

STATE NEWS WEEKLY SUMMARY CONTINUED

to the FERC access fee for customers served at a transmission voltage, Wilson added.

In a related area, Wilson said, the Corporation Commission would determine certain social benefits, such as residential low usage rate programs, peak saving programs, energy audits, third-party notification programs prior to non-payment cutoffs, adverse weather cutoff moratoriums and others, and implement those programs on a statewide basis for all customers to fund through a social benefits fee. Additionally, a charge to recover stranded social costs should be added to the FERC access fee, Wilson said. If FERC would not allow such a fee, Wilson added, then a one-time cost similar to an exit fee would be charged.

To prevent municipalities from losing revenue due to deregulation, Wilson said, "City franchise fees and the two percent in-lieu of franchise fees shall be based on the total billing of electricity to the ultimate consumer." To capture revenue from out-of-state distributors, Wilson proposed that city and county sales taxes would be levied on the total billing for electricity to the ultimate consumer.

"The only exemption from this tax will be by statute for the ultimate consumer," said Wilson, adding that "no exemption will be given on the basis of who is providing electric generation, transmission or distribution services."

Wilson also advanced two proposals addressing the issue of customers who switch distribution providers. Under the first proposal, customers would be allowed to choose other distribution service providers, but would be required to pay an exit fee to their original distribution provider.

"The exit fee shall cover any stranded costs, plus an amount to recover the investment of the losing distribution provider," Wilson explained. Such a fee, he added, would be set by the Corporation Commission.

If that proposal was not acceptable, Wilson suggested, "New customers would be served by the electric distribution provider who could provide the least cost service according to a formula on file and approved by the Oklahoma Corporation Commission," while existing electric customers would be required to remain with their current electric distribution provider.

Asked by Easley whether such requirements could possibly stifle competition,

Wilson said electricity distributors would need some guarantee that they could recover investments made to deliver their service to end-line customers. Wilson distinguished between switching suppliers and distributors, saying customers would not be assessed a fee for changing suppliers, only distributors.

Speaking on behalf of the state's industrial energy consumers, Scott Shelton, vice president of energy for Terra Nitrogen, laid out a more expansive restructuring blueprint. Like Wilson's, the plan was aimed at providing customer choