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WILLIAM M. NUGENT
STEPHEN L. DIAMOND
COMMISSIONERS

January 11, 1999

Hon. Richard Carey, Senate Chair
Hon. Thomas Davidson, House Chair
115 State House Station
Augusta, ME 04333

Dear Senator Carey and Representative Davidson:

Enclosed please find the Commission's second annual report on its electric industry restructuring activities. As the report indicates, the past year has been a very busy and productive time for the Commission and interested parties.

The Commission looks forward to working with the Utilities & Energy Committee on this and other issues as the session progresses. If you have any questions regarding the report or any other utility issue, please contact the Commission.

Sincerely,

Thomas L. Welch
Chairman

William M. Nugent
Commissioner

Stephen L. Diamond
Commissioner



PRINTED ON RECYCLED PAPER

**Report on the Implementation of P.L. 1997, Ch. 316
"An Act to Restructure the State's Electric Industry"**

The following is an outline of the Commission's electric restructuring activities in the past year. A synopsis of restructuring activities in other states is included in Appendix A.

I. RULEMAKINGS

A. Finally Adopted Rules. The following rules have been finally adopted and are currently in effect.

**Chapter 301 -- Bidding Processes and Conditions for Standard Offer
Electric Service**

The Electric Restructuring Act requires the Commission to ensure the provision of standard offer electric service for consumers who do not select a competitive electricity provider. Chapter 301 establishes the conditions of service for standard offer electric service and describes the bidding process to be used to select standard offer providers. Chapter 301 is a major substantive rule and was presented to the Utilities & Energy Committee for review in the past session. The Rule was subsequently approved by Resolves 1997, ch. 100. The Commission finally adopted the Rule on April 22, 1998, with the single change required by the Resolve.

Chapter 302-- Consumer Education Program

The Electric Restructuring Act requires the Commission to establish a program to educate electricity consumers about electric restructuring. Chapter 302 created the consumer education program with a 4-year budget of \$1,600,000. Chapter 302 is a major substantive rule and was presented to the Utilities & Energy Committee for review in the past session. The Rule was subsequently approved by Resolves 1997, ch. 99. The Commission finally adopted the Rule on April 22, 1998, with the minor changes required by the Resolve.

Central Maine Power Company (CMP) has appealed the Rule's provisions mandating Commission review of transmission and distribution utility educational materials. CMP alleges that the review unconstitutionally restricts CMP's First Amendment right to free speech. That appeal has been briefed and argued and is awaiting the decision of the Law Court.

Chapter 303 -- Utility Employee Transition Benefits

The Electric Restructuring Act requires utilities to offer certain transition benefits to employees displaced by the move to a restructured electric industry. Chapter 303 establishes the procedures to be followed to determine whether an employee is eligible for transition benefits, the standards by which the Commission reviews a utility's employee benefits transition plan, and the regulatory treatment of the employee transition benefit costs. The Rule was finally adopted on July 1, 1998.

Chapter 309 -- Bill Unbundling and Illustrative Bills

As provided by the Electric Restructuring Act, Chapter 309 requires electric utilities to separate charges for electric generation service from charges for electric transmission and distribution service on consumers' bills after January 1, 1999 until the advent of electric restructuring. This requirement is intended to help prepare consumers for the separation of these services, beginning on March 1, 2000. The Rule was finally adopted on April 28, 1998.

Chapter 312 -- Voluntary Renewable Resource Research and Development Fund

As required by the Electric Restructuring Act, Chapter 312 establishes a program allowing retail electricity consumers to make voluntary contributions to fund renewable resource research and development. The Rule was finally adopted on December 10, 1998.

Chapter 313 -- Customer Net Energy Billing

Net energy billing is the process by which an electricity consumer who also generates electrical energy is billed and credited for his net use of energy. Chapter 313 establishes the requirements for net energy billing after the introduction of retail competition. The Rule was finally adopted on December 10, 1998.

Chapter 321 -- Load Obligation and Settlement Calculations for Competitive Providers of Electricity

Chapter 321 establishes requirements governing the calculation of hourly and monthly loads by transmission and distribution utilities for competitive electricity providers operating in Maine, for purposes of determining their retail load obligations within bulk power systems operating in their region. The Rule was finally adopted on October 13, 1998.

Chapter 360 -- Qualifying Facility Rates, Terms and Conditions in Restructured Electric Industry

Chapter 360 establishes the principles and procedures used by the Commission in setting rates for an electric utility's or transmission and distribution utility's purchases of electricity from small power production facilities and cogenerators. The Rule was finally adopted on March 10, 1998.

B. Provisionally-Adopted Rules. The following major substantive rules have been provisionally adopted and require legislative review and approval before taking effect.

Chapter 301 -- Amendment to Standard Offer Service

Chapter 301 regulates the provision of standard offer electric service after the initiation of electric restructuring. The amendments reflect two recent statutory changes and (1) delay the Commission's selection of standard offer providers and (2) provide a consumer-owned utility the option of performing its own bid process to select standard offer providers for its own service territory.

Chapter 304 -- Standards of Conduct for Transmission and Distribution Utilities and Affiliated Competitive Electricity Providers

Although the Electric Restructuring Act permitted incumbent electric utilities to market power after restructuring, the Act placed certain restrictions upon the incumbents and required that the marketing efforts be placed in a separate affiliate of the transmission and distribution utility. The Act established certain standards of conduct governing the relationship between a transmission and distribution utility and its affiliated competitive marketer and required the Commission to adopt rules further defining that relationship.

Chapter 304 establishes the standards of conduct governing the relationship between an investor-owned transmission and distribution utility and an affiliated competitive electricity provider; provides a method of tracking the retail sales made by an affiliated competitive provider within the service territory of its affiliated transmission and distribution utility; and requires that consumer-owned transmission and distribution utilities notify the Commission of certain wholesale generation sales.

Chapter 311 -- Renewable Resource Portfolio Requirement

Chapter 311 establishes requirements and standards for implementing the renewable resource portfolio requirement found at 35-A M.R.S.A. § 3210; each competitive electricity provider is required to supply at least 30% of its retail sales in Maine from renewable resources (as defined in § 3210).

C. Pending Rulemaking Proceedings. The following rulemaking proceedings are currently pending before the Commission.

Chapter 305 -- Licensing Requirements, Enforcement and Consumer Protection Provisions for Competitive Electric Providers

The Electric Restructuring Act requires the Commission to adopt rules governing the licensing requirements for competitive electricity providers and establishing consumer protection guidelines. These rules are routine technical rules. The Commission has initiated a rulemaking proceeding on this subject. A proposed rule was issued, comments on the proposed rule were received and the Commission is currently in the process of drafting the final rule. The rules should be finally adopted soon.

Chapter 306 -- Uniform Information Disclosure and Informational Filing Requirements

The Electric Restructuring Act requires the Commission to adopt major substantive rules governing the information required to be disclosed to consumers and the filing requirements for competitive electricity providers. These information requirements include a uniform disclosure label containing price, resource mix and emissions data. The rule must be provisionally adopted by March 1, 1999. The Commission has initiated a rulemaking proceeding on this subject. A proposed rule was issued, comments received, and the Commission is presently drafting the provisional rule. Upon adoption, the rule will be presented to the Utilities & Energy Committee for review in the upcoming session.

Chapter 307 -- Sale of Capacity and Energy of Undivested Generation Assets; Extension of Divestiture Deadline

The Electric Restructuring Act requires the Commission to adopt major substantive rules requiring each investor-owned electric utility to sell its rights to any electric capacity and energy that it retains after March 1, 2000 and that is not needed for its operation as a transmission and distribution utility. The rule must be provisionally adopted by March 1, 1999. The Commission has initiated a rulemaking proceeding on this subject. A proposed rule was issued, comments received, and the Commission is presently drafting the provisional rule. Upon adoption, the rule will be presented to the Utilities & Energy Committee for review in the upcoming session.

Chapter 322 -- Metering, Billing, Collections, and Enrollment Interactions among Transmission and Distribution Utilities and Competitive Electricity Providers

Although these rules are not required by the Electric Restructuring Act, they are necessary to bridge the period between March 1, 2000 and the start of billing and metering competition. The rules will establish how transmission and distribution utilities and competitive electricity providers will meter their customers' usage, issue bills and enroll customers. Chapter 322 is a routine technical rule. A proposed rule was issued and comments have been received. The Commission is presently drafting the final rule.

Chapter 380 -- Energy Conservation Programs by Electric Transmission and Distribution Utilities

35-A M.R.S.A. § 3211 requires the Commission to adopt major substantive rules requiring transmission and distribution utilities to implement energy conservation programs. The rules must be provisionally adopted by July 1, 1999. The Commission has initiated a rulemaking proceeding on this subject. A proposed rule was issued, comments on the proposed rule were received and the Commission is currently in the process of drafting a provisional rule. The rule should be provisionally adopted soon and will be presented to the Utilities & Energy Committee for review in the upcoming session.

II. ADJUDICATORY PROCEEDINGS; INVESTIGATIONS

The following list briefly describes the major Commission restructuring-related cases considered in 1998; it is not exhaustive.

Docket No. 97-930 -- Central Maine Power Company Application for Approval of Reorganizations under Section 708, of Transactions with Affiliated Interests under Section 707, and of Transfer of Assets

CMP requested approval to form a holding company over various subsidiaries, including CMP's transmission and distribution utility and MainePower, CMP's affiliated competitive electricity provider. After extensive review, the Commission approved CMP's request.

Docket No. 98-050 -- Central Maine Power Company Request for Approval of Employee Benefits Plan

Pursuant to 35-A M.R.S.A. § 3216, CMP filed its employee transition benefit plan for Commission review. The Commission determined that the CMP plan was in compliance with the statute.

Docket No. 98-522 -- Inquiry into Electronic Business Transaction Standards for the Exchange of Information in a Restructured Electric Industry

In this proceeding, the Commission has established a working group to explore methods of implementing a system of electronic business transactions (EBT). Such a system will be needed to permit transmission and distribution utilities to exchange information and conduct business electronically with competitive electricity providers. The working group has been meeting regularly and is expected to provide a report on its findings within the next few months. Depending upon the content of the group's findings, the Commission may seek additional legislative changes or propose new rules.

Docket No. 98-516 -- Request for Waiver from Contributing to the Consumer Education Funding Process

The Van Buren Light & Power District requested an exemption from its contribution to the Consumer Education Fund because of the possibility that retail access would be delayed in northern Maine. After discussions with the Commission Staff, the District withdrew its request.

Docket No. 98-537 -- Inquiry into Information Requirements for Providers of Standard Offer Electrical Service

On August 18, 1997, the Commission opened an inquiry to determine the information that standard offer service bidders will need to participate in the Maine market. The inquiry is continuing and a report is expected to be issued in January, 1999.

Docket No. 98-585 -- Maine Public Service Request for Approval of Employee Benefits Plan

Pursuant to 35-A M.R.S.A. § 3216 and Chapter 303 of the Commission's Rules, MPS filed its employee transition benefit plan for Commission review. The Commission determined that the MPS plan was in compliance with the statute and rule.

Docket No. 98-671 -- Request for Exemption from Requirements Pursuant to 35-A M.R.S.A. § 3504

35-A M.R.S.A. § 3504 permits the Commission to exempt a consumer-owned utility with no more than 150 customers from all of the provisions of Title 35-A except for ratesetting purposes. The Isle au Haut Electric Power Company, a consumer-owned utility serving 98 customers on Isle-au-Haut island, has

requested an exemption pursuant to § 3504. The case is presently pending before the Commission.

Docket No. 98-688 -- Inquiry into the Provision of Competitive Billing and Metering Services

35-A M.R.S.A. § 3202(4) requires the Commission to adopt major substantive rules implementing competitive billing and metering for electric service.

Competition must start by March 1, 2002, but the Commission may select an earlier start date. The rules must be provisionally adopted by March 1, 1999.

The Commission opened an inquiry to investigate issues surrounding competitive billing and metering for electric service. As a result of that inquiry, the Commission will be seeking Legislative approval to delay the adoption of billing and metering competition rules to permit additional investigation and analysis of the issues.

Docket No. 98-696 -- Central Maine Power Company, Application for Approval of Amendments to Services Agreements

CMP requested permission to have employees of MainePower (its affiliated competitive electricity provider), perform certain generation-related work for CMP before March 1, 2000. CMP may withdraw its request because it has announced that it has abandoned its marketing efforts.

Docket No. 98-700 -- Bangor Hydro-Electric Company Request for Approval of Employee Transition Plan

Pursuant to 35-A M.R.S.A. § 3216 and Chapter 303 of the Commission's Rules, BHE filed its employee transition benefit plan for Commission review. The Commission has reviewed the plan but is seeking additional comments from the parties. Among the issues in dispute is whether a BHE employee who is "laid off," but then is immediately hired back for the same position by the purchaser of BHE's generation assets may qualify for transition benefits under the statute.

Docket No. 98-713 -- Request for Exemption from the Requirements of 35-A M.R.S.A. (with the Exception of Sections 3502 and 3503)

35-A M.R.S.A. § 3504 permits the Commission to exempt a consumer-owned utility with no more than 150 customers from all of the provisions of Title 35-A except for ratesetting purposes. Matinicus Plantation Electric Company, a consumer-owned utility serving 96 customers on Matinicus island, has requested an exemption pursuant to § 3504. The case is presently pending before the Commission.

Docket No. 98-759 -- Request for Approval of Affiliated Interest Transaction with Energy Atlantic, LLC

On September 29, 1998, MPS requested Commission approval to transfer its contract to provide wholesale electric service to the Houlton Water Company to its affiliated competitive electricity provider, Energy Atlantic. This request is pending before the Commission.

Docket No. 98-761 -- Request for Advisory Ruling RE: Electric Utility Status of Wyman 4 Minority Owners

The Wyman 4 generating facility is owned by several utilities, including several foreign (out-of-state) utilities. These foreign utilities asked the Commission for an advisory ruling on whether they would lose their current exemption from regulation in Maine after CMP divested its interest in the plant. The Commission determined that the foreign utilities would be exempt from regulation in Maine as long as they did not sell electricity at retail in the State.

Docket No. 98-781 -- Investigation of Standard Offer Rate Design

The Commission has initiated a formal investigation to consider changing the standard offer rule to provide greater flexibility to allow standard offer bidders to vary charges by customer class or within certain customer classes. Depending upon the outcome of this investigation, the Commission may seek additional legislative changes or seek legislative approval for additional rule changes.

Docket No. 98-858 -- Summary Investigation of Independent Energy Producers of Maine's Allegations into Central Maine Power Company's Possible Violation of 35-A M.R.S.A. § 3205(3)(J) and 5/1/98 Order in Docket No. 97-930

The Independent Energy Producers of Maine (IEPM) filed a complaint with the Commission alleging that CMP was violating certain restrictions imposed by the standards of conduct governing its relationship with MainePower, its affiliated competitive electricity provider. The IEPM questioned whether certain statements made by CMP violated the prohibition against disclosure to customers of the affiliate relationship between CMP and MainePower. Given CMP's recent announcement that it plans to discontinue its energy marketing operations, this complaint will probably be dismissed in the near future.

Docket No. 98-938 -- Revision to Terms and Conditions to Provide Basic Information to Competitive Electricity Providers and to Establish a Charge for Providing Nonstandard Data

CMP filed a revision to its Terms and Conditions to define the basic customer-specific information it will provide to competitive electricity providers free of charge and to establish a charge for other customer-specific information. The Commission has suspended the proposed revision and is soliciting comments on the proposal.

CMP Generation Asset Divestiture

Docket No. 97-523 -- Central Maine Power Company, Divestiture of Generation Assets

Docket No. 98-058 -- Divestiture of Generation Assets, Request for Approval of Sale of Generation Assets

CMP's generation asset divestiture plan was approved by the Commission in two phases in December, 1997 and January, 1998. CMP conducted its bidding process and selected FPL Energy Maine (a subsidiary of Florida Power & Light) as the winning bidder at a proposed sale price of approximately \$848 million. The Commission approved the proposed sale in December, 1998. FPL, however, has filed a lawsuit in Federal District Court in New York to void the sale contract. That suit is currently pending.

BHE Generation Asset Divestiture

Docket No. 98-114 -- Bangor Hydro-Electric Company, Divestiture of Generation Assets

Docket No. 98-820 -- Divestiture of Generation Assets, Request for Approval of Sale of Generation Assets

Bangor Hydro-Electric Company's (BHE) generation asset divestiture plan was approved by the Commission in June, 1998. BHE conducted its bidding process and selected Pennsylvania Power & Light Global (PPL Global) as the winning bidder at a proposed sale price of approximately \$89 million. Testimony is currently being taken in the proceedings to examine the proposed sale; a formal hearing is scheduled for mid-February, 1999.

MPS Generation Asset Divestiture

Docket No. 97-670 -- Maine Public Service Company, Divestiture of Generation Assets

Docket No. 98-584 -- Divestiture of Generation Assets, Request for Approval of Sale of Generation Assets

Maine Public Service Company's (MPS) generation asset divestiture plan was approved by the Commission in February, 1998. MPS conducted its bidding process and selected a subsidiary of Wisconsin Public Service Company as the winning bidder at a proposed sale price of approximately \$37.4 million. Testimony is currently being taken in the proceedings to examine the proposed sale; a formal hearing is scheduled for February 1, 1999.

Megacases

The Electric Restructuring Act requires the Commission to conduct separate proceedings for each electric utility to determine the utility's stranded costs, establish revenue requirements for the post-restructuring transmission and distribution utility and to establish a rate design for transmission and distribution rates. The Commission has combined these issues into single cases for each utility, referred to as "megacases." Pursuant to the Act, these cases must be completed by July 1, 1999. Major issues raised in these proceedings include the establishment of transmission and distribution rates; the allocation of costs between transmission and distribution services and other functions; the proper rate of return for transmission and distribution utilities; and the application of proceeds from the sale of generation assets to reduce stranded costs.

Docket No. 97-580 -- Investigation of Central Maine Power Company's Stranded Costs, Transmission and Distribution Utility Revenue Requirements and Rate Design

The Commission is nearing completion of a fully-litigated "megacase" for CMP. All of the evidence is in, the parties have briefed the issues and an Examiners' Report has been issued. Commission deliberations are currently scheduled for late January.

Docket No. 97-596 -- Investigation of Stranded Cost Recovery, Transmission and Distribution Utility Revenue Requirements and Rate Design, Bangor Hydro-Electric Company

Docket No. 98-577 -- Investigation of Stranded Costs, Transmission and Distribution Utility Revenue Requirements and Rate Design of Maine Public Service Company

The Commission is in the midst of fully-litigated "megacases" for BHE and MPS. Prefiled testimony is currently being accepted. These cases should be completed by the end of June.

In addition to the three proceedings described above, the Commission has opened an additional nine "megacases," one for each of the state's consumer-owned electric utilities.

III. STUDY REPORTS

Market Power Study

P.L. 1997, ch. 447, Part B required the Commission and the Department of the Attorney General to undertake a joint study of market power issues that may arise as a result of enactment of the Electric Restructuring Act. On December 1, 1998, the Commission and the Department submitted that study to the Utilities & Energy Committee.

Northern Maine Study

35-A M.R.S.A. § 3206 directed the Commission to conduct a study to determine the best way to ensure that consumers in portions of Maine not directly connected to the New England electric grid can take advantage of retail competition. On December 1, 1998, the Commission presented its study to the Utilities & Energy Committee.

Statutory Revisions

Section 11 of the Electric Restructuring Act required the Commission to "identify and submit to the joint standing committee having jurisdiction over utilities and energy matters legislation proposing amendments required to conform other statutes to the provisions of [the] Act." The Commission has provided a draft of that legislation to the Committee. The draft legislation attempts to make the provisions of Title 35-A consistent with the new terminology and substantive provisions of the Restructuring Act. It does not attempt to reorganize or recodify the Title; it merely updates the existing statutory provisions where necessary. Furthermore, the draft attempts to retain prior legislative policy where possible, adapting it to fit the new deregulated regime for electric generation service.

IV. MISCELLANEOUS

Power Marketer Registration

35-A M.R.S.A. § 3142 prohibits any entity from contracting to supply retail generation service to any consumer in the State unless that entity is registered

with the Commission. The following entities have registered with the Commission pursuant to § 3142.

MainePower*	Energy Sales Network, Inc.
Enron Power Marketing, Inc.	The Furst Group, Inc.
H.Q. Energy Services (US) Inc.	World Electric/NRG
WPS Energy Services	Energy Atlantic, LLC
New Millennium Energy	Engage Energy US, L.P.
Energy Options Consulting Group, LLC	

*MainePower was to be the competitive marketing affiliate of CMP. CMP recently announced, however, that it would not attempt to market electricity to retail customers.

Expenses of Affiliate Marketing

35-A M.R.S.A. § 3217(1) requires the Commission to provide an accounting of the Commission's actual and estimated future costs of implementing and enforcing the law governing the relationship between a transmission and distribution utility and an affiliated competitive electricity provider and the costs of transmission and distribution utilities in complying with those provisions.

35-A M.R.S.A. § 3205 establishes the standards of conduct and marketing restrictions applicable to investor-owned utilities that market electric energy through an affiliated competitive provider. In addition to these statutory provisions, Chapter 304 of the Commission's Rules expands upon these standards and implements § 3205. In estimating the costs of implementing § 3205, the Commission determined the number of work hours expended in preparing and adopting Chapter 304 and calculated the labor and overhead expense associated with that time to reach a very rough estimate of approximately \$21,000 (this figure includes a partial allocation of the cost of a consultant hired by the Commission to assist in the Chapter 304 rulemaking and the market power study). At this time, it is impossible to estimate the Commission's future costs of enforcing these standards. Those costs will vary with the number and complexity of complaints received and investigated by the Commission. CMP's recent decision to abandon its retail marketing affiliate certainly reduces the likelihood that these costs will be high. Finally, Chapter 304 requires annual audits to be conducted to determine compliance with the standards of conduct; it is unknown what these audits will cost.

The Commission asked MPS and CMP for estimates of their respective costs incurred in complying with the standards of conduct. MPS estimated that its first-year costs would be approximately \$28,000 with \$12,000 expended in each following year. CMP's estimates were \$101,420 in the first year and \$68,000

thereafter. As with the Commission, neither utility could estimate costs associated with potential enforcement actions.

Section 3217(1) also directs the Commission to assess the effect of imposing these compliance costs on ratepayers and the potential effects associated with imposing the costs on the shareholders of the respective transmission and distribution utilities. The rate effect of imposing these costs on ratepayers would not be substantial. As an example, if we assume that the total compliance costs, including litigation expenses associated with enforcement actions and audit expenses, were \$500,000 in one year, CMP's transmission and distribution rates would be increased by less than 1/10th of one percent, or less than ten cents for every \$100.00. (This very rough estimate assumes that approximately 1/3 of present rates are due to generation-related expenses which will not be included in transmission and distribution rates.) It is more difficult to estimate the effect of imposing these costs on utility shareholders. The utilities would be in a better position to assess the impact of such action.

Consumer Education Program

In compliance with the Electric Restructuring Act, the Commission initiated a consumer education program about electric restructuring in 1998. It is important that consumers are informed about restructuring to enable them to make wise purchasing decisions; informed consumers are important for development of an efficient market and the overall success of restructuring.

Consistent with the recommendations of a broad-based public advisory board that studied the issue in 1997 and of the Commission, the Legislature authorized program funding of \$1.6 million. In 1998, the Commission developed a rule that establishes program parameters.

Program goals are to: 1) increase consumer awareness of retail electric access and related issues; 2) facilitate informed consumer decision-making; and 3) provide an objective and credible source of information for consumers. The target audiences for the program are residential consumers -- including low-income consumers -- small commercial consumers, and municipal consumers.

In 1998, the Commission created a broad-based Consumer Education Advisory Panel to advise the Commission on program design and implementation. The Panel has representation from electric utilities, residential, small commercial, and municipal consumer groups, low-income consumers, the Legislature, and the Office of the Public Advocate. The Commission also selected a consumer education contractor, NL Partners, of Portland, through a competitive bidding process to assist the Commission with program development and implementation.

The Commission will conduct the education program in two phases, the first phase surrounding the introduction of itemized billing in January 1999, and the second phase leading up to and after initiation of choice in March 2000. The program will reach consumers through a variety of integrated techniques, including public service announcements and advertisements, outreach by community groups, a toll-free call answer center, and a homepage on the World Wide Web.

During 1998, the Commission held several consumer focus groups and conducted surveys to identify current levels of consumer understanding about restructuring and to determine what consumers want from an education program. The results of the residential, commercial, and municipal research will help the Commission design the program. The results of the survey confirmed the Commission's belief that consumer education is critical, and that current levels of consumer awareness are insufficient. The Commission found that, when asked whether the way consumers buy electricity will change in the future, 53% of residential consumers were either unaware of upcoming changes or said there would be no changes. Among municipal consumers, 22% were unaware of upcoming changes, and among commercial consumers, 7% were unaware of the changes or said there would be no changes. When asked how well informed they felt about the upcoming changes, 84% of residential consumers reported they were either not well informed or not at all informed. Among business consumers, 29% reported being inadequately informed, and among municipal consumers, 60% felt inadequately informed. These results have reinforced for the Commission the importance of its commitment to educating Maine consumers about electric restructuring.

Restructuring Act "Corrections"

As we did last year, the Commission has accumulated several suggested technical revisions to the Electric Restructuring Act. In the course of implementing the Act, it occasionally becomes apparent that certain refinements could be made to improve or clarify the Act. In the past session, the Utilities & Energy Committee included the Commission's suggested changes in its own committee bill on restructuring. (The Act authorizes the Committee to issue a committee bill on restructuring in the First and Second Regular Sessions of the 119th Legislature.) The Commission has tentatively identified the following "corrections" for consideration by the Utilities & Energy Committee.

1. Section 3204(3) -- Permit, rather than require, a transmission and distribution utility to move generation assets to an affiliate and apply codes of conduct when an extension to the divestiture deadline is granted.

2. Section 3212 -- Allow a transmission and distribution utility to provide service temporarily in the event standard offer bids are inadequate or unacceptable.
3. Section 3205(3) -- Provide more flexibility on the release of customer-specific information. For example, § 3205(3)(I) could be read to mean that the transmission and distribution utility cannot give usage data for billing purposes to a customer's competitive provider without prior written authorization.
4. Section 3210(2) -- Allow power that can be delivered to the Maritimes control area (not just NEPOOL) to qualify as "renewable" for purposes of applying the renewable resource portfolio requirement.
5. Section 3202(4) -- Delay the deadline for the provisional adoption of major substantive rules implementing competitive metering and billing for one year (until March 1, 2000).
6. "Monhegan" exception -- Exempt (or give the Commission the discretion to exempt) very small (less than 150 customers?) investor-owned electric utilities from some or all requirements of the Act.
7. Section 116 -- The deregulation of electric generation will reduce the amount of revenue generated by the Commission's assessment on electric utilities (the assessment will be based only on the transmission and distribution portion of electric bills). To correct for this, the rate of assessment on electric transmission and distribution utilities should be increased to retain the current proportional contributions by all regulated utilities (electric, telecommunications, natural gas) in funding the Commission.

The Commission continues to evaluate whether additional changes should be considered by the Committee and will notify the Committee if additional suggested changes are identified.

Regional Restructuring Issues

Section 3217(3) of the Restructuring Act requires the Commission to monitor events in the region pertaining to the development of an independent system operator, the management of competitive access to the regional transmission system, and the rights to negotiate potential contracts between buyers and sellers of electricity. The Commission actively pursued this obligation through a number of vehicles during 1998. One of the primary means of assuring competitive regional markets is to participate in, and work through the various operating and rules committees of NEPOOL.

Most utilities in New England belong to NEPOOL, which is referred to as a "tight power pool." This means that physically, the individual utilities' transmission and

generation facilities are operated as though they were a single system. This long standing arrangement originated as a means to improve system reliability; the NEPOOL Agreement provides the formal protocol and rules by which the utilities jointly operate. With the advent of competition at the retail level in many of the New England states and the introduction of new entities that are not traditional utilities, NEPOOL has had to rethink many of the long standing arrangements by which it formerly operated, and substantially revise many of its rules.

The Maine PUC has actively participated in the revision of rules in the NEPOOL reformation process, in the negotiation of the ~~regional transmission tariff~~, in the creation of the Independent System Operator of New England (ISO-NE), and in the negotiation of the ISO contract with NEPOOL. We have done this on our own, in concert with the Maine Attorney General, and in association with our fellow New England state regulators. The NEPOOL Agreement gains its formal authority through review and approval by the Federal Energy Regulatory Commission (FERC). When parties to the NEPOOL negotiations do not believe their issues have been adequately addressed, or when they view elements of the NEPOOL agreement as unacceptable, their only redress is to intervene and communicate their views to the FERC. During 1998, the Maine PUC formally intervened at FERC on its own, and in collaboration with other New England utility commissions in order to gain further concessions in the way in which the New England market would be operated and regulated.

A ~~competitive market for generation services in New England is still very much in the formative stages~~. We expect that we will need to continue our monitoring and active participation in the development of the market in much the same manner in 1999 as we did in 1998. Prominent issues we expect to pursue in 1999 include the development of a congestion management pricing system for transmission access and services, the development of a market bidding system that will reduce the concerns and potential for anticompetitive behavior, and the negotiation and development of a generation mix verification system.

 The congestion management and market bidding systems have been conceptually approved by the FERC, but the details remain to be worked out through negotiations at the NEPOOL committee meetings. A carefully designed congestion management approach is important because it will provide the appropriate economic signals to help ensure that consumers pay for the most economic combination of generation and transmission facilities, and not for excessive development of one over the other. FERC has also conditionally accepted an initial market bidding system and ISO controlled market power monitoring and mitigation procedure, but ISO and New England state regulators believe an enhanced "multisettlement" bidding system ought to be developed. A multisettlement system will both reduce the ability for entities to engage in anticompetitive behavior, and diminish the financial gain that such behavior

would provide. Finally, it is important to all states in New England that a verification system which allows identification and verification of marketers' generation sources be developed in the next year. Such a system is important in Maine because it will help marketers verify their compliance with Maine's portfolio requirement, and it will help consumers understand the fuels used in, and emissions resulting from, the generation sources that they select.

V. CONCLUSION

The Commission has been extremely busy in the past year attempting to meet the ambitious time schedules established by the Electric Restructuring Act. We are pleased that, to this point, the Commission has met every procedural deadline established by the Act, and done so in a manner that has afforded all interested persons a full and fair opportunity to participate meaningfully in the decision-making process. We are also proud of the consistently high level of effort and quality work produced by the Commission staff under demanding conditions.

As this legislative session commences, we approach the half-way mark toward completion of the work necessary to implement the Restructuring Act. Some of the proceedings already "completed" will require minor follow-up proceedings, and several crucial decisions remain, but the State is well on the way toward the restructuring of our electric utility industry. We look forward to continuing our cooperative efforts with the Committee in the upcoming session and the ultimate completion of the task before us.

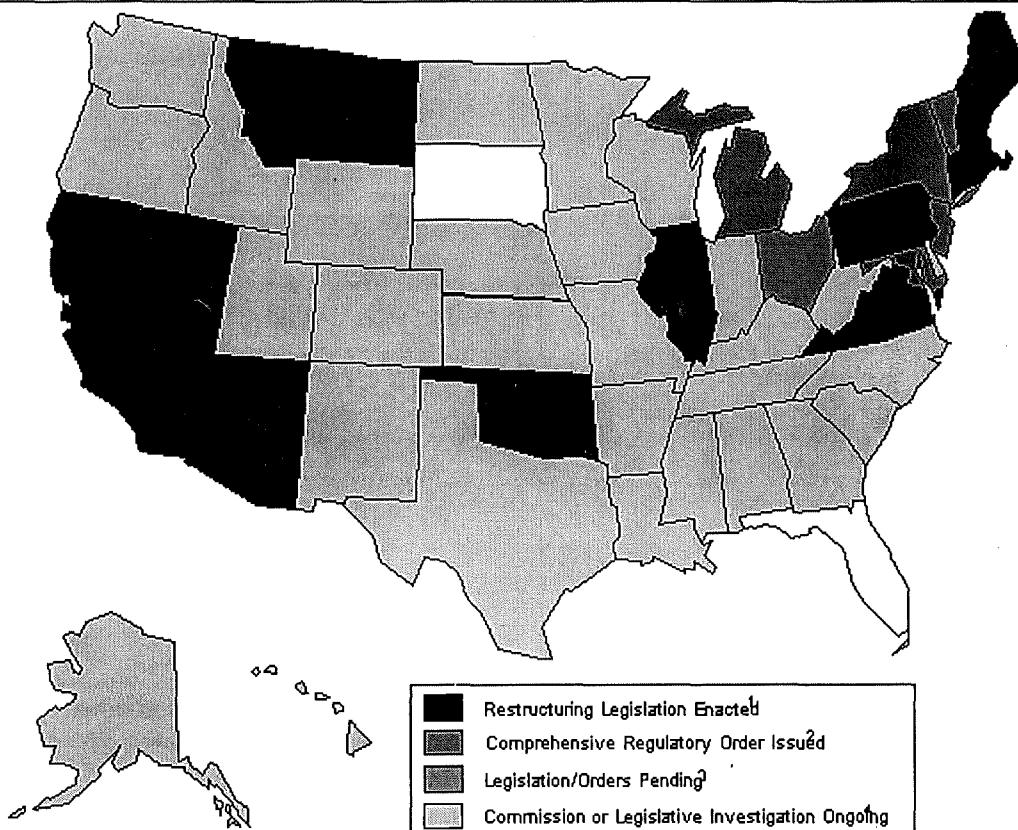
APPENDIX A

35-A M.R.S.A. § 3217(1) also directs the Commission to report on "activities relating to changes in the regulation of electric utilities in other states." Attached please find a printout of the federal Department of Energy's web page on the status of state electric restructuring efforts. The address for this page is:

http://www.eia.doe.gov/cneaf/electricity/chg_str/tab5rev.html

This resource may be a convenient method for committee members with web access to remain current on other states' efforts. If any member has questions on a specific state's actions or status, please contact the Commission.

