

## NATURAL GAS POLICY COMMISSION HOLDS SECOND MEETING

By Linda J. Maxey  
Staff Writer

■(GIT) BTUs and molecules; practices and policies; regulation and legislation were all brought before the second meeting of the Joint Commission on Natural Gas Policy Thursday at the State Capitol.

### BACKGROUND

The Commission was created to study the policies, laws, agency rules, and economics affecting the natural gas industry and make recommendations on any issue determined to be of great importance to the natural gas industry in Oklahoma. In addition, the Commission was directed, in cooperation with the Oklahoma Corporation Commission, to provide data and assistance to the Governor and the Legislature in the formation of an Oklahoma energy plan and policy statements to present to the Congress and the President of the United States with regard to a national energy strategy. The 20-member Commission is comprised of representatives from the executive, legislative, and regulatory branches of state government as well as industry and royalty owner representatives.

### STATUS OF RESTRUCTURING STATE GAS UTILITIES

David Brammer, Coordinator of Economic Policy, Public Utility Division of the Oklahoma Corporation Commission provided an update on the status of state gas utility restructuring efforts.

"Restructuring the gas utility industry in Oklahoma will require a combination of rule making by the Corporation Commission as well as enabling legislation," Brammer said. "The Commission must identify the services that are part of the utility industry that can and cannot be made competitive."

The first Notice of Inquiry to address energy industry restructuring was issued under PUD960000133 on May 17, 1996. Since that time, the Corporation Commission held technical conferences to discuss the industry's concerns and recommendations for bringing the benefits of the marketplace into the utilities industry as soon as possible. The final hearing before the Commission en banc is scheduled for December 4, 1996.

Brammer explained that the Commission must define competitive services; that is, services that are to be unbundled and regulated in a different manner. Examples include wholesale gas supply, retail gas supply, gathering, storage (except for field operations), transmission, customer services, and distri-

bution (unbundled services where competition exists). Brammer also noted uniform taxation on all service providers; equal regulation for all similar service providers where there is competition; and an obligation to serve, as policy issues related to competitive services that must be resolved.

In its comments to the Commission under PUD96000133, Oklahoma Natural Gas Company defined "restructuring" as the process by which services or products which have traditionally been provided as part of the Company's "bundled" and/or merchant sales services are identified and segregated, to be offered as separate services, some in a competitive marketplace and some in a regulated environment. It includes the regulatory and legislative changes required to implement unbundling, foster competition, discourage discriminatory practices, ensure quality and reliability of services, and address other issues not present in today's "bundled" utility environment. Oklahoma Natural Gas is a natural gas public utility which, together with its affiliated companies, is engaged in the gathering, storage, transportation, and distribution of gas, serving more than 700,000 residential, commercial, and industrial customers.

Brammer continued with his summary of objectives for restructuring, stating utilities should fully unbundled, depending upon the different needs and choices of consumers and that non-traditional service providers should be allowed and encouraged to provide competitive services. "There is, however, some disagreement regarding the issue of distribution capacity as it relates to FERC Order No. 636," Brammer said. "Some consumers support the FERC Order 636 approach for the distribution system while utilities have raised issues regarding the reliability of service in the intrastate market under this scenario."

Williams Energy Services Company, a subsidiary of The Williams Companies, submitted in its comments under PUD960000133, "Although FERC Order 636 cannot be imposed simplistically upon retail services, Order 636 represents the proper general model for restructuring. The cornerstone of any restructuring should be the unbundling of transmission and distribution functions from marketing functions. Such unbundling should include an obligation to provide non-discriminatory open access to all qualified marketers, regardless of whether such marketers are affiliated with

the transmission or distribution service provider. Corporation Commission oversight with a viable complaint process will be vital to any unbundling."

In order to implement unbundling, Brammer explained, utilities will file an application to provide unbundled services, which will be subject to review and comment by all parties. Applications should address cost allocation, rate design, and plans for the unbundled services. "The implementation process should be expedited," Brammer said, "recognizing that different consumer segments and services can be implemented on different schedules where appropriate."

The Corporation Commission will establish reporting and information disclosure requirements which will be applied on an equal basis for all service providers within each unbundled segment. Further the Commission will prohibit affiliate preferential treatment in all areas and will monitor compliance with the prohibition.

Under the notice of inquiry, the Commission determined that there should be open access to all unbundled services which will be "provided on a not unduly discriminatory basis." Information systems for all transmission and distribution systems; capacity release mechanisms and secondary release market development; and competitive bidding requirements must be established to provide open access to all unbundled services.

TRANSOK, Inc., an intrastate natural gas pipeline and storage company, stated "The Commission must establish a framework which will enable competition to govern all aspects of service except for residential service. In Phase I, the Commission must require the complete unbundling of utility services except for local distribution service. It must remedy the monopolistic situations such as sole source suppliers and full requirements provisions, allow direct connect customers an alternative to obtaining gas services from traditional utilities, and require utilities to obtain bids for gas supply including gas to be delivered by a third party pipeline into each city-gate for the utility's distribution service. In a competitive market, TRANSOK would envision the Commission acting as an arbitrator, but continuing to regulate the distribution of gas to residential customers. As an arbitrator, the Commission would mediate and resolve complaints rather

*See Natural Gas, page 5*