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March 16, 2001

Honorable Janet Hand Deixler
Secretary
State of New York Public Service Commission
Three Empire Plaza
Albany, NY 12223

**RE: Case 96-E-0891 - In the Matter of New York State Electric
& Gas Corporation's Plans for Electric Rate/Restructuring
Pursuant to Opinion No. 96-12**

Dear Secretary Deixler:

The National Energy Marketers Association (NEM) hereby files this letter regarding the proposed Electric Price Protection Plan filed by NYSEG on March 14, 2001, in the above-referenced proceeding. NEM strongly urges the Commission to reject the Proposal as filed and to immediately institute a "bottoms up" unbundling of the NYSEG system.

Under the rhetorical guise of offering a plan to provide protection to consumers from volatile prices, NYSEG unilaterally proposes to preempt and/or reverse years of Commission time and precedent relating to the competitive restructuring of New York utilities. The Proposal as filed is an outrageous attempt to circumvent multiple Commission Orders and precedent on issues including properly structured back-out credits, the Provider of Last Resort function, the utilities exit of the merchant function, competitive provision of billing and metering, and uniform business practices.¹

However, in keeping with NYSEG's purported "wholistic" approach, the Proposal offers the Commission the perfect opportunity to institute the first "bottoms up" approach to restructuring for a utility in the State of New York with very limited downside risk. NEM submits that it is virtually impossible to construct a successful retail access program without a complete "bottom's up" approach to restructuring NYSEG's operations. The Commission should start with a zero rate

¹ The issue of back-out credits was addressed in the instant case. Restructuring issues have been and are being considered in additional proceedings such as Case 00-M-0504 - Proceeding on Motion of the Commission Regarding Provider of Last Resort Responsibilities, the Role of Utilities in Competitive Energy Markets, and Fostering the Development of Retail Competitive Opportunities; Case 99-M-0631 - In the Matter of Customer Billing Arrangements; and Cases 00-E-0165 and 94-E-0952 - In the Matter of Competitive Metering; In the Matter of Competitive Opportunities Regarding Electric Service; Case 98-M-1343 - In the Matter of Uniform Business Rules.

base and look at each cost that is reasonable for a "wires only" distribution service company and then subtract that number from NYSEG's current fully bundled sales rate to quantify the proper "shopping credit" that all NYSEG ratepayers will be entitled to receive.² Failure to provide consumers shopping credits computed in this fashion deprives consumers of millions of dollars per year in credits to shop for alternate supplies and related services at a moment in time when these credits may be needed the most.

Accordingly, NEM urges the Commission to reject the Plan and to use NYSEG's initiative to require NYSEG to submit a detailed cost-based justification for all transmission and distribution functions that can only be provided by a natural monopoly. Additionally, NEM urges the Commission to require NYSEG to immediately file a complete breakdown of all costs that comprise its current bundled rates.

Respectfully submitted,

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Enclosure

cc: All Active Parties
Chairman Maureen Helmer

² NEM asserts that should the Commission choose to address issues relating to competitive fixed price options or competitive POLR providers, a "bottoms up" proceeding would permit the issues to be addressed and resolved as well.