Status of State Electric Utility Deregulation Activity as of December 1, 1998



¹Arizona, California, Connecticut, Illinois, Maine, Massachusetts, Montana, Nevada, New Hampshire, Oklahoma, Pennsylvania, Rhode Island, and Virginia.

²Maryland, Michigan, New Jersey, New York, and Vermont.

³Ohio.

⁴Alabama, Alaska, Arkansas, Colorado, Delaware, District of Columbia, Georgia, Hawaii, Idaho, Indiana, Iowa, Kansas, Kentucky, Louisiana, Minnesota, Mississippi, Missouri, Nebraska, New Mexico, North Carolina, North Dakota, Oregon, South Carolina, Tennessee, Texas, Utah, Washington, West Virginia, Wisconsin, and Wyoming.

⁵Florida and South Dakota.

Source: Energy Information Administration.

¹ Arizona, California, Connecticut, Illinois, Maine, Massachusetts, Montana, Nevada, New Hampshire, Oklahoma, Pennsylvania, Rhode Island, and Virginia.

² Maryland, Michigan, New Jersey, New York, and Vermont.

³ Ohio

⁴ Alabama, Alaska, Arkansas, Colorado, Delaware, District of Columbia, Georgia, Hawaii, Idaho, Indiana, Iowa, Kansas, Kentucky, Louisiana, Minnesota, Mississippi, Missouri, Nebraska, New Mexico, North Carolina, North Dakota, Oregon, South Carolina, Tennessee, Texas, Utah, Washington, West Virginia, Wisconsin, and Wyoming.

⁵ Florida and South Dakota.

Source: Energy Information Administration.

Link to State Public Utility Commission Web Sites

State	Regulatory	Legislative	Pilot Programs	Stranded Costs
Alabama	<p>4/98: PSC issued an order to begin a new investigation into electric restructuring. Comments were due in August. A series of workshops were scheduled on market power, stranded costs, service reliability and other issues to aid the PSC in decision making.</p> <p>12/97: PSC approved preliminary staff report on restructuring the electric power industry, "Report and Policy Development Plan of the Staff Electric Industry Restructuring Task Force."</p>	<p>5/96: SB 306, "The Electricity Customer Severance Law," enacted. The law provides utilities the opportunity to collect from customers who leave their system the amount of stranded costs associated with the customers' service.</p>		<p>1/97: Alabama Electricity Consumers Coalition and American Energy Solutions filed in Federal court a suit challenging the statute on stranded costs as unconstitutional. The suit was dismissed because the law has yet to be invoked. The suit could be reinstated if the law is used.</p> <p>5/96: SB 306 allows recovery of "reasonable" stranded costs through exit fees.</p>

Alaska	<p>10/98: Matanuska Electric Association, Chugach's largest wholesale customer, offered to buy out Chugach. Chugach assets are valued at \$486 million. Chugach officials were surprised by the offer and are withholding judgement.</p> <p>6/98: PUC rejected Chugach's argument and affirmed the PUC's authority to regulate retail wheeling.</p> <p>1/98: Chugach Electric Association, the State's largest utility, urged to PUC and legislators to allow retail competition in Anchorage and surrounding areas. HB 235 primarily failed because Chugach did not support it unless it was amended to allow retail wheeling in Anchorage and surrounding areas.</p> <p>10/97: Public meeting held to discuss "Future Market Structure of Alaska's Electric Industry."</p>	<p>8/98: The State Legislative Committee, established to develop recommendations for the legislature on electric industry restructuring which are due in January when the legislature reconvenes, conducted its first hearing. The Alaska Rural Electric Cooperative Association stated that, due to the isolation and unique characteristics of Alaska's rural electric industry, it should be left out of any restructuring plans. Chugach Electric Association, the State's largest electric utility, stated that consumers would benefit if the State embraced a broad policy of allowing competition.</p> <p>8/98: No action was taken on HB 235 or HB 287. Both bills appear stalled in committee.</p> <p>1/98: Two bills, HB 235, and HB 287, concerning retail competition were introduced in 1997 session and held over to the 1998 session. HB 235, supported by cooperatives, would prevent retail competition in existing certified service areas unless clearly evidenced that it would be in the public interest.</p>		
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Arizona	8/98: ACC approved final rules for restructuring. A 2-year phase-in schedule will accelerate retail competition from the 12/96 plan, and retail access will begin for customers with more than 1 MW demand by 1/1/99, and all consumers by 1/1/01. Utilities must file deregulation plans by 9/98 with proposals for rate reductions for consumers not participating in retail competition.	5/98: HB 2663 enacted. The law affirms the ACC's authority to require utilities to open territories to retail competition. Competition will phase-in 20% by 12/31/98 and 100% by 12/31/00. The bill will also extend deregulation to municipals and other publicly owned utilities, such as the Salt River Project.		11/98: The ACC approved Tucson Electric Company's (TEC) divestiture plan and recovery of 100 % of stranded costs. The agreement also supports the creation of a transmission company, owned by TEC and TEC's acquisition of Arizona Public Power's transmission assets. The agreement calls for open retail access in TEC's market y 1/1/99 beginning with 20% of the load.
	8/98: ACC approved Tucson Electric Power's rate decrease of 3.1% over 2 years. The decrease will apply to all standard offer consumers who do not yet have retail access during the phase-in of competition.	4/96: HB 2504 established a Joint Committee to study electric industry restructuring with a report due by 12/97.		8/98: Tucson Electric Power filed a divestiture plan with ACC . The ACC order on stranded costs provides utilities 2 options: 1 - divestiture of assets; the amount of recoverable stranded costs will be the difference between the value of generation assets under traditional regulation and their market value determined through an action process, and 2 - a transition revenues methodology; the ACC "would provide sufficient revenues necessary to maintain financial integrity for a period of 10 years," allocating stranded costs among consumers and shareholders as deemed "to be in the public interest." TEP estimates its stranded costs to be between \$475 million and \$1.1 billion.
	8/98: The Salt River Project has agreed , after negotiation with legislators, utility officials, and industrial users, to allow 110,000 residential and 12,000 commercial and industrial consumers retail access by 12/31/98.			
	6/98: The AZ Corporation Commission approved a competitive market plan that will require utilities to fully divest generation assets if they want 100% recovery of stranded assets. The plan also provides for a residential pilot			
			12/96: ACC's	

program, 5% residential rate cuts over the next 2 years, and retail access for 20% of customers (the largest) by 1/1/99 and all customers by 1/1/01.	deregulation plan allows for stranded cost recovery using exit fees and mandates using mitigation measures; full recovery of stranded costs is possible but not assured.
5/98: The AZ Supreme Court upheld a lower court ruling that the ACC has the authority to adopt rules requiring IOU's to open their territories to retail competition.	
4/98: ACC sent letters to the Governor and legislators in opposition to the electric restructuring bill (HB 2663) that passed the House and appears to have significant support in the Senate.	
10/97: Work group report submitted to the Joint Legislature Study Committee regarding phase-in dates, taxes, the roles of the legislature and Arizona Corporation Commission.	
9/97: Work group report submitted regarding stranded costs, legal issues, and customer selection. Stranded costs recovery gained support but securitization questions were deferred.	
12/96: ACC issued a final order to phase-in retail access beginning 1/99 with 20 % of a utility's load, 50% by 1/2001, and all	

	<p>consumers by 1/2003. The plan includes a solar portfolio standard. The ACC also established work groups to report on restructuring issues with reports due by the end of 1997. Utilities were ordered to file restructuring plans by 12/97.</p>			
Arkansas	<p>8/98: PSC issued a draft report, "Report on Restructuring the Arkansas Electric Utility Industry," recommending retail competition no later than 1/1/02. The report asks the legislature to act in 1999 on restructuring and give the PSC authority to implement retail competition, determine stranded costs and appropriate recovery methods, including securitization. A final report will be submitted to the legislature in October.</p> <p>8/98: The PSC approved a merger between American Electric Power and Central and Southwest Corporation. AEP & CSW have proposed a regulatory plan providing savings to consumers from fuel cost savings and synergies created by the merger. Also, AEP/CSW have committed to not raise rates above current levels prior to 1/1/02.</p> <p>5/98: The PSC concluded hearings on when and how to open</p>	<p>Comments were due 2/98. The PSC will issue recommendations to the legislature by October 1998.</p> <p>4/97: AR General Assembly requested, with Senate Resolution 24, a study on competition in the electric industry with a report due by January 1999. A series of hearings were held through 3/98, and a restructuring bill is expected to be introduced in 1999.</p>		<p>12/97: In Entergy's restructuring plan, the Transition Cost Account to be used for funds for stranded costs will be funded by excess earnings above 11% return on equity during the rate freeze period (at new levels through 2001).</p>

	<p>the electric market to competition. Entergy and two other IOU's agreed that competition should not begin before 2002, as neighboring Oklahoma and Texas are scheduled to open their electric markets to retail competition.</p> <p>12/97: Arkansas PSC agreed to Entergy's restructuring plan. The plan includes rate reductions of about \$217 million over 2 years; debt reduction of \$165 million over 5 years on the Grand Gulf Nuclear Station; and creation of a special Transition Cost Account to be used to collect funds for stranded costs recovery.</p> <p>12/97: The PSC will conduct public hearings in 1998 to address restructuring issues. A report is due to the State General Assembly by October 1998. Four dockets were established to investigate specific restructuring issues.</p>			
<p><u>California</u> <u>[SEE COMMENTS]</u></p>	<p>10/98: Based on CPUC data, New Energy Ventures, a retail electricity marketer, calculated it has won about 40 % of the 13,648 Gwh load being served by nonutility energy service providers.</p> <p>4/98: PUC issued the final order officially opening the electric industry market to competition as</p>	<p>11/98: Proposition 9 was defeated at the ballot box by 73% of the vote.</p> <p>10/98: Proposition 9 will be on the ballot November 3. The three investor-owned utilities and the trustee for the IOU's stranded cost notes, worth nearly \$6 million, plan to take legal action if Proposition 9 passes.</p>		<p>11/98: PG&E is selling 13 mostly gas-fired plants to Southern Company for \$801 million. PG&E will also sell The Geysers, the nation's largest geothermal power complex to FPL Energy for \$213 million. PG&E will use the money raised by these sales to reduce stranded costs that are being paid by</p>

<p>of 3/31/98 for all consumers in IOU service territories. Jurisdiction of transmission lines was transferred from the State to Federal authority with 70% of the transmission grid under control of the ISO, making California the first State to introduce a state-wide competitive electric industry.</p> <p>3/98: PUC issued regulations to protect consumers from fraud and market abuses. Electric competitors must 1) provide clear information on price, service, and power-generation mix; 2) use a standard bill format; 3) provide proof of technical, operational and financial capability; and 4) post a \$25,000 bond.</p> <p>12/97: Starting date for competition is delayed to March 31, 1998, due to additional time needed for testing software at the ISO and PX.</p> <p>12/95: CPUC issued a final order to deregulate the electric power industry and phase-in retail competition. Later, the plan was amended to allow retail competition for all consumers simultaneously, beginning 1/98 (extended to 3/98).</p>	<p>8/98: Proposition 9, the ballot initiative to alter provisions of the electric restructuring law, is gaining support from some groups, including the League of Women Voters, the Sierra Club, consumer advocate Ralph Nader, the Consumers Union, and other consumer groups. The opposition includes the Association of California Water Agencies, the investor-owned utilities, and the Coalition for Affordable and Reliable Electric Service. An analysis released by the California Energy Commission (stated as "not reflecting its official view") indicates rates would drop beyond the 10% guaranteed by the ballot measure.</p> <p>7/98: The CA Supreme Court denied a request by a group of IOU's and business organizations to prevent a vote on the ballot initiative that would change provision of CA's restructuring law.</p> <p>6/98: The coalition of consumer advocates initiative to challenge the law that restructured the electric power industry has qualified for the 11/98 ballot. The initiative would</p>	<p>its consumers.</p> <p>9/97: AB 360 allows utilities to issue \$7.3 billion in bonds (securitization) to pay off stranded investments.</p>
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prohibit California's investor-owned utilities from recovering the costs for nuclear power plants or imposing surcharges on customer bills. Also, it would give consumers a 20% rate reduction. The IOU's and business and industrial groups oppose the initiative, and the utilities have filed a lawsuit aimed at striking the initiative from the ballot.

5/98: Consumer groups are gathering signatures for a ballot initiative challenging AB 1890, preventing utilities from collecting stranded costs, and allowing a 20% rate reduction. A coalition of business and taxpayer groups have filed a lawsuit in the state's 3rd district court of appeal to keep the initiative off the ballot in November.

9/97: SB 90 provides administrative guidelines for the Renewables Program under AB 1890. It gives the California Energy Commission authority to administer funds collected for renewable energy technologies support.

