

## TASK FORCE REVIEWS ELECTRIC UTILITY RESTRUCTURING

By Shawn Ashley  
Staff Writer

■(GIT) Oklahoma is one of many states currently debating the value of electric utility restructuring, members of the Joint Interim Committee on Electric Utilities Task Force and representatives of such companies were told Tuesday.

According to Matthew Brown, a senior energy policy analyst for the National Conference of State Legislatures, the move to restructure the production and delivery of electricity to consumers comes on the heels of technological advancements that have improved delivery systems and an excess in

production capacity. While those factors, Brown said, should have led to a reduction in prices, they have not, due largely in part to control over the electric utility systems exercised by large companies.

Legislatures, Brown explained, hope to address that problem with restructuring proposals. Such efforts are complex and must take into account a variety of considerations. Three states — California, Rhode Island and New Hampshire — have passed legislation imposing restructuring plans, while other states, such as Washington, Illinois, Michigan and Pennsylvania, have implemented pilot programs to test the effects of restructuring.

It is impossible, Brown said, to provide a specific outline of the ideal restructuring plan. A pilot program in Rhode Island, he explained, was only "slightly representative" of what might occur in other parts of the country. Brown noted, for example, that the Rhode Island program, which led to a 10 to 20 percent reduction in the cost of electricity, involved a voluntary and sophisticated customer base, saw suppliers focus their efforts on gaining experience in a new market

environment and saw some of those suppliers lose money.

Brown compared the Rhode Island experiment to the long distance phone wars, explaining that consumers could choose to have their electricity delivered by one of 31 suppliers. Those suppliers, he added, attempted to entice consumers to choose their company by offering incentives ranging from bird feeders to charitable donations to price guarantees.

The notable finding in that experiment, Brown said, was the determination of so-called strandable costs, the cost of producing electric power which will never be eliminated. That, he said, accounts for nearly 40 percent of the cost of one kilowatt hour of electricity.

Strandable costs, Brown explained further, is the difference between the cost of generating electricity under service agreements and what the market will pay. Nationally, he noted, strandable costs are estimated at from \$16 billion to \$238 billion. That difference, Brown explained, is the result of the way market prices are estimated; the method used to compare market and regulatory prices; the assets and liabilities used in the

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criminate budget slashing.

"Only in Washington can a cut be called an increase," said Crocker at one point during the night's discussions.

Watts countered that Crocker was distorting the end result of the legislation on which he had voted, saying that many of the examples cited by his opponent had ultimately resulted in increased funding for specific programs.

"What you are doing is intellectually dishonest," Watts said. "You're using inside the Beltway accounting principles to make an increase sound like a cut."

The back-and-forth accusations between the two led Murphy to exclaim at one point, "Listen to this. This is what is wrong with Washington. They're arguing about what's a cut and what's an increase. They can't even agree on the basic numbers."

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going to involve all of us. We need to start moving into alliances and pulling together.

"It's imperative we have advisory committees as we enter into implementing all these changes and meet the needs of the developmentally disabled," Miller told the committee.

To a question from a member of the committee about Medicaid, Miller told of the "catch-22" nature of the new regulation. "If we amend the program to allow people to become self-sufficient, they might not be eligible for Medicaid." A person had to be eligible for Medicaid on July 1, 1996, to be eligible under the new rules.

Discussing the Health Care Association, Miller said the HCA doesn't "have as much discretion as they'd like to because of their mandate. But we'll succeed in making sure their (special groups) needs are met. That's what we're supposed to do and we're going to do it," he added.

Managed care was very much on everyone's mind, and questions about how it would affect special needs individuals in the DHS system were asked. Division Director Jim Nicholson said, "managed care has to be value driven. It can't be driven by someone's definition of medical necessity.

It has to be driven by independence and the quality of life.

"Values have to be reflected in contracts let out to the health management organizations (HMOs)," Nicholson added. "Managed care is a response to problems created by the health care delivery system," he said. "After all, how many specialized burn units do you need in a city of 500,000?"

DHS Director Miller then concluded his remarks on managed care. "Children's Hospital is the crown jewel of the Oklahoma Health Sciences Center. Now, the only patients Children's is getting are the ones managed care doesn't want. I don't know how we're going to teach students in their specialties.

"I thought," he added, "managed care meant if people who came under the mandate did not select a provider, one would be selected for them. But that's not the way it is."

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★★ Important Date ★★

General Election  
Tuesday, November 5