Vol. 2) – 344 pages.
 3. ISO Services Tariff Article 1 (Vol. 3)– 230 pages.
 4. ISO Agreement (Vol. 4) – 192 pages.
 5. ISO Open Access Transmission Tariff (Vol. 5) Redlined version – 269 pages.
 6. ISO Agreement (Vol. 6) Redlined version – 195 pages.
 7. ISO Process for Mediating Governance Proposal – 1 page
- **NY Reliability Council Executive Committee Meeting – May 10, 1999.** Draft Minutes of the meeting were circulated on May 11, 1999. Key points of discussion included: 1) Orientation and discussion about the nature of compliance monitoring for the NYISO, as it relates to the Reliability Council, NPCC and NERC. It was decided that the Council should take an active role in developing the templates that the ISO will use for compliance reporting; 2) Organizational Issues – 2 options were explored: a Not for Profit Corporation or a Limited Liability Corporation; 3) Election of Officers; 4) Subcommittees;

5) Bylaws; 6) Insurance Requirements; 7) Legal Counsel; 8) Staffing Issues; 9) Plan for Adopting Reliability Rules and for Compliance Monitoring; 10) Budget Issues; and 11) Meeting Schedule. Next meeting is **June 16, 1999** in NY City.

Texas

- **House Committee Approves Electric Deregulation – May 12, 1999.** The bill now goes to the full House for consideration. Until January 1, 2002, when markets open, electricity prices would be frozen. The bill allows utilities to sell ratepayer-backed bonds estimated between \$5 to \$10 billion to pay off nuclear plants. Fate of the bill must be decided by May 31, 1999 when the current legislation ends. Because of changes proposed in the House bill, if approved, must go back to the Senate to approve it again.

Louisiana

- **Commission Delays Determination of Electric Restructuring – April 13, 1999.** Restructuring will be delayed until at least January 1, 2001. The Commission ordered Staff to hire outside consultants, establish technical committees and merge stranded cost dockets in a sub-docket captioned Analysis of Competitive Implications. The Commission also directed staff to research the possible implementation of a pilot program and ordered utilities to unbundle customer bills by January 1, 2001.
- **Analysis of Competitive Implications –Consolidated Docket Nos. U-21453, U-20925, U-22092 (Subdocket A) – April 28, 1999.** The Commission voted to establish a procedural schedule in this proceeding. Starting May 17, 1999, Parties shall file proposed consumer education rules that will address retail open access education issues, with a technical conference to be initiated by the Commission Staff, outside consultants and counsel within 60 days of the filing to develop a statewide education plan. By August 1, 2000, Commission Staff, outside consultants and counsel shall initiate technical conferences to develop mechanisms for the transition to competition.

MISC

- **GPU's Top Executive Says Few NJ customers will switch – May 8, 1999.** Fred Hafer said based on the company's experience in Pennsylvania, where customer choice began last year, that there isn't a big demand among residential customers. With the 5% rate cut effective August 1 and generation making up less than half a residential customers bill, it may not be enough incentive, according to Hafer. For large commercial customers however, even small reductions are worthwhile.