9/97: SB 1305 requires retail suppliers of electricity to disclose the sources of

		<p>electricity; requires generators to report fuel type and consumption to system operators, who make the information available to the CEC; and requires other reporting requirements for emissions, purchased power, losses, and retail sales.</p> <p>9/96: AB 1890 enacted to restructure CA's electric power industry. The law includes provisions for the creation of an ISO and a PX, a Competitive Transition Charges (CTC) for recovery of stranded costs (from 1998 through 2002); a 10% rate reduction; and the continuance of energy efficiency programs financed with rate surcharges.</p>	
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State	Regulatory	Legislative	Pilot Programs	Stranded Costs
Colorado	<p>12/96: PUC conducted a survey of 360 stakeholders regarding retail competition and released a report on electric restructuring.</p> <p>Colorado PUC cannot order statewide electric industry restructuring without a change in State law.</p>	<p>7/98: The CO electricity advisory panel (created by SB 152) met for the first time in July. The purpose of the panel is to study electric industry deregulation and report the findings to the legislature by 11/1/99.</p> <p>5/98: SB 152 was enacted. It created a 21-member panel to assess whether retail competition will benefit the state's consumers.</p> <p>5/98: None of the three bills being considered in the 1998 legislative session made it out of committee.</p> <p>3/98: HB1284, HB 1381, and SB 178 were introduced to allow retail competition and restructure the electric industry were introduced in the legislature. The bills stalled in committee, although technically the legislation could be revived as a compromise bill, but it would face strong opposition.</p> <p>1/98: Legislature will debate several restructuring bills in the 1998 session that would allow retail competition in 2 to 4 years. All 1997 restructuring bills introduced failed to pass.</p>		

Connecticut	<p>10/98: United Illuminating filed its divestiture plan with the PUC to sell its non-nuclear generating assets. Plants being sold include the 590 MW Bridgeport Harbor and the 466 MW New Haven Harbor. Also in filing are plans on how to unbundle the generation business from the wires or distribution business. United Illuminating will become a "wires" company responsible for power delivery.</p> <p>8/98: PUC opened dockets on tasks delegated by HB 5005 to restructure the industry.</p> <p>7/95: CT DPUC issued a final report that calls for deregulating generation and gradually moving to retail competition.</p>	<p>4/98: RB 5005, An Act Concerning Electric Restructuring, was signed into law on 4/29/98. The bill will allow retail competition for generation suppliers for 35% of consumers by 1/2000 and for all consumers by 7/2000. Utilities will be required to sell non-nuclear generation assets by 1/2000 and interests in nuclear generation by 1/2004, making CT the first State to require divestiture of nuclear assets. The bill also provides for creation of an ISO, public interest program funding, functional unbundling, renewable energy funding, a 5.5 % renewable portfolio standard, environmental protections, and a 10% rate reduction beginning 1/2000.</p>		<p>5/98: The United Illuminating Company announced its plan to divest its 3 fossil-fueled plants and power purchase agreements to comply with Connecticut's new restructuring law.</p> <p>4/98: To recover stranded costs, utilities must separate their transmission and distribution business and sell their non-nuclear generation by 1/2000 and interests in nuclear generation by 1/2004. Utilities will be allowed to sell bonds to cover stranded costs (securitization) up to the 10% rate reduction.</p>
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Delaware	<p>1/98: PSC adopted final report on electric industry restructuring with recommendations including unbundling of rates and stranded cost recovery using Competitive Transition Charges. The report calls for competition for all Delaware consumers to begin 12 months after restructuring legislation is enacted.</p> <p>8/97: PSC issued a report recommending phase-in of retail competition beginning 4/99.</p>	<p>7/98: HB 570, a bill to restructure the electric industry, failed when the 1998 session ended in June. The issue will likely be readdressed in the 1999 legislative session.</p> <p>4/98: HB 570, Electric Restructuring Act of 1998, was introduced in the legislature. The bill would phase in retail competition beginning 7/99 for Delmarva customers and by 1/2000 for Delaware Electric Cooperative customers.</p> <p>6/97: HR 36 called for PSC to report on restructuring alternatives by 1/98.</p>		<p>1/98: PSC final report recommends that utilities have an opportunity to recover stranded costs. The PSC is to determine the magnitude of reasonable stranded costs for each utility.</p>
District of Columbia	<p>9/97: The PSC continues to study restructuring and issued a notice of inquiry for issues to investigate on retail competition. A report is expected in 1998.</p>			

Florida	<p>8/98: Responding to competitive pressures that can lower electric bills for large consumers, the PSC approved discount rates (up to 20%) for new and expanding businesses. The Florida Alliance for Lower Electric Rates Today opposes the discounts, and proposes state-wide competition for all consumers.</p> <p>4/98: The PSC approved a plan for Florida Power & Light to offer new industrial customers discounted rates of 20% the first year, and declining over a five-year period.</p>	<p>4/98: HB 1888 died in committee without a hearing, reflecting both the strong opposition from utilities and lack of consumer interest.</p> <p>3/98: HB 1888 was introduced and referred to committee. The bill, which would deregulate the electric power industry and allow retail access by 2001, faces strong opposition and is not expected to get out of committee.</p> <p>10/97: House Committee on Utilities and Communication sponsored informal hearings on electricity restructuring issues.</p> <p>10/97: Legislature has a special subcommittee to track restructuring developments in other States.</p>		
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State	Regulatory	Legislative	Pilot Programs	Stranded Costs
Georgia	<p>1/98: PSC issued a Staff Report on Electric Industry Restructuring. Recommendations include market-based rates, unbundled services, and stranded cost recovery. A docket has been established for comments from stakeholders.</p> <p>4/97 - 7/97: Public workshops were held to address the issues related to restructuring. The results of the public hearings were incorporated in the Staff Report issued 12/97.</p>			
Hawaii	<p>1997: PUC began to develop a draft restructuring plan and a formal investigation into the issues.</p> <p>12/96: PUC began investigating competition in electric power industry. A report is expected by 10/98.</p>	<p>12/97: Bill was introduced to request the PUC to provide recommendations for legislation to implement economical electric competition by 12/98.</p> <p>1997: Bills introduced in 1997 failed to pass.</p>		

Idaho	<p>1/98: PUC issued the "Electric Costs Report" to the Governor and Legislature. The report contains the findings on the unbundled average costs from utilities in ID compared to national averages.</p> <p>9/97: ID PUC hosted technical workshop to discuss public purpose costs as part of unbundling.</p> <p>7/97: Proceedings on electric restructuring began.</p>	<p>1997: HB 399 passed; directs commission to establish a committee to obtain information on the costs of supplying electricity to consumers. Utilities are required to unbundle costs of electric service and report to the PUC.</p> <p>5/97: Governor signed an executive order creating the Governor's Council on Hydroelectric and River Resources that will establish guidelines for electric industry restructuring in ID.</p>	<p>2/98: PUC approved Washington Water Power Company pilot program, MOPS II, for approximately 6,000 consumers. The pilot will offer customers a portfolio consisting of four rate options: Traditional Energy Service, Monthly Market Rate, Annual Market Rate, and Standard Offer Service.</p> <p>4/97: 2-year pilot program began for residential and commercial customers of WWPC in ID.</p> <p>4/97: Idaho Power's pilot program for 900 customers will begin 7/97 and go through 6/99.</p>	<p>8/97: Public hearings were held on the issue of stranded costs.</p>
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Illinois [SEE COMMENTS]	<p>8/98: The phase-in of rate cuts took effect. The State's largest utilities, Illinova and Commonwealth Edison, cut rates 15%; another 5% reduction is due 5/02. Smaller utilities will phase-in 5% reductions by 5/02.</p> <p>6/98: The Illinois Commerce Commission (ICC) issued a ruling that prohibits utility affiliates from exploiting the name, reputation, or logo of the utility in advertising or marketing campaigns. The rule will protect ratepayers from cross-subsidization of utility affiliates.</p> <p>5/98: The Illinois Commerce Commission (ICC) approved Commonwealth Edison's plan to offer nonresidential customers hourly rates under its "Hourly Energy Pricing" program.</p>	<p>10/98: As required by the restructuring law in Illinois, a 15% rate reduction went into effect in August 1998. To date, Illinois Power customers have saved about \$12.5 million.</p> <p>3/98: Legislation was introduced to add environmental provisions to the current electric restructuring law. The bill would increase utility funding for energy efficiency programs, provide tax credits for energy efficient appliances, and allow net metering.</p> <p>12/97: HB 362, "The Electric Service Customer Choice and Rate Relief Act of 1997," was enacted. The bill provides for rate cuts for ComEd and Illinois Power effective 8/98. The law accords some commercial and industrial customers choice by October 1999, and all customers, including residential, choice for their generation supplier by 5/2002. Customers who choose an alternative supplier will pay transition charges until 2006.</p>	<p>11/98: CILCO has requested that the ICC terminate its pilot program for retail choice, "Power Quest." CILCO is saying that the program has served the purpose of showing that retail choice works in Illinois.</p> <p>2/96: CILCO and IL Power conducted retail wheeling pilot programs in 1995 - 1996. IL pilot included only large customers; only in IL pilot; CILCO pilot included all classes of customers.</p>	<p>5/98: Illinois Power withdrew its proposal for a securitized bond issue.</p> <p>4/98: Enabled by the Restructuring Law enacted in 12/97, Commonwealth Edison is seeking ICC approval of a bond issue. By law, the proceeds from bonds will be used to refinance debt and equity in preparation for competition.</p> <p>12/97: HB 362 allows for recovery of stranded costs based on a formula for lost revenue.</p>
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Indiana [SEE COMMENTS]	<p>7/98: Consumers of Indianapolis Power & Light were offered 3 billing options. Consumers can choose a fixed rate, a fixed monthly bill based on last years average bill, or a "green power" rate under an alternative pricing plan approved in March by the Indiana Utilities Regulatory Commission (URC).</p>	<p>8/98: Executives from the 5 major investor-owned utilities met on 8/21 to reach agreements on issues. The group will continue to meet to attempt to draft restructuring legislation for 1999.</p> <p>2/98: Deregulation bill (SB 431 to deregulate the industry by 2004) was defeated. IN's major utilities and other groups promised to begin meeting this spring to work out differences. Lawmakers will revisit restructuring issues in 1999 when new legislation is expected to be written.</p> <p>5/97: SB 427 created a legislative study committee that will meet through November on electric restructuring issues. A report is due 11/97.</p>		
Iowa [SEE COMMENTS]	<p>9/97: IUB adopted its "Action Plan to Develop a Competitive Model for the Electric Industry in Iowa." The plan includes a statewide pilot program for residential and commercial customers (about 3% of load) over 2 years.</p> <p>8/97: IUB reopened its restructuring docket to adopt principles proposed in 1996 upon which any restructuring plan</p>	<p>5/98: A bill was passed to adopt a new method of taxing utilities where property taxes would be replaced with excise taxes.</p> <p>4/98: A bill to introduce retail competition by 1/2000 was drafted, but will not be introduced until the 1999 legislative session.</p>	<p>11/98: MidAmerican Energy and the IUB chose the community of Council Bluffs to participate in MidAmerican's pilot program. The program will allow about 15,000 residential and 2,000 small business consumers to have retail choice.</p>	<p>7/97: Mid-America Energy's proposal to use excess profits to write off stranded costs was approved.</p>

<p>must be based.</p> <p>1/97: IUB final report on restructuring concludes there are few reasons to move quickly to retail competition.</p> <p>4/96: IUB adopted principles for restructuring the electric power industry.</p>	<p>8/98: IUB approved MidAmerican's pilot, the first major electric choice pilot program in the State, expected to include about 15 large consumers. The following residential pilot, proposed in 5/98, is yet to be approved.</p> <p>5/98: MidAmerican filed a proposal with the IUB for a pilot program to allow 15,000 residential and 2,000 small commercial customers (approximately 3%) to choose their power supplier competitively.</p> <p>9/97: MidAmerican Energy proposed a wheeling pilot for commercial and industrial customers for 60 MW of load in first year and an additional 15 MW each following year.</p>	
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Kansas <u>[SEE COMMENTS]</u>	<p>8/98: A proposal for a merger between Western Resources and Kansas City Power & Light has been filed with the KCC. Shareholders from both companies have approved the merger. The new company would be Westar Energy.</p> <p>4/98: The Task Force's restructuring bill was not acted on in the 1998 session. Legislation will likely be introduced again in 1999.</p> <p>2/98: The Retail Wheeling Task Force's restructuring bill is introduced in the legislature. Also being considered are a bill to establish a joint committee on taxation of public utilities and a bill to require utilities to disclose generation, transmission, and distribution charges and sales, use, and franchise taxes and any fees relating to the retail sale of electricity.</p> <p>10/97: Retail Wheeling Task Force issued a final report and draft restructuring bill that calls for retail access after 7/2001.</p> <p>4/96: Retail Wheeling Task Force established with passage of HB 2600, which prohibits the Commission from authorizing retail competition prior to July 1, 1999. A report with a model for legislation is due 1/98.</p>		
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Kentucky [SEE COMMENTS]	<p>10/98: As required by the merger approval, Kentucky Utilities and LG&E asked the PSC to consider performance based rate-making, hopefully leading to reductions in customers bills. Performance-based rate-making uses factors such as fuel costs, generation performance, and service quality to calculate charges. It would provide financial incentives for utilities to reduce costs, improve efficiency, reliability, and customer service. Currently, rate reductions as a result of the merger approval have helped LG&E rates stay low, as much as 25% lower than the national average.</p> <p>5/98: The merger between LG&E and KU is final.</p> <p>9/97: PSC approved merger between LG&E; Energy Corp. and KU Energy Corp.</p>	<p>4/98: The 1998 legislative session ended with no action taken on the restructuring bill, HB 443. During the interim session, a special subcommittee on energy will review and draft a bill to prefile for the 1999 session.</p> <p>4/98: HRJ 95 passed legislature and signed by Governor to create the Kentucky Task Force on Electric Restructuring. A report is due 11/99.</p> <p>1/98: HB 443 to restructure the electric power industry is introduced and referred to committee. The bill proposes retail access be phased in beginning 1/2000 and having full retail access by 12/2005.</p> <p>9/97: Interim Joint Special Subcommittee on Energy sponsored a 2-day workshop on electric power industry restructuring.</p>		
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State	Regulatory	Legislative	Pilot Programs	Stranded Costs
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Louisiana	<p>8/98: PSC conducted hearings on stranded costs. Participants included Central Louisiana Electric Company, Enron, and Gulf State Utilities.</p> <p>12/97: LA PSC voted to accept a staff report recommending further study on issues surrounding electricity deregulation. PSC will develop draft legislation for 1999.</p> <p>9/97: Entergy New Orleans submitted plan seeking 6-year transition to retail competition.</p> <p>8/97: PUC opened docket U-21453 on whether electric restructuring is in the public interest.</p>	<p>3/98: The PSC committee and the legislative committee, both on deregulation of the industry, met on 3/16/98 to discuss the tax implications of deregulation.</p> <p>6/97: Resolution 150 created a study committee on electric power restructuring with reports on various issues due in 1998.</p> <p>5/97: All bills that were introduced in 1997 session failed.</p>		
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Maine	<p>5/98: PUC adopted a requirement that beginning 1/1/99 utilities must issue bills showing "unbundled" charges for generation and distribution, rules for consumer education, and standard offer service for all consumers when competition begins 3/1 2000.</p> <p>5/98: PUC approved Central Maine Power's corporate reorganization into a holding company, CMP Group, Inc., and 10 subsidiaries as it prepare for retail competition. Central Maine Power will remain the core business group offering distribution and transmission services. A new unit, Maine Power, will market electricity.</p> <p>9/97: PUC issued comprehensive schedule of restructuring proceedings.</p> <p>5/97: PUC will determine "how deregulation will effect the consumer" by public rule-making hearings.</p> <p>12/96: PUC issued a plan requiring utility unbundling, divestiture of generation assets by 3/2000, and retail competition by 2000.</p>	<p>5/97: LD1804 was enacted. The law will allow retail competition by 3/2000, and for large investor-owned utilities, features a market share cap of 33% in old service areas, a requirement for divestiture of generation assets by 3/00, and the nation's most aggressive renewables portfolio, requiring 30% of generation to be from renewable energy sources (including hydroelectric).</p>		<p>11/98: Central Maine Power sale of its non-nuclear generating assets to FPL Group was approved by regulators.</p> <p>10/98: PP&L Global has reached an agreement with Bangor Hydro to purchase 100 % of its hydro plants and its interest in an oil-fired plant, totaling 89.2 MW for \$89 million. PUC and FERC approvals are pending.</p> <p>5/98: Bangor Hydro announced the schedule for bids on its divestiture of generation assets. Final bids were due 8/7/98. Maine Yankee nuclear plant will also be offered for sale.</p> <p>4/98: Central Maine Power's plan to divest its hydro, fossil-fuel, and biomass generation was approved by the PUC.</p> <p>5/97: LD 1804 allows recovery of stranded costs after reasonable mitigation efforts, but deferred detailed decisions to the 1998 legislative session.</p>
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Maryland	<p>10/98: Five utilities in Maryland announced that they asked a state court to stop the PSC deregulation effort until several issues are resolved, including the issue of stranded costs recovery.</p> <p>7/98: The four major IOU's in the state filed with the PSC requests for recovery of stranded costs. The majority of these costs were requested by BG&E for the Calvert Cliffs nuclear plant. The PSC is expected to rule on the requests by 10/99. Final plans will be due 11/99.</p> <p>12/97: PSC issued orders establishing a framework for the restructuring of the electric industry. A third of the State's consumers will have retail access by 7/2000; another third by 7/2001; and the entire State by 7/2002. "Round tables" to address implementation of specific issues will commence in April 1998. For the order to be effective, legislation must be passed.</p> <p>5/97: Staff report recommends retail choice be phased-in beginning 4/99 and be complete by 4/2000.</p>	<p>4/98: A proposal to allow retail competition by 7/2000 was introduced as an amendment to a bill that would restructure BG& E into a holding company. No action was taken on the bill by the Senate, effectively killing restructuring legislation for this session, which ended in April.</p> <p>12/97: Legislative Task Force held hearings and issued conclusions and recommendations.</p> <p>4/97: SB 851 created a task force on electric industry restructuring that will issue a report by 12/97.</p>		<p>12/97: PSC order states that utilities be allowed recovery of stranded costs. Utilities must file plans for stranded cost recovery by 3/98. CTC's and securitization are being considered.</p>
Massachusetts <u>[SEE COMMENTS]</u>	<p>6/98: Massachusetts utilities received no bids for standard offer or default power supply. Western Massachusetts Electric</p>	<p>11/98: The ballot initiative to repeal the electric industry restructuring law was unsuccessful. Voters defeated Question 4</p>	<p>9/98: PG & E Corporation's subsidiary, PG & E Energy Services has secured a</p>	<p>11/98: Boston Edison Company is selling its Pilgrim nuclear plant to Entergy Corporation. In the deal, Entergy will pay</p>

<p>has asked DTE to remove the price cap on standard offer service, hoping to attract suppliers. SOS is set at 2.8 cents/kWh for consumers this year; bids were sought for no higher than 3.2 cents/kWh.</p>	<p>by 71% of the vote.</p> <p>7/98: The Supreme Judicial Court cleared the way for the ballot referendum to repeal the restructuring law to appear on November's ballot. Both challenges brought by business and industry groups, the signatures' validity and the constitutionality of the law in reference to appropriations, were rejected by the court.</p>	<p>multi-year contract with the Massachusetts High Technology Council (with over 200 members) to provide electricity to its members. This is the largest aggregation of customers in the U.S., representing about 1.2 million megawatthours annually.</p>	<p>between \$80 and \$90 million in cash. BEC will receive as much as \$466 million to cover cleaning up the plant when it ceases operations, scheduled for 2012. Book value for Pilgrim is about \$650 million.</p>
<p>5/98: Education program for consumers begins with showing the labels that will disclose the price of electricity, generation sources, and air emission contents.</p>	<p>6/98: Customers in Massachusetts are signing up to purchase from competitive suppliers.</p>	<p>6/98: The Ballot Law Commission said the effort to repeal utility deregulation should be on the November ballot. But, industry groups plan to appeal the matter to the Supreme Judicial Court in an effort to keep the repeal off the ballot.</p>	<p>10/98: NEES subsidiaries, Massachusetts Electric and Nantucket Electric Co, report savings for their consumers of \$67.5 million due to rate reductions. The state's restructuring law reduced rates by 10% and the recent sale of NEES generating assets at a high sale price. The sale allowed additional rate reductions prior to the law's further requirements in one year.</p>
<p>4/98: Boston Edison has received DPU approval to reorganize as a holding company, BEC Energy.</p>	<p>6/98: The Ballot Law Commission said the effort to repeal utility deregulation should be on the November ballot. But, industry groups plan to appeal the matter to the Supreme Judicial Court in an effort to keep the repeal off the ballot.</p>	<p>6/98: A ballot initiative to repeal the restructuring legislation was successfully submitted for the November election.</p>	<p>10/98: Eastern Utilities (Montaup) plan to sell the Somerset Station for \$55 million to NRG Energy.</p>
<p>4/98: DTE issued rules for distribution, default generation services, standard offer generation, aggregation requirements, and ownership of meters.</p>	<p>6/98: The Ballot Law Commission said the effort to repeal utility deregulation should be on the November ballot. But, industry groups plan to appeal the matter to the Supreme Judicial Court in an effort to keep the repeal off the ballot.</p>	<p>10/98: Commonwealth Energy System and Eastern Utilities Montaup subsidiary will sell their fossil-fueled generating assets in Massachusetts to Southern Company for \$462 million, approximately 6 times the book value. The sale will allow the 10% rate cut that began 3/1/98 to increase to a 15% cut beginning 9/1/99.</p>	<p>1/97: Mass. Electric Co. began a 1-year pilot program in four communities. Of the pilot participants, 96% of the business and 66% of the residential consumers chose supplier based on price, 31% of residential consumers choose supplier based on "green power."</p>
<p>1/98: Department of Telecommunications and Energy issued implementation rules for the restructured industry. Included are licensing and information disclosure for retail suppliers and provisions for public interest programs, standard offer service, and utility transition cost recovery filings.</p>	<p>2/98: A ballot initiative to repeal the restructuring legislation was successfully submitted for the November election.</p>	<p>11/97: Legislation enacted to restructure the electric power industry. The law requires retail access by 3/98, rate cuts of 10% by 3/98 and another 5% 18</p>	<p>10/96:</p>
<p>11/97: DPU final decision is to officially open electric market to competition by March 1, 1998.</p>	<p>11/97: Legislation enacted to restructure the electric power industry. The law requires retail access by 3/98, rate cuts of 10% by 3/98 and another 5% 18</p>	<p>10/96:</p>	<p>10/96:</p>

<p>12/96: DPU issued restructuring plan for full retail competition by January 1, 1998.</p>	<p>months later, and encourages divestiture of generation assets.</p>	<p>Commonwealth Electric implemented a retail choice pilot program.</p>	<p>5/98: NEES sale of generating assets representing over 5,100 MW to U.S. Generating, a subsidiary of PG & E Corporation, is complete. 3 fossil-fueled and 15 hydro plants were included in the \$1.6 billion sale.</p>
	<p>7/96: Mass Electric Co. begins pilot program for members of High Technology Council; another 10,000 consumers will be added later.</p>	<p>1/96: Boston Edison began a pilot program.</p>	<p>Customers in NEES subsidiaries, Massachusetts Electric and Nantucket Electric, should see significant rate reductions of about 19%.</p>
			<p>5/98: Boston Edison completed the sale of its entire portfolio of fossil-fueled generating assets to Sithe Energy.</p>
			<p>4/98: Boston Edison is seeking buyers for its Pilgrim nuclear plant. The company has already sold its non-nuclear generation to Sithe Energies.</p>
			<p>4/98: Eastern Utilities is selling generation assets and purchase power contracts.</p>
		<p>11/97: Legislation allows full recovery of stranded costs over a 10-year transition period; DPU has approved 2 utilities' plans for stranded cost recovery.</p>	<p>Mass. Electric agreement allows 2.8 cent per kilowatt-hour access charge.</p>
			<p>Commonwealth</p>

				Edison will minimize stranded costs by selling its generation assets and power contracts.
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Michigan [SEE COMMENTS]	<p>6/98: Detroit Edison and Consumers Energy filed revisions of draft plans that address comments from the MPSC staff, customers, suppliers, and other interested parties. Both plans will phase-in retail competition over the next 4 years beginning with large industrial consumers by 11/98 and full retail access by 1/1/2002.</p> <p>4/98: Responding to the PSC order, Consumers Energy and Detroit Edison filed restructuring plans to implement retail competition. In other PSC action, the utilities were ordered to file plans for obtaining additional capacity for this summer.</p> <p>1/98: PSC completed final action on rehearing orders required to introduce competition into the state's electric utility market. A phase-in schedule was adopted allowing 2.5% of Consumer's Energy and Detroit Edison customers retail access as early as 3/98, adding another 2.5% on 6/98, 1/99, 1/2000, and 1/2001 and all consumers retail access by 2002.</p> <p>6/97: PSC order set forth the Commission's framework for electric industry restructuring.</p>	<p>11/98: The Senate Technology and Energy Committee passed a bill to implement retail competition beginning with 7.5 % of consumers and all consumers by 1/1/02. The bill allows collection of transition fees and recovery of stranded costs through 2007. The bill is expected to pass the Senate.</p> <p>4/98: Legislation to introduce retail competition has apparently stalled in 1998.</p> <p>1/98: Bill introduced to provide a 3-year phase-in for retail access, stranded cost recovery, and major customer protections.</p>		<p>1/98: Proposed PSC plan would allow full recovery of stranded costs using exit fees through 2007.</p>
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Minnesota	<p>5/98: Northern States Power is proposing to divest its transmission assets and form an Independent Transmission Company (for profit) to own and operate its \$1 billion in transmission assets. The "Transco" would be a publicly traded corporation, fully separate from utility generating assets.</p> <p>10/97: PUC issued a report that reflects the discussions held by the MN PUC Electric Competition Work Group from 2/96 to 10/97. The report identifies restructuring issues and is intended as a starting point for state policy makers and stakeholders to restructure the electric industry.</p> <p>2/96: PUC established a workgroup.</p>	<p>1/98: The Minnesota Legislative Electric Energy Task Force, created by HB 3654, in a newly released report to the 1998 legislature recommended against acting on electric industry restructuring in the 1998 session. It recommended further study of the issues with a report due 1/99.</p> <p>5/97: Legislation created a task force to review and analyze issues relating to electric power industry restructuring. A report is due 1/98.</p>		<p>10/97: PUC report proposed exit fees to pay percentage of stranded costs.</p>
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State	Regulatory	Legislative	Pilot Programs	Stranded Costs
Mississippi	<p>6/98: The PSC issued a Revised Proposed Plan for retail competition that addresses the comments received from industry, consumers, suppliers, and utilities. Hearings will be held throughout 1999 to address the issues and retail competition will be phased-in beginning 1/1/01 through 1/1/04, pending authorizing legislation.</p> <p>5/98: PSC issued</p>	<p>9/98: The first legislative hearing on restructuring the electric power industry were held in September 1998. The Mississippi Senate Committee heard 2 days of testimony on the impact of restructuring the electric power industry. The committee chair said Mississippi stands to gain from electricity deregulation because of its abundant natural resources.</p>		<p>11/97: Report recommends PSC have discretion in recovery of stranded costs, on a utility-by-utility basis, through a wires charge. Exit fees and securitization were deemed anti-competitive and would not be used.</p>

<p>orders to conduct studies on market power and cost of service.</p> <p>4/98: The PSC will receive comments and hold hearings on its restructuring plan.</p> <p>1/98: Entergy Mississippi commented to the PSC that the restructuring plan was overly optimistic and recommended January 2002 as the earliest date to begin retail competition.</p> <p>11/97: The Public Utilities Staff presented a report to the PSC proposing retail choice to begin by 1/2001 and be completed by 12/2004, unbundling of services and rates, and recovery of stranded costs to be determined by the PSC. Implementation of the plan requires legislation to be passed by 1999.</p> <p>7/97: PSC issued an order requesting the Public Utilities Staff to develop a plan for restructuring the industry, due by 11/97. The plan, if accepted, will be a basis to draft legislation for 1999.</p>	<p>3/97: HB 1130 authorized the PSC to consider alternative methods of regulating the electric and gas industries.</p> <p>1/97: Bill introduced that proposed retail choice by 7/2003. Bill failed.</p>		
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Missouri	<p>5/98: The Retail Electric Competition Task Force issued its Final Report to the PSC with recommendations on issues including public interest programs, stranded costs, taxes, reliability, and market power.</p> <p>3/97: PSC established the Retail Electric Competition Task Force to prepare reports to the PSC and study retail wheeling and related issues. Four working groups were established and are to submit reports no later than 4/98.</p>	<p>5/98: SB 728, to restructure the electric power industry and allow retail competition by 1/2000, was introduced. No action was taken in the 1998 legislative session.</p> <p>1997: HCR7 created a panel of legislators to study retail wheeling; a report is due by 1/98.</p>	<p>As part of the settlement for merger of Union Electric and Central Illinois Public Service, UE will implement a pilot program for 100 MW and about 5,000 customers.</p> <p>A Utilicorp 2-year pilot is limited to 10 customers with a demand of at least 2.5 MW.</p>	
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Montana	<p>6/98: PSC approved a plan to phase-in competition. Beginning 7/1/98, Montana Power's largest customers (with loads over 1 MW) will be able to choose their energy supplier. Beginning 11/98, 5% of residential and small consumers will select their power supplier under a pilot program. Full retail access should be complete by April 2000.</p> <p>5/98: Pacificorp will offer retail choice to all its Montana customers (30,000) on 7/1/99.</p> <p>9/97: PSC issued a notice of interim license filing provisions for electricity suppliers to retail customers.</p> <p>9/97: PSC rejected Pacificorp restructuring plan and asked for resubmission.</p> <p>8/97: PSC rejected Montana Power restructuring plan and asked for resubmission.</p> <p>7/97: Pacificorp and Montana Power submitted restructuring plans to the PSC in accordance with SB 390.</p>	<p>6/98: Issue 138, to repeal the restructuring law has not obtained adequate signatures for inclusion on the November ballot. Official verification of signatures will be made in 7/98.</p> <p>4/98: A ballot initiative was filed that would repeal the 1997 restructuring law. The groups involved must gather the required signatures by June 1998 to put it on the November ballot.</p> <p>4/97: SB 390, the Electric Utility Industry Restructuring and Customer Choice Act, was enacted allowing large industrial consumers retail access by 7/98 and all consumers by 7/2002. The bill also includes a 2-year rate freeze beginning 7/98.</p>	<p>3/98: Montana Power accelerated its schedule for residential and commercial customers pilot program. All customers will have retail access by 4/2000, 2 years earlier than the law requires.</p> <p>7/97: SB 390 requires utilities to conduct pilot programs for small commercial and residential customers beginning 7/98. Montana Power and Pacificorp have submitted plans.</p>	<p>11/98: Montana Power is selling 13 power plants, about 2,600 MW of capacity, for \$1.6 billion to PP&L Resources. The plants include 11 hydroelectric plants, 1 wholly owned coal plant, and Montana Power's controlling interest in Colstrip, a large 4-unit coal plant.</p> <p>SB 390 allows recovery of stranded costs through nonbypassable customer transition charges. It also allows for securitization for financing certain transition costs.</p> <p>1/98: Montana Power's intention to sell its plants sets off concerns by deregulation critics that foretell higher rates; a move for a special legislative session to slow deregulation failed.</p> <p>12/97: Montana Power announced that it will offer for sale all of its Montana electric generating facilities - 13 dams and four coal-fired plants, as well as its leased interest in another coal-fired plant and its contracts for power purchased from independent producers.</p>
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Nebraska <u>[SEE COMMENTS]</u>		<p>2/98: Phase I final report on electric power industry was issued. The report focuses on the existing structure of the industry and how to improve it. Phase II of the study will address competition issues and policy changes needed to keep public power viable. The Phase II report is due 12/99.</p> <p>6/96: Legislation enacted to allow a 3-year study on electric power industry restructuring, with reports due in 12/97 and 12/99.</p>		
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<p>Nevada <u>[SEE COMMENTS]</u></p>	<p>10/98: Sierra Pacific and Nevada Power filed their joint merger application with FERC.</p> <p>7/98: Sierra Pacific and Nevada Power filed a joint merger application with the PUC. In the filing, the utilities propose to sell their generation assets.</p> <p>6/98: PUC issued an order that defines which utility-related services, aside from selling electricity, could be open to competition. Areas of activity expected to be opened up to competition include metering, billing, and customer service.</p> <p>3/98: PUC issued a draft report on the unbundling of services and costs.</p> <p>11/97: As part of its ongoing investigation, PUC order requests Nevada Power Co and Sierra Pacific Power Co submit filings which demonstrate each distinct component of electric service (unbundled costs). Hearings will be held beginning in 12/97.</p> <p>8/97: PUC Order opened Docket to investigate issues to be considered as a result of restructuring.</p>	<p>7/97: Restructuring legislation, AB 366, enacted. The law directs the PUC of NV (formally the PSC) to establish a market in which customers have access to potentially competitive electric services from alternative suppliers no later than December 31, 1999.</p>		<p>The PUC is authorized in AB 366 to determine recoverable stranded costs and may impose a procedure for the direct and unavoidable recovery of allowable stranded costs from ratepayers. However, stranded cost recovery is not guaranteed.</p>
<p>New Hampshire <u>[SEE COMMENTS]</u></p>	<p>11/98: The PUC ruled that Unil began the process to sell about 200 MW of entitlements under a portfolio of power</p>	<p>6/98: A net metering law was enacted to allow customers with 25 kW or less renewable generation</p>	<p>7/98: The competition pilot program was extended beyond its original</p>	

requested \$5.6 million.	to utilize net metering.	ending date in 5/98 until PSNH's legal disputes are settled and retail competition begins.	purchase agreements and related transmission agreements.
9/98: Utili (subsidiaries include: Concord Electric, Exeter & Hampton Electric, and Fitchburg Gas & Electric) filed its restructuring settlement agreement with the PUC. In the agreement, Utili will sell its New Hampshire power supply portfolio and be allowed to recover 100% of stranded costs over 12 years. Customer choice will be phased-in beginning 3/1/99.	6/98: US District Court issued an order enjoining the PUC from implementing any restructuring plans until the court holds trial for the suit filed by PSNH, scheduled in November.	2/97: Results of pilot program available. Results indicate a 15 to 20% savings was achieved.	9/98: NEES completed the sale of its 18 power plants and 23 power contracts to U.S. Generating. As a result, customers of Granite State, a NEES subsidiary, will see about a 17% rate reduction (including the 10% already realized in June).
8/98: PUC ruled that New Hampshire Electric Cooperative can offer customers choice if FERC approves the "interpretation of its contract" for power purchases with PSNH.	4/98: Legislators are discussing a delay until 1/31/99 for beginning retail choice in the State or authorizing the PUC to postpone the date indefinitely, due to the delay until November of the stranded costs case brought by PSNH.	5/96: PUC began a 2-year state-wide pilot program covering approximately 3 percent of the load served by 6 utilities.	HB 1392 states that utilities should be allowed to recover net unmitigated stranded costs, and are obligated to take reasonable measures to mitigate their stranded costs. Nonbypassable charges to consumers is recommended as the recovery mechanism (entry and exit fees are not preferred). The PUC Final Plan discusses stranded cost recovery through divestiture of generation assets and contracts and securitization of debts.
6/98: The PUC gave approval to a settlement, the first in the state, with Granite State Electric to bring retail competition to the electricity market. Under the settlement, Granite State customers could see a 17% rate cut and choose their generation supplier as early as July.	5/96: HB 1392 enacted requiring the PUC to implement retail choice for all customers of electric utilities under its jurisdiction by January 1, 1998, or at the earliest date which the Commission determines to be in the public interest, but no later than July 1, 1998.	6/95: Legislation directed the PUC to establish a statewide pilot program for retail competition for about 17,000 customers (approximately 3% of the state's consumers).	
5/98: The NH Supreme Court heard arguments in the PSNH rate agreement case. A ruling is expected early in June.			
4/98: PUC asked a federal court to			

dismiss the PSHN lawsuit against the state's restructuring plan in an effort to keep 7/1/98 as the start up date for retail competition.

