

STATE NEWS WEEKLY SUMMARY CONTINUED



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 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. 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.

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.

Williams Energy Services Company, a subsidiary of The Williams Companies, submitted in its comments under PUD960000133, "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.

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.

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 ser-

vices 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 than actively regulate utility service."

Brammer noted several consumer issues related to the restructuring of the natural gas industry:

- Consumers should have service choices, but should be willing to assume any associated costs, risks, and/or benefits.

- All consumers, especially small-load consumers, should have the opportunity to aggregate.

- Possible impacts of consumer choice, e.g. higher/lower rates, changing quality of service, change in number of service options.

ONG described among the primary objectives of restructuring the need to allow utilities the "opportunity to compete on a "level playing field" with alternate energy sources or service providers in those areas where competition exists or can be developed."

Brammer explained one concern of restructuring is providing universal service and establishing an obligation to serve.

"Who is going to be the service provider of last resort when the local gate might not be appealing in the pure marketplace analysis," Brammer said. The Commission wants a competitive market — we just don't want Granny to freeze in it."

GROSS PRODUCTION TAX REPORTING

Mike Boyd of Boyd, Rosene and Associates, began the discussion of gross production tax reporting issues. "The reporting of gross production taxes and the filing of amended tax reports is difficult if not impossible given the relatively recent changes in the natural gas industry and the rules, regulations, practices, and procedures of the Oklahoma Tax Commission (OTC)," Boyd said.

Boyd explained the first purchasers now rely on others for data necessary to prepare and file gross production tax reports. The first purchaser is now dependent on the pro-

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"Political democracy, as it exists and practically works in America, with all its threatening evils, supplies a training school for making first-class men. It is life's gymnasium, not of good only, but of all."

Walt Whitman
"Democratic Vistas"
1871