



Regulatory Update

May 4, 1999

Announcements

1. FERC rejected the NYISO governance proposal. Steve Wemple from Con-Ed Solutions and Hans Mertens from Williams are representing NEMA interests on the ISO Transition team. The next conference call for Retail ESCO will take place on May 5, 1999 and minutes will be posted on the NEMA web site
2. The NEMA conference and many of its presenters received very favorable reviews by attendees and the press.
3. The next NEMA Meeting will be held on July 15 and 16, 1999 in Chicago. Details will be forthcoming.
4. Meetings and conference calls are upcoming on Operational Standards to Implement Retail Competition (Houston 5-12), NEMA's Southeast advocacy efforts (Jackson, MS-5-12), Interventions in Michigan, New York (NYISO Conference call 5-6), New Jersey and proposed legislation in Ohio.
5. The NEMA website is in the process of being upgraded for easier remote uploading by its members. Members are encouraged to use the site as a resource and working deregulation library. Several levels of security are available on the site to ensure member only access for designated materials.
6. Tariff leave changes in several jurisdictions have been issued and will be uploaded to the site shortly.

FERC

- **Capacity Benefit Margin (CBM) - Docket No. EL99-46 – April 23, 1999.** Computing available transmission capacity. The Transmission Access Policy Study Group submitted its comments on CBM, stating that CBM as currently implemented does not serve its ostensible purpose, and may well reduce reliability.
- **Regulation of Short-Term Natural Gas Transportation Services & Regulation of Interstate Natural Gas Transportation Services – RM98-10**

and RM98-12 – April 23, 1999. Approximately 3,500 pages of comments were released in this proceeding. NEMA comments are on the web site

- **FERC ruled to accept and enforce transmission reliability standards developed by the Western Systems Coordinating Council (WSCC) – April 15, 1999.** One of 10 regional councils that make up the North American Electric Reliability Council (NERC). The standards will be used to govern the 107 utilities in 14 western states that are part of the WSCC. Utility compliance with standards and procedures is voluntary, and some industry officials believe that is the cause of last summer's power shortages. This is the first time FERC has approved transmission standards developed by a branch of NERC, and agreed to monitor them. FERC Chairman James Hoecker indicated that FERC agreed to pass the WSCC standards because reliability is an important focus of FERC.
- **NEPOOL – Docket Nos. OA97-237-000, ER97-1079-000, ER97-2574-000, OA97-608-000, ER97-4421-000 and ER98-499-000 – April 7, 1999. Comprehensive Agreement Resolving All Issues Raised in this Proceeding Except for One Issue Raised by Great Bay Power Company.** This comprehensive agreement would fully and finally resolve all issues raised in this proceeding between and among the signatories to the agreement and the Staff, except for the one issue raised by the Great Bay Power Co. which may be referred to the Honorable Lawrence J. Brenner for resolution through an Initial Decision subject to further Commission review and action.

Federal

- **NERC Vice President feels Federal Legislation is needed to protect the reliability of the nation's electric power grid – April 22, 1999.** David Nevius testified before the House Subcommittee on Energy and Power. The current voluntary system for setting and encouraging compliance with industry reliability standards for the transmission system is not sustainable in today's increasingly competitive electric marketplace according to Nevius. NERC has developed an alternative model that closely follows the one used by the Securities and Exchange Commission in its oversight of the securities industry.
- **Administration's Comprehensive Electricity Competition Plan – April 15, 1999.** The following documents were released by the Administration. *These are all in .pdf format and will be uploaded to the NEMA site*
 - The Actual Bill – 116 pages
 - Section-by-Section Analysis of the Bill – 10 pages
 - Comprehensive Electricity Competition Plan – 52 pages
 - Need for Federal Action Fact Sheet – 2 pages
 - Benefits of the Proposal – 3 pages

Maryland

- **Regulators Suspend Allegheny Energy Schedule – April 22, 1999.** The procedural schedule for Potomac Edison Co's restructuring has been suspended to allow a settlement agreement between the parties participating in the negotiations. The parties are currently in the process of finalizing the agreement for presentation to the commission.
- **SMECO- Southern Maryland Electric Cooperative – had filed a request to the Commission for approvals pertaining to specific stranded costs. April 16, 1999.** The Commission has not yet acted on that request. SMECO revises and renews its request asking that the Commission establish a SMECO-specific adjudicative proceeding for stranded cost quantification, recovery mechanisms and unbundled rates. The proposed initial SMECO filing is September 1, 1999 for an order by May 9, 2000.

Pennsylvania

- **Commission Issued ORDER– Docket No. M-00991226 – Electric Distribution Company Renewable Energy Pilot Programs.** The order establishes a collaborative process to implement the pilot renewable energy programs approved by the Commission in several of the joint petitions for settlement stemming from the restructuring plans filed under the Electric Generation Customer Choice and Competition Act. The Commission has directed that the affected distribution companies, interested joint petitioners and appropriate community based organizations and Weatherization Task Force Provider members meet and produce a refined set of goals and objectives for the renewable energy programs. The Commission will provide a facilitator to assist in the process and report to the Commission on the process and submit the proposed set of goals and objectives for approval by May 28, 1999.

New Jersey

- **BPU approves PSE&G electric deregulation rules – April 22, 1999.** According to BPU President Herb Tate marketers will have sufficient flexibility to undercut PSE&G prices. The plan closely matched the PSE&G proposal submitted last month and rejected most parts of the counter proposal offered by the Ratepayer Advocate. Shopping credits for residential were initially set at 5.71 cents per kWh, 5.86 from 2000 to 2003. Commercial and Industrial get from 4.12 to 5.44 with average reaching 5.10 by 2002. PSE&G settled for a stranded cost amount of \$2.94 billion in stranded costs, down from \$3.07 billion they proposed. August 1, 1999 starts the 5% initial rate cut for all 2 million customers.

- **BPU Schedules GPU ruling for May 12, 1999.** The proposed settlement allows the proceeds from the sale of its generating stations to reduce stranded costs and will eliminate generation-related stranded costs other than for the Oyster Creek nuclear power plant. The company said the settlement provides for full recovery of the above-market costs of contracts from non-utility generators and protection against unanticipated market fluctuations in what GPU will have to pay for electricity to those who do not choose to purchase from an unregulated supplier.

Virginia

- **In the Matter of Establishing Interim Rules for Retail (gas and electric) Access Pilot Programs - Case No. PUE980812 - April 26, 1999.** Several reply comments in this proceeding have been filed. *All these and additional comments will soon be uploaded to the NEMA site.*

Ohio

- **Draft White Paper – Implications of Proposed Ohio Electric and Restructuring Legislation for Power Marketers and Generators – Arter & Haden – April 26, 1999.** Imminent legislation in Ohio coupled with supply shortages offer electric generators and marketers an unprecedented opportunity to participate in, and benefit from, the restructuring of Ohio’s \$10.3 billion per year electric industry, according to the authors. Legislation is targeted for passage in June. A draft was released in March 1999. No representatives from generators or marketers were present in the draft legislative sessions. Public hearings are expected to commence by June with Commission proceedings to commence immediately after passage and must be concluded by October 31, 2000 for a start up date of January 1, 2001. *White Paper will soon be available on the NEMA site.*

Oregon

- **Senate Passes Legislation for Electric Deregulation – April 26, 1999.** The bill is supported by a broad coalition of business and consumer groups, but PacifiCorp opposes the legislation. They are concerned about the 3% tax for energy conservation and other public purpose programs that may fall on residential customers. Portland General Electric – Enron unit, supports the bill. The publicly owned utilities also support it as they have the ability to opt out of the deregulation plan. Large customers will be given the opportunity to shop on October 1, 2001 and residential customers will be able to select from regulated rates, “green” power, or market based rates.

Nevada

- **The Senate Committee on Commerce and Labor voted to amend SB 438, Nevada's electricity deregulation plan. – April 23, 1999.** The changes include establishing March 1, 2000, as the start date for retail competition. The original law did not include a specific date for competition. The amendments provide for a three-year rate freeze for Nevada Power Company and Sierra Pacific Power Company. The amendments also allow utilities to use their names and logos for independent marketing affiliates, a practice that has been banned by the Public Utilities Commission because of claims that it gave an unfair advantage to incumbent utilities. The auction date for default customers has been pushed back from March 1, 2000, to July 2001. Under the amendments, utilities are required to make a "best effort" to renegotiate deals with qualifying facilities to bring them in-line with open market prices, but a guarantee clause is established for full cost recovery if renegotiation of these contracts is unsuccessful. The full Senate approved the bill this week and it will now be sent to the House for consideration.

MISC

- **Rhode Island Electric Consumers Slow to Switch – April 27, 1999.** Approximately 1,800 out of 456,000 customers have switched suppliers according to reports release by the 3 electric utilities: Narragansett Electric, Blackstone Valley Electric and Newport Electric. Over 1,300 have switched in the last 3 months though. Sunshine Energy (FP&L subsidiary) has signed the majority of these by offering an 8% discount and a \$25 signing bonus. Sunshine has stated that they have reached their target number of customers to assess their situation. Select Energy (Northeast Utilities) has signed contracts with 3 large customer aggregation groups.