4/98: Granite State restructuring plan is approved by PUC and the governor. Retail choice will begin 7/98 regardless of other utilities in the State. A 10 % rate reduction will go into effect and, after divestiture of generation assets, a 17% reduction. Stranded cost recovery is set at 2.8 cents/kWh, decreasing by 50% once divestiture is completed.

3/98: PUC issued a revised restructuring order concerning cost-based Interim Stranded Cost charge for the Public Service Company of New Hampshire.

1/98: The PUC formally delayed the 1/98 start of retail competition to 7/98 due to the continuing litigation between the PUC and Public Service of New Hampshire.

3/97: Public Service Company of New Hampshire filed a complaint with Federal District Court requesting the court enjoin the PUC restructuring plan, due to basing stranded cost recovery on market forces rather than

	<p>utility costs. The court issued a stay on the plan as it applies to PSNH.</p> <p>2/97: PUC issued a Final Plan and Legal Analysis for restructuring the electric industry in NH. Among the restructuring issues addressed by the plan are Market Structure, Unbundling Electric Services, Stranded Costs, and Public Policy Issues (such as universal service, renewable energy, and customer protections).</p>		
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State	Regulatory	Legislative	Pilot Programs	Stranded Costs
New Jersey	<p>9/98:</p> <p>8/98: BPU is reviewing PSE&G's and Atlantic City's (Conectiv) restructuring plans.</p> <p>5/98: BPU announced a 6-month delay in its plan to offer retail competition. Phase-in of retail competition should now begin by April 1999.</p> <p>9/97: An Initial decision on the four investor-owned utilities' restructuring filings is set for May 1998. PSE&G's plan would provide full retail competition by 1/99, and Rockland Electric's by 5/99. GPU's (Jersey Central P&L) and Atlantic Energy's adhere to the BPU schedule.</p> <p>7/97: The four investor-owned electric utilities in the</p>	<p>11/98: The governor is urging the state lawmakers to send forward a restructuring bill by the end of the year with an effective date of 6/1/99.</p> <p>Lawmakers are reviewing the bills and conducting meetings with utility executives, consumer groups, and environmentalists.</p> <p>9/98: Restructuring legislation, "Electric Discount and Energy Competition Act," was introduced in the Assembly, A-10, and the Senate, S-5. If passed the bill will begin a 4-month phase-in for customer choice by 6/99; open metering and billing to competition after one year; implement rate reductions of 5-10% within 4 months; unbundle rates;</p>	<p>10/98: Jersey Central Power & Light began a pilot program in 9/97 for customers in the Monroe township.</p>	<p>The pilot was recently extended through 12/31/98.</p> <p>8/98: In a ruling on PSE&G's restructuring plan, an ALJ has opined that PSE&G should recover from ratepayers most of its stranded costs and would have to cut rates by 10 - 12 %. Another ALJ issued an initial decision on Atlantic City Electric Co.'s stranded costs and unbundling filings agreeing that stranded cost estimates are acceptable and should be recovered. Legislative and BPU approval are needed to implement utility restructuring plans.</p> <p>4/97: The Energy Master Plan allows for the potential recovery of stranded costs, but does not guarantee it. Securitization is being</p>

	<p>state submitted three filings each to the BPU consisting of a rate unbundling filing, a stranded cost filing, and a restructuring filing.</p> <p>4/97: BPU issued an order adopting and releasing its final report for the Energy Master Plan. The revised plan accelerates the time line for retail competition. Competition will be phased-in beginning with 10% by 10/98, 35% by 4/99, 50% by 10/99, 75% by 4/2000, and all consumers by 7/2000.</p> <p>1/97: The BPU issued an order releasing its Energy Master Plan for public comment. The proposal calls for a phase-in of retail choice that would give all NJ residents and businesses the option of choosing their electric supplier by 4/2001.</p>	<p>require disclosure of emissions and fuel mix; and give the BPU authority to determine the amount of stranded costs and recovery mechanisms, including securitization. The bill does not require divestiture of power supply assets, but would give the BPU authority to order divestiture to alleviate market power. Hearings on the issues of electric power industry restructuring are being held in the Senate. The governor of NJ and the investor-owned utilities in the state support the legislation.</p> <p>7/98: Legislative session ended in June without passing restructuring legislation. Details on issues with retail competition are still being worked on by the committee and the BPU. Competition, originally scheduled to begin 10/98, will likely be delayed until the spring.</p> <p>3/98: Legislation is expected to be introduced in the 1998 legislative session.</p> <p>7/97: AB 2825, a tax reform bill, enacted. The law abolishes the gross receipt and franchise tax on sales of electricity by</p>	<p>considered.</p> <p>7/97: Utilities submitted filings for stranded cost recovery. PSE&G plan estimates \$3.9 billion in stranded costs and includes recovery of \$2.5 billion through securitization; GPU estimated stranded costs at \$1.8 billion. An initial decision by the BPU is due by 5/98.</p>
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		regulated utilities and replace it with a corporate income tax and sales and use tax to create tax equity between utility companies and potential competitors in a deregulated market.		
New Mexico	<p>2/98: PUC submitted legislative language to the legislature and Governor that would give PUC authority to resolve deregulation issues. The PUC is pushing for retail competition; legislation will likely be introduced in the 1999 legislative session.</p> <p>1/98: The PSC issued its restructuring report to the legislature. The report calls for full retail competition by 1/01 and for legislative adoption of rules by 7/99. The report also states that \$60 million/year could be saved.</p> <p>9/97: Public Service of New Mexico submitted its restructuring plan to the PUC. The plan proposes open access for all consumers by 1/2001, unbundling of services, and recovery of stranded costs using nonbypassable wires charges, exit fees, and securitization.</p>	<p>8/98: A New Mexico Senator is developing legislation to restructure the NM electric industry and plans to introduce it when the 1999 session begins.</p> <p>5/98: Restructuring legislation was introduced in January and strongly supported by the PUC. However, legislation was tabled until next year. The legislation would have set the date for retail competition at January 1, 2001.</p>	<p>9/98: The Public Service of New Mexico, under order of the PUC, will conduct a pilot program with its Albuquerque customers. About 16 MW of PSNM's load will open to competition in December 1998. PSNM opposes the order.</p> <p>3/97: PSC approved Texas-N.M. Power's "Community Choice" plan to introduce customer choice by 1998 through a pilot program. The program is scheduled to begin in May 1998.</p>	
New York	<p>11/98: The PSC ordered utilities, beginning in 4/00, to inform customers of the sources of their electricity and their amount of</p>	<p>2/98: A bill, A.7942 - D was introduced by Senator Tonko to provide an alternative deregulation plan to the PSC, saying the</p>	<p>6/97: PUC approved a pilot program for more than 17,600 qualified farmers and food processors,</p>	<p>11/98: Orange & Rockland and ConEd are selling 16 power plants (about 1,776 MW of gas, oil, and hydro capacity) in New York to Southern</p>

environmentally "clean" power.	current PSC plan does not go far enough to protect consumers. The bill calls for competition in electric generation no later than 3/1/2000 for all consumers, including municipal systems and 10% rate cuts by September.	beginning in 11/97.	Company for \$480 million.
11/98: Long Island Power Authority plans to begin marketing their retail access program in January with a target of August for delivery of power from competitive providers. All customers of LIPA will have retail choice within 5 years.		7/96: PUC approved O&R's pilot program, "Power Pick," that will allow industrial consumers retail access to competitive generation suppliers. The program will begin 5/98.	11/98: NYSEG is selling its fossil fuel-fired generation to AES (6 coal plants for \$950 million) and Edison International (Homer City Station for \$1.8 billion).
6/98 PSC set rules for a Systems Benefit Charge to fund R&D related to energy service, storage, generation, the environment, and renewables; pilot programs for energy management for low-income consumers; and environmental protection.			5/96: In the PUC order, it states that the PUC will determine each utility's allowable recovery of stranded costs. Utilities are expected to use creative means to reduce the amount of stranded costs prior to consideration. Utilities will include stranded cost recovery plans in their restructuring filings with the PUC.
6/98: Con Ed and Orange & Rockland filed a joint petition with the PSC requesting approval to complete the merger announced in May 1998.			
6/98: Con Ed became a member of NEPOOL, increasing its opportunities in electric trade through participation in New England's bulk power market.			
5/98: Due to over-subscription of ConEd first phase of retail competition, the load for residential and small commercial customers was doubled to 1000 MW;			

a lottery will be conducted for large customers. Customers will begin receiving power from their suppliers of choice among more than 20 registered ESCO's on June 1.

5/98: PSC approved generation divestiture plans for New York State Electric and Gas, Niagara Mohawk, and Orange and Rockland. The total capacity to be sold is over 7,500 MW.

5/98: ConEd has announced that it will seek approval to buy Orange and Rockland.

5/98: Orange and Rockland became the first utility in New York to offer retail choice to through its Power Pick program as customers began to receive power from their suppliers of choice on May 1, 1998.

4/98: PSC approved LILCO/Brooklyn Union Gas Co merger. LILCO's non-nuclear generating assets are transferred to KeySpan Energy Services, parent company of Brooklyn Union.

4/98: PSC approves O&R's and NIMO's divestiture plans. O&R will sell its interest in the Bowline Plant, and its coal, gas, and hydro facilities. NIMO plans to sell its fossil-fueled and

hydro plants by mid-1999.

2/98: PSC approved restructuring plan for Central Hudson Gas & Electric. The plan requires divestiture of fossil-fueled plants, a rate freeze until June 30, 2001, rate reductions, and transition to full retail competition by July 2001.

2/98: PSC approved Niagara Mohawk plan for rate restructuring, a nonbypassable CTC to fund \$3.6 billion in debt for settlement with 16 independent power producers to restructure uneconomic contracts, and divestiture of fossil-fueled and hydroelectric plants. Retail competition will begin in 1998 for large customers and be available to all customers by January 1, 2000.

1/98: PSC approved New York State Electric & Gas restructuring plan. The plan includes phase-in of retail competition for small industrials begins 8/98, full retail competition by 8/99, a rate freeze and rate cuts, and divestiture of its coal plants by 8/99.

1/98: PUC approved Rochester Gas & Electric's restructuring plan. RG&E will begin in 7/98 with open access for 10% of its customers and phase-in full retail

access by 7/2001. Divestiture of fossil-fueled and hydro plants and rate cuts are included in the plan.

12/97: PSC settled Orange and Rockland's proposal for restructuring. O&R will phase-in retail competition beginning 5/98, allow full retail competitive by 5/99, provide rate cuts, and require divestiture of generation assets by 5/99.

9/97 PSC approved ConEd's restructuring plan. The plan calls for rate cuts, retail competition to phase-in beginning 6/98, and full retail access by 12/01. In addition, ConEd will file by 1/98 unbundled tariffs for all classes of customers, to become effective 4/98. The plan calls for divestiture of at least 50% of ConEd's New York City fossil-fueled generation by the end of 2002.

5/96: PSC issued its decision to restructure NY's electric industry. The Competitive Opportunities Case adopted the goal of having a competitive wholesale market by 1997, and a competitive retail market by early 1998. Electric utilities are required to submit restructuring plans by 10/96. It also states that utilities should

	have a reasonable opportunity to recover stranded costs consistent with the goals of restructuring.			
North Carolina	<p>9/97: PUC reopened electric restructuring Docket concerning emerging issues in the electric industry.</p> <p>11/98: The Study Commission will not meet its January due date for its report. Instead, it will present a report to the short legislative session in 2000.</p> <p>8/98: At a "Mayor's Day" event mayors and city officials urged the legislature to pass restructuring legislation to prevent large industrials from relocating and thus protect the economies of NC cities and the State.</p> <p>7/98: Research Triangle Park produced a report for the General Assembly Study Commission on the Future of Electric Service in NC that summarizes the rate disparity between publicly owned and private utilities in NC. The report recommends the Legislature pass deregulation legislation in 1999.</p> <p>11/97: The Study Commission commenced its work to investigate restructuring in NC and determine whether legislation is needed. Reports are due to the General Assembly in 1998</p>			

		<p>and 1999.</p> <p>4/97: SB 38 established a 23-member commission on restructuring. A report is due by 1999 to the legislature.</p>		
North Dakota		<p>11/98: The Electric Utilities Committee submitted its report to the legislature.</p> <p>2/98: ND Electric Utilities Committee met and discussed tax implications of restructuring and electric rates of investor-owned and cooperative utilities.</p> <p>7/97: First meeting of Electric Utilities Committee. Final report is due 11/98.</p> <p>3/97: HB 1237 enacted to create Joint Legislative Study Committee on Restructuring. Committee work should be completed by 2003.</p>		
Ohio <u>[SEE COMMENTS]</u>	<p>7/98: The PUC approved consumer protection standards. The improved standards address new service installation, meter testing, disconnects, complaint resolution, outage reporting, and utility reporting requirements.</p> <p>6/98: The PUC approved Monongahela's tariff for conjunctive electric service, the first tariff approved that will allow groups</p>	<p>8/98: In response to requests from the General Assembly, representatives of the 5 major IOU's have been developing a consensus framework for a restructuring proposal. Their proposal includes choice for all consumers by 1/1/01.</p> <p>7/98: The Coalition for Choice in Electricity, a broad group of consumer representatives, met with Sen. Johnson and Rep. Mead to</p>	<p>8/98: A lawsuit aimed at blocking conjunctive service regulations was thrown out of court. The PUC can now move ahead with the plans for conjunctive billing service.</p> <p>12/96: PUC adopted guidelines for Conjunctive Electric Services. The 2-year pilot</p>	<p>12/97: Stranded costs were addressed in the report issued by the co-chairs of the Legislative Joint Committee on Electric Deregulation. The plan allow for recovery of stranded costs using nonbypassable wires charges. Utilities would be allowed during the 5-year transition period beginning 1/2000 and ending 12/2004 to receive "transition revenues" or stranded costs under certain</p>

<p>of consumers to aggregate and negotiate the price for electricity.</p>	<p>urge the General Assembly to pass restructuring legislation.</p>	<p>program would allow ratepayers to band together for collective billing under rates designed for the group. (This pilot is an experiment in innovative pricing, and does not allow retail wheeling.)</p>	<p>conditions, but likely expect less than 100% of recovery.</p>
<p>4/98: The PUC is concerned with AEP's announcement that it is joining discussions with the Alliance ISO. There is concern that having two "competing" ISO's, Alliance, which has members stretching from Virginia to Michigan, including First Energy, and the MidWest ISO, which has ten members, including Cinergy, Commonwealth Edison, Illinois Power, CILCO, and Louisville Gas & Electric.</p>	<p>5/98: Hearings on the deregulation legislation began. SB 237 and its companion bill, HB 732, would create about 80 regional marketing areas that would be bid out to utility companies in an open public process. The Coalition for Choice in Electricity strongly supports passage of SB 237.</p>		
<p>11/97: PUC ordered newly formed First Energy to declare its intent to join the MidWest ISO.</p>	<p>3/98: Identical bills to deregulate the electric power industry were introduced in the House and Senate. The bills were sponsored by the co-chairs, Rep. Mead and Sen. Johnson, of the Legislative Joint Committee on Electric Deregulation. The proposed legislation will allow retail competition beginning 1/2000 and sets a 5-year transition period to full competition by 12/2004.</p>		
<p>2/96: PUC adopted guidelines for "interruptible buy-through contracts," allowing power purchases from alternative suppliers to avoid interruptions.</p>	<p>2/98: The Legislative Joint Committee on Electric Deregulation plan was adopted. The report calls for retail access to begin by 1/2000 and allows for a 5-year transition period. Utilities may receive "transition revenues" in the form of nonbypassable</p>		

		wires charges to partially recover stranded costs after relinquishing control of transmission to an ISO.		
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State	Regulatory	Legislative	Pilot Programs	Stranded Costs
Oklahoma	<p>2/98: The Corporation Commission issued final rules for unbundling. The rules now go to the legislature and governor for review.</p> <p>4/97: The OK Corporation Commission is directed by SB 500 to undertake a study of all relevant issues relating to restructuring the electric utility industry in OK and to develop a framework for the restructuring. Four reports: ISO Issues, Technical Issues, Financial Issues, and Consumer Issues are due 2/98, 12/98, 12/99, and 8/2000, respectively.</p>	<p>10/98: The Joint Electricity Task Force began meeting to discuss deregulating the state's electric utilities. Issues studied will include customer choice, reliability, unbundling, and tax impacts. The studies are to be completed by 10/99.</p> <p>6/98: SB 888 was enacted. The bill will speed up the time line for restructuring the industry. Currently, under SB 500, studies and recommendations for restructuring should be completed by the SCC by 2000. This new legislation would required that all studies be completed by 10/99, allowing some retail competition to begin as early as 1999.</p> <p>4/97: SB 500, the Electric Restructuring Act of 1997, is enacted allowing retail competition by 7/2002. The SCC is directed to study the issues and develop a framework to implement retail competition.</p>		<p>4/97: Under SB 500, each entity must propose a recovery plan for stranded costs. Transition charges can be collected over a 3- to 7-year period and must not cause the total price for electric power to exceed the cost per kWh paid by consumers when the law was enacted during the transition period.</p>

Oregon <u>[SEE COMMENTS]</u>	<p>2/98: Portland General Electric's deregulation plan, which could become a model for the State, faces opposition from The Oregon Intervenor Coalition that includes Pacificorp, Washington Water Power, and consumer groups. Portland's plan calls for selling all its generation and allowing all customers to choose competitive generation suppliers. The coalition prefers a "portfolio model" for customer choice. The portfolio model would allow large industrial customers to shop for power suppliers, but small customers would continue to be served by the incumbent utilities and be offered a menu of plans to choose from. Options would include current, market, or "green" rates.</p>	<p>8/97: Restructuring bill failed to pass 1997 session; expected to be reintroduced for 1999 session.</p>	<p>7/98: Pacific Power has filed a proposal with the PUC for a "portfolio" pilot program for residential and small commercial consumers and direct access for large industrial consumers.</p>
			<p>7/98: Portland General Electric's pilot program involving four Oregon cities will end as the two participating energy companies, Enron and Electric Lite, both discontinued marketing to consumers.</p> <p>1/98: Pacificorp filed a pilot program plan for residential and small commercial customers in Klamath County, OR. The pilot program would allow customers to select from a "portfolio" of pricing options for electricity and would go through 6/99. Another proposed pilot program will allow schools and customers with demands greater than 5 MW in Pacificorp's</p>

			<p>service territory to choose alternative generation suppliers for up to 50% of their load. Additionally, all of their large customers in Klamath County would be allowed retail access.</p> <p>10/97: PUC approved Portland General Electric pilot program which will allow 50,000 customers in four cities to choose alternative generation suppliers. Large industrial customers could begin to choose immediately, and residential customers by 12/97.</p>	
Pennsylvania	<p>11/98: The PUC and Allegheny have reached a compromise agreement. Allegheny will have a 3.16 cents shopping credit, retail choice will follow the schedule consistent with the rest of the State (two-thirds by January 1999 and all consumers by January 2000), and \$670 million can be recovered in stranded costs over 10 years.</p> <p>10/98: The PUC and PP&L reached an agreement on capacity prices; PP&L agreed to sell installed capacity at</p>	<p>3/98: HB 2286, a bill to accelerate retail choice for all consumers by 2 years, to 1/99, was introduced.</p> <p>12/96: HB 1509, the Electricity Generation Customer Choice and Competition Act, was enacted. The law allows consumers to choose among competitive generation suppliers beginning with one third of the State's consumers by 1/99, two thirds by 1/2000, and all consumers by 1/2001. Utilities are</p>	<p>4/98: The Pennsylvania pilot program is called "the most successful in the United States" with about 230,000 customers and many energy suppliers.</p> <p>3/98: Pilot programs are fully subscribed with more than 72,000 participants, making it the largest pilot program nationally.</p>	<p>11/98: GPU sold 23 plants to Sithe Energies for \$1.72 billion. GPU plans to focus on transmission, distribution, and diversifying into natural gas, water, and telecommunications. A large part of the money from the sale of the plants will go to paying GPU's stranded costs.</p> <p>10/98: GPU announced an agreement with AmerGen Energy (jointly owned by PECO and British Energy) to buy Three Mile Island Unit 1</p>

<p>\$19.72/kw-year through 1999.</p> <p>10/98: The PUC and GPU reached a settlement in GPU's restructuring cases, clearing the way for GPU customers to choose their electric generation suppliers on schedule beginning January 1999.</p>	<p>required to submit restructuring plans by 9/97.</p>	<p>2/98: Pilot programs complete lotteries to select final pilot participants. The first portion of the State's customers, chosen earlier, are actively participating in retail access pilot programs since November 1997.</p>	<p>Generating Facility. If completed, this will be the first sale of a nuclear power plant in the U.S. Approvals must be sought from various Federal and State agencies, including the Nuclear Regulatory Commission.</p>
<p>9/98: About 1.8 million customers have registered to choose their electric generation supplier. The customers have received a "How to Shop" guide and a list of competitive suppliers and are now in the process of making choices. Two-thirds of the state's consumers are eligible to begin receiving power from their supplier of choice in January 1999. All residential customers will receive an 8% rate reduction, and so far competitive suppliers will provide customers about 14% savings. Also, 4 "Green-e" products (a product with the Green-e logo is certified to be produced with 50% or 100% generation from renewables; see California) are being offered to Pennsylvania customers.</p>	<p>9/98: The PUC capped installed capacity (guaranteed access to a supply of electricity) prices at \$19.72 per</p>	<p>8/97: As required by HB 1509, PUC approved statewide pilot programs for 5% of each utility's load, beginning 11/97.</p>	<p>10/98: Duquesne Light Co has struck an agreement with FirstEnergy Corp. to swap its interest in the Beaver Valley nuclear plant for three plants owned by FirstEnergy. The swap could reduce Duquesne's stranded costs and lower customer rates.</p>
		<p>9/98: Duquesne Light filed a divestiture plan with the PUC, hoping to open an auction in early 1999 to sell 3,035 MW of coal and nuclear capacity. Approval is hoped for by December 1998.</p>	
		<p>12/97: HB 1509 allows stranded cost recovery through CTC's; however, the detailed decisions and amount of recoverable costs are left to the PUC. The legislation expects utilities to use reasonable mitigation measures, and securitization is allowed but not required.</p>	

kilowatt-year. PP&L has argued that Federal law allows capacity sale at "whatever the traffic will bear." Higher prices are keeping competitive power marketers out of PP&L's retail market where no competitor has been able to quote a price to beat PP&L's "price to compare" at 4.26 cents/kilowatthour.

8/98: PP&L reached a settlement on its restructuring case. Under it, all consumers will get a 4% rate reduction. PP&L will be allowed \$297 billion in stranded cost recovery over 11 years. Consumer choice will follow the same phase-in schedule.

8/98: The Electric Choice Program has enrolled 1.75 million customers and 70 electric service providers as of 8/1/98. In September, consumers will receive information on shopping for an electric service provider and the "shopping phase" will begin. Retail access is set to begin on 1/1/99.

7/98: PUC rejected a petition filed by PP&L for reconsideration of its restructuring plan in regard to the stranded costs recovery. PP&L intends to initiate a court challenge.

7/98: In response to the PUC's rejection of GPU's restructuring plans, GPU filed 2 legal actions challenging the PUC decision related to stranded cost recovery and nonutility generator contracts. The legal actions could possibly delay the start of competition. GPU also filed a compromise restructuring plan.

7/98: Pennsylvania consumers began signing up to participate in the first phase-in of competition, two thirds of consumers. In the first week, over 1.1 million consumers signed up for the Electric Choice Program.

6/98: The PUC began its consumer education program. A Electric Supplier Selection Form will be mailed to all consumers in the state to begin enrollment in the first part of the phase-in of competition, set to begin with 2/3 of consumers in January 1999. Sign-up for retail choice begins July 1, 1998. The first third will begin taking power from the supplier of choice on January 1, 1999, the second third on January 2, 1999, and the final third on January 2, 2000. Most consumers should

realize savings of 10% over what they now pay.

6/98: The PUC approved restructuring plans for UGI Utilities, allowing \$32.5 million of the requested \$58.5 million in stranded cost recovery. It also gave final approval to Pennsylvania Power & Light, Pennsylvania Power Co. (approved recovery of \$234 million out of \$273 million in stranded costs), and GPU's subsidiaries, Metropolitan Edison and Pennsylvania Electric. Also, the PUC authorized the Philadelphia Gas Works to sell retail electricity to its customers.

6/98: GPU, PP & L, and Allegheny Energy (West Penn Power) plan to file petitions to challenge the PUC final orders on the allowed amount of stranded cost recovery in the final restructuring plans.

5/98: The PUC gave final approval to PECO's restructuring plan in a compromise agreement. Under the plan, PECO customers will receive an 8% rate reduction next year, 6% in 2000, with 20% savings expected for those willing to shop for power. PECO will be allowed to recover \$5.26 billion in stranded costs over a period of 12 years.

Two thirds of customers will be phased in to retail competition by 1/99 and all customers by 1/2000.

5/98: PP&L's restructuring plan was tentatively approved by the PUC. In the plan, PP&L will provide a 10% rate reduction and phase-in retail competition in thirds, beginning with two thirds in 1/99 and all by 1/2000. The amount of recoverable stranded costs allowed is \$2.864 billion. Customers should see savings of about 10%.

5/98: The PUC approved Allegheny's West Penn to recover \$524 million in stranded costs. Consumers will be phased-in beginning 1/99 and going to full retail choice by 1/2000.

5/98: PUC approved Duquesne Light's restructuring plan. Stranded cost recovery is set at \$1.331 billion over 7 years beginning 1/99. Consumers should expect to save about 12%. Retail competition will be phased-in beginning 1/99 and be complete by 1/2000.

5/98: An administrative law judge issued an opinion on GPU and its subsidiaries, Metropolitan Edison and Penelec, restructuring plans,

appearing to fail to include full recovery of nonutility generator costs. GPU filed its reaction to the ALJ opinion on NUG recovery, saying it denied recovery of a significant portion of transmission and distribution costs and fails to assure full recovery of NUG costs. 11/97: Enron's petition to serve as the "Provider of Last Resort in the Service Territory of PECO Energy Co" is denied.		
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Rhode Island	<p>8/98: Narragansett is proposing to cut rates 12.4% as a result of selling its power plants for \$1.6 billion to US Generating.</p> <p>5/98: PUC reluctantly approved a rate increase for Narragansett Electric Co for its standard offer rate from the current 3.2 cents/kWh to 7.1 cents/kWh by 2009. Similar increase were approved for Blackstone Valley and Newport Electric.</p> <p>1/98: Retail access was implemented with 25 registered generation suppliers, but the standard offer interim rates (3.2 cents/kWh) offered by the State's investor-owned utilities are low enough that no real competition has occurred.</p> <p>12/97: PUC issues an order accepting interim rates and approving retail choice for all RI consumers on January 1, 1998.</p>	<p>8/96: The Rhode Island Utility Restructuring Act of 1996 enacted allowing retail choice beginning 7/97 and continuing in phases. In July 1997, Rhode Island became the first state to begin phase-in of statewide retail wheeling (for industrial customers). Residential consumers were guaranteed retail access by 7/98.</p>		<p>9/98: The now completed sale of NEES's generation assets (see New Hampshire) will result in increasing rate reductions, already 7% under the restructuring act, to about 19% for Narragansett customers.</p> <p>Stranded costs recovery is allowed through a customer transition charge of 2.8 cents per kilowatthour from 7/97 through 12/2000, and at rates subsequently set by the PUC through 2009.</p>
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South Carolina	<p>10/98: The PSC released a report on deregulation that stated the cost of deregulating the 3 large investor-owned utilities in the state would be about \$14 billion. Stranded costs for South Carolina Electric and Gas were estimated to be \$882 million; for Carolina Power & Light, \$410 million; and for Duke Energy, \$81 million.</p> <p>6/98: PSC decided to conduct stranded cost proceedings for the 4 investor-owned utilities in the State, expecting completion by the end of the year.</p> <p>4/98: The PSC requested utilities to calculate their stranded costs under a retail access scenario.</p> <p>2/98: PSC issues Proposed Electric Restructuring Implementation Process as requested by House Speaker. The plan calls for a five-year transition period following passage of legislation to deregulate the electric industry.</p>	<p>5/97: House speaker requested a PSC study and recommendations for restructuring electric industry by 1/98.</p> <p>1997: Legislation (Bills 346 and 3414) to restructure the electric industry and allow retail wheeling were introduced in the House and Senate. The bills would allow retail competition to be phased in beginning 1/98 and going through 1/99. Neither were acted on in the current 2-year legislative session that ended in June 1998.</p>		<p>2/98: In the proposed implementation plan submitted by the PSC, recovery of reasonable, verifiable stranded costs is allowed. Utilities would submit recovery plans for approval by the PSC.</p>
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South Dakota <u>[SEE COMMENTS]</u>		<p>1/98: The Legislative Research Council is hosting an informational forum on developments in utility competition. This is the first time the State legislature has addressed restructuring of the electric industry. No action is expected.</p> <p>Current law allows retail wheeling for new, large customers.</p>		
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State	Regulatory	Legislative	Pilot Programs	Stranded Costs
Tennessee <u>[SEE COMMENTS]</u>	<p>5/98: The Department of Energy advisory committee on TVA issued a final report calling for more regulation controls on TVA once national electric deregulation begins. It recommends TVA remain mainly in the "wholesale electric business."</p> <p>There is little interest in restructuring in Tennessee due to TVA, a federal utility and thus not subject to state regulation, being the primary electricity provider in the State. Tennessee currently is among the States with the lowest electric rates in the U.S.</p>	<p>6/98: The General Assembly Study Commission is continuing into 1999.</p> <p>6/97: General Assembly created a special joint legislative committee to study electricity deregulation. A report is due October 1998.</p>		
Texas	<p>7/98: PUC approved Texas-New Mexico's five-year transition plan. Along with the rate reductions (described below) are a provision for a pilot program and plans to allow retail choice of generation providers to all retail consumers by 2003.</p>	<p>6/98: The Legislature is expected to consider four bills to open electricity to competition when it convenes in January 1999. A hearing was recently held with the Texas Industrial Electric Consumers that claimed residential customers</p>	<p>10/98: Texas-New Mexico Power Co. named 2 communities, Gatesville and Olney City, in which to initiate its pilot program, "Community Choice," for retail access to</p>	<p>5/98: The PUC's revisions to their plan for deregulation would allow securitization of stranded assets, estimated to be \$4.5 billion if retail competition happens in 2001. Deferring full competition one more year would lessen</p>

<p>5/98: An administrative law judge recommended the PUC reject Texas-New Mexico's restructuring plan. The plan would provide residential customers an immediate 3% rate reduction and another 3% in 1/00 and 1/01, totaling 9% over 3 years. Also, the plan provided for full recovery of stranded costs through a CTC. A final decision by the PUC is expected by July.</p>	<p>would also benefit from deregulation.</p> <p>3/98: Texas House Standing Committee will debate restructuring in April.</p>	<p>generation suppliers of choice.</p> <p>10/97: West Texas Utilities announced a pilot program to allow about 1,000 customers in San Angelo to support the development of renewable energy resources by adding certain amounts to monthly bills and receiving increments of power from renewable energy sources (not a retail wheeling pilot).</p>	<p>stranded costs to \$3.3 billion, and delaying competition until 2003 would set stranded costs at approximately \$2.3 billion.</p>
<p>4/98: The PUC is finalizing its plan and recommendations for deregulation and expects to forward it to the legislature within days.</p>	<p>12/97: Senate Interim Committee on Electric Industry Restructuring met, and will continue meeting with stakeholders; next meeting set for February 1998. The committee expects to issue a report prior to when the 1999 legislative session reconvenes in January.</p>	<p>8/97: Senate committee formed to review electric industry deregulation. A report is hoped for in 1999.</p>	
<p>3/98: PUC approved both Texas Utilities and Houston Power and Light restructuring plans. The HP&L plan provides a 4 percent rate cut this year and another 2 percent next year.</p>	<p>1995: SB 373 enacted to restructure TX wholesale electric industry, consistent with FERC requirements. The law requires utilities to provide unbundled transmission service on a non-discriminatory basis and establish an ISO.</p>		
<p>12/97: Houston Light and Power, Texas Utilities Electric Co., and Texas-New Mexico Power Co. announced agreements with the PUC on proposed competition plans, although final approval by the PUC is still needed. All three contain rate reduction measures. Texas-New Mexico's plan offers a guaranteed date, 2003, for full retail choice</p>			

	<p>beginning with a phase-in of customers as early as 1/98, and a plan for stranded cost recovery.</p> <p>10/97: Houston Light and Power presented its transition proposal for restructuring. Included is a 4-percent rate decrease over 2 years for residential customers.</p> <p>1/97: PUC issued three reports as directed by the legislature. Volume I is on the scope of competition in the electric industry in Texas; Volume II is an investigation into retail competition; and Volume III focuses on recovery of stranded costs and competition.</p> <p>8/96: ISO is authorized by PUC, to be operational by 7/97.</p>		
Utah	<p>11/98: A draft report on restructuring was issued by the Utah legislature's Electrical Deregulation and Customer Choice Task Force. The report is generally favorable toward competition ; however, it advises a "go slow" approach.</p> <p>10/98: The Utah Task Force on Electric Deregulation issued a report on stranded costs. The Task Force favors allowing the market to calculate the value of stranded costs.</p>		

		<p>6/98: The PSC's "Unbundling Electricity Related Services" report to the Electric Deregulation and Customer Choice Task Force details technical options for separating the costs for generation, transmission, and distribution.</p> <p>4/98: The Utah Legislative Task Force on Electric Deregulation and Restructuring is favoring a slower approach, and will not begin working on draft legislation until the fall of 1998.</p> <p>11/97: The task force voted to recommend no restructuring legislation for 1998 session. The task force will prepare draft legislation for a restructuring plan by April 1998 for introduction in the 1999 General Session.</p> <p>3/97: Legislature creates a task force to study the various issues of electric industry restructuring. A draft report is due 11/97, and the final report is due 11/98.</p>	
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Vermont	<p>12/96: Vermont PSB issued its plan to restructure the electric power industry that called for retail competition by 1998, functional unbundling, and allowed recovery of stranded costs. Implementation of the plan requires legislation.</p>	<p>4/98: Several restructuring bills were considered in 1998 session. The session ended on 4/17 with no action taken on any of the bills.</p> <p>10/97: House Electric Utility Regulatory Reform Committee voted to not propose any retail wheeling legislation in 1998, but will draft its version of a restructuring bill for 1999.</p> <p>8/97: Prompted by the Senate bill, the House formed a special committee to study restructuring issues.</p> <p>4/97: Senate passed a bill based on the plan issued by the PSB that would have allowed retail choice by 1998; however, the bill stalled in the House.</p>		<p>12/96: PSB plan proposed partial recovery of stranded costs.</p>
Virginia	<p>8/98: The SCC approved more than \$700 million in refunds and rate reductions. A total of \$150 million in refunds will be provided by 11/2/98. In return for the refund/rate cuts, VA Power will use \$220 million in revenue to reduce debt on generation assets.</p> <p>6/98: In an agreement between regulators, government, and business and Virginia Power, VEPCO will refund \$920 million,</p>	<p>11/98: The legislative committee studying electric industry restructuring announced that it is beginning work on legislation for the 1999 General Assembly. The proposed legislation will contain details on restructuring the industry. A bill was passed in April 1998 that requires retail competition by 1/1/04.</p> <p>6/98: Market power through control of transmission lines</p>	<p>11/98: Virginia Power and American Electric Power have proposed pilot programs to the SCC. VP's Plan I program will involve about 17,000 residential and 1,700 small commercial customers in the Greater Richmond area; Plan II will be for large industrial customers. AEP's plan will involve</p>	

<p>the biggest rate adjustment in Virginia history, in rate cuts and refunds over the next 5 years. The rate reduction refund agreement is subject to approval by the SCC. A public hearing is scheduled for 7/21/98 on the proposed settlement.</p>	<p>was cited as a major concern in the opening of electric to retail competition. The legislative committee will be looking at the concept of an ISO.</p>	<p>about 2% (3,200) of its Virginia customers.</p>
<p>3/98: SCC ordered investor-owned utilities to begin work on change to introduce retail competition to the State including the creation of an ISO, PX, and plans for pilot programs. Utilities are to report on their previous activities and future plans by 4/15/98.</p>	<p>5/98: Legislative committee met to discuss electric restructuring details. Concern was given to market power, and whether to require divestiture of generating assets to control it. An estimate of \$3 billion in stranded costs was given for Virginia Power, and the costs to the consumers to transition to a competitive environment should be tracked. Draft legislation on the details of restructuring is expected to be written beginning this fall.</p>	<p>3/98: The SCC ordered investor-owned utilities in the State to begin working on plans for pilot programs, as required by HB 1172, recently passed by the legislature and expected to be signed by the Governor. Detailed plans are due to the SCC by 8/98.</p>
<p>3/98: SCC recommends a \$277 million rate cut, approximately 7 percent, for Virginia Power consumers.</p>		
<p>11/97: SCC issued a study on electric industry restructuring and a model for competition. The draft model recommends a five-year transition to full retail access. Phase I, from 1998 to 2001, would involve rate experimentation, unbundled rates and bills, a study of stranded costs, formation of an ISO and power exchange, and pilot programs to study retail wheeling. Phase II, from 2000 through 2002, would involve decision-making for a competitive industry</p>	<p>4/98: Restructuring legislation, HB 1172 was signed into law. The law establishes a schedule for retail competition beginning 1/2002 and full competition by 1/2004. The law also requires establishment of an ISO and allows recovery of net stranded costs. The General Assembly will deal with details of the restructuring issues, such as stranded costs and public interest programs in the 1999 session.</p>	

	<p>and utility plans for restructuring. Full competition would then be phased-in through 2005.</p> <p>11/96: SCC issued an order calling for more study on competition in the industry. The SCC asked that the state move slowly toward retail competition.</p>	<p>2/98: Two bills, HB 1172 and SB 688, to establish a schedule for retail competition in the industry were introduced in the 1998 General Assembly. HB 1172, which is supported by Virginia Power, was passed by the House on 2/17, and the Senate Commerce Committee is scheduled to consider it on 3/2. HB 1172 calls for establishment of an ISO and Regional Power Exchange and wholesale competition by 1/2001; transition to retail competition beginning 1/2002 and completed by 1/2004; and provides for the recovery of just and reasonable net stranded costs.</p>		
Washington [SEE COMMENTS]	<p>5/98: WUTC completed Phase I of its investigation into electric restructuring concluding the pace nationwide is faster than expected.</p> <p>12/95: WUTC issued its final guidelines after a year long inquiry into retail wheeling and restructuring issues, favoring a gradual approach.</p>	<p>5/98: Several bills were passed by the legislature: a net metering bill to allow net metering for on customer site generation from solar, wind, and small (under 25 kW) hydro; an unbundling bill to require generation, distribution, transmission, control area services, and programs to benefit the public, i.e., low-income, conservation, to be shown as separate charges; and a consumer protection bill requiring disclosure to</p>	<p>6/98: The MOPS II pilot that will allow WWPC's customers to choose the type of electric power they want to buy will begin 7/1/98.</p> <p>2/98: WWPC is selling blocks of wood and wind powered electricity in its pilot program.</p> <p>12/97: Washington Water Power filed a new pilot program with the WTUC, "More Options for</p>	

		<p>consumers investments in conservation, renewable research, low-income assistance programs, etc.</p> <p>4/98: HB 2831 passed the legislature and the Governor is expected to sign it. The bill requires utilities to study and submit reports on unbundling their costs and the quality of service and reliability. Reports must be submitted by 9/98, and a the WUTC will provide a consolidated report to the legislature by 12/98.</p> <p>1/98: Several bills are pending that would require utility cost unbundling; utility consumer protections; and net metering of customer-produced electricity.</p>	<p>Power Service II," to replace their previous one. The pilot will allow about 7,800 customers in WA and ID to choose among five energy service alternatives without changing energy service providers. The portfolio of options includes traditional energy service, 2 variable market rate options, a "standard rate offer" based on BPA's preference rate, and a renewable resource rate. The pilot is scheduled to begin in 1998 and go through 5/2000.</p> <p>8/97: PUC approved 2-year Pilot program submitted by Puget Sound Energy for 10,000 customers. The pilot will begin 11/1/97 and go through 12/99.</p>	
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State	Regulatory	Legislative	Pilot Programs	Stranded Costs
West Virginia	<p>11/98: Efforts to reach a final consensus on a restructuring plan in WV have failed according to the PUC.</p> <p>10/98: The PSC pushed back the October 1998 deadline for its final report on restructuring to 11/16/98.</p>	<p>3/98: House and Senate passed a bill (HB 4277) to give the PSC authorization to develop a restructuring plan for presentation to the legislature in January 1999. The plan will require legislative approval.</p>		

9/98: The PSC suspended an October 1998 hearing on deregulation, delaying any plan to submit recommendations to the 1999 legislature. No hurry is seen to enact deregulation since WV rates are low.

6/98: In a report filed with the PSC, the PSC Consumer Advocate Division stated that the public interest would not be served by the current proposals to deregulate the electric power industry in West Virginia. WV residents have among the lowest rates in the nation, and it is feared that rates for residential customers would rise under a competitive electric industry.

5/98: In compliance with HB 4277, a new restructuring docket was established. Proponents of deregulation are requested to file plans meeting criteria in HB 4277. A series of restructuring workshops will be held this summer and fall. Proposed plans have been submitted by 11 parties including AEP.

5/98: PSC resumed debate on electric deregulation. Recommendations to the legislature are expected by 9/98.

10/97: The staff report

1/98: A bill was introduced to the legislature to authorize the PSC to design and implement an electricity deregulation plan.

	<p>of the WV PSC Task Force was issued.</p> <p>5/97: The PSC formed a task force to study restructuring; a report is due 10/97.</p>			
Wisconsin [SEE COMMENTS]	<p>5/98: The merger between IES, Interstate, and Wisconsin Power and Light was finally approved effective 5/31/98 creating Alliant Energy. Alliant filed a proposal with the FERC to join the Midwest ISO.</p> <p>11/97: PSC issued its final decision on electric industry restructuring. The plan does not recommend retail access before 2000, but focuses on improving the utility infrastructure. Recommendations included improving transmission facilities; removing barriers to open transmission access; developing an ISO; promoting construction of merchant plants; and promoting the development of renewable energy resources.</p> <p>8/97: PSC submitted its draft 7-step work plan to restructure the electric industry to the Legislature. The plan focuses on reliability and infrastructure improvements, and does not recommend retail access at least until 2000. A final decision is set for 10/30/97.</p>	<p>4/98: Legislation to improve reliability and prevent power shortages by establishing a competitive merchant plant generating industry and creating a regional independent system operator was signed into law on 4/28/98. The law will allow merchant plants up to 100 MW to be built without PSC approval, and utilities are required to join an ISO and create 50 MW of power from renewable sources by 2000.</p> <p>1/98: A bill authored by the Governor was introduced in the 1998 session that considers the reliability issues as proposed in the PSC final decision of 10/30/97.</p>		

Wyoming	<p>6/98: The PUC had scheduled a hearing on deregulation in June 1998 to establish voluntary guidelines for utilities, but the hearing was canceled in response to legislator's concerns.</p> <p>9/97: An analysis of electric industry restructuring in the state was issued by the PSC. The paper stated that further study was needed; legislation would be needed; stranded costs should be recoverable; and pilot programs should be developed.</p>	<p>6/98: A controversial bill was revived which was killed in January 1998.</p> <p>9/97: A joint committee of the Wyoming legislature began a series of hearings on electric industry restructuring.</p>		
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CONTACTS

Ms. Channele Donald
channele.donald@eia.doe.gov
Phone: (202) 426-1270

**Public Utilities Commission First Annual Report
of Actions Taken Under 35-A M.R.S.A. Section § 4706
Natural Gas Alternative Rate Plans**

In the last session, the Legislature enacted 35-A M.R.S.A. § 4706, which authorizes the adoption of alternative rate plans for natural gas utilities. Pursuant to subsection 9 of section 4706, the Commission is required to provide an annual report on its activities under that section to the Utilities & Energy Committee. This is the Commission's first such annual report.

In 1998, the Commission approved alternative rate plans for two start-up natural gas utilities: Bangor Gas Company, L.L.C. and CMP Natural Gas. Bangor Gas has been authorized to serve in twelve municipalities comprising the greater Bangor area and surrounding communities. Bangor Gas will operate under a 10-year rate plan under which rates are designed to allow the utility to establish prices that are competitive with alternate fuels, such as heating oil. Rather than setting rates by application of a traditional rate-of-return methodology (based on the sum of capital and operational costs and a margin for shareholder return), Bangor Gas's natural gas distribution rates will be subject to a rate ceiling based on the historical price of oil, subject to an inflation adjustment each year, minus the actual cost of the gas. Under this rate plan, Bangor Gas's shareholders, rather than ratepayers, are subject to the investment risk of the local distribution company during the 10-year start-up term. Bangor Gas's earnings are subject to a 15% cap, above which profits would be shared equally between shareholders and ratepayers.

Bangor Gas also is afforded flexibility in how it designs its rates among customer classes. The features of this rate plan should allow Bangor Gas to operate in a manner more like a competitive business, with flexibility to respond to market conditions, avoiding regulatory delays for making rate changes so long as the changes comply with the terms of its rate plan. Bangor Gas proposes to recover gas related costs on a standard, flow-through (cost of gas adjustment) basis but proposes to charge class-specific costs of gas. The Commission approved the broad outlines of Bangor Gas's rate plan in its Order in Docket No. 97-795, dated June 26, 1998. Final terms and conditions of service must be filed in May 1999 for Commission approval in advance of Bangor Gas's in-service date of November 1, 1999.

CMP Natural Gas is also authorized to operate under a multi-year rate plan. For four years (until 2003) CMP Natural Gas will not seek any increase in its distribution rates. It will charge gas commodity rates calculated using projected futures prices for gas and oil. Consumers will have the option of taking supply service for a fixed term at a fixed price, or month-to-month at prices that fluctuate with the futures markets. Unlike standard cost-of-gas adjustments in traditional regulation, CMP Natural Gas's actual gas costs are not subsequently reconciled with revenues. However, CMP Natural Gas may seek to increase the upstream pipeline capacity component of its currently established rates, under the ratesetting procedures contained in 35-A M.R.S.A. §§307 and 310, in the event that the cost to the utility of upstream pipeline capacity is increased pursuant to Federal Energy Regulatory Commission order. Other persons may petition the Commission to investigate and decrease CMP Natural Gas's rates if

they believe that CMP Natural Gas is earning excessive profits over the term of the 4-year rate plan.

In addition to approving rate plans using the alternate rate-making mechanisms described above, the Commission is currently reviewing a proposal by Northern Utilities, Inc. to charge class-specific, cost-based gas rates and to offer separately priced transportation and supply services to commercial and industrial customers. Charging cost-based gas rates by class is becoming more common in the natural gas industry as utilities open their systems to competition with other non-regulated gas suppliers, a practice that has been promoted on the federal level and toward which many states are moving.

In related matters, the Commission considered and approved service territories for Bangor Gas and CMP Natural Gas that overlap with Northern Utilities' previously authorized service area. This approach is a departure from the traditional regulatory practice of awarding utilities monopoly service territories. The areas where more than one local distribution utility has been authorized to serve include: the greater Bangor area and surrounding communities, the Bath/Brunswick coastal area, the Windham area, Bethel and the greater Waterville and Augusta areas. The Commission reasoned that it is in the public interest to authorize more than one local distribution gas utility to serve a municipality, as it will provide customers with the benefits of competition. The Commission also ruled that uneconomic expansion costs would be borne by utility shareholders, to provide utilities with an incentive to make wise investment decisions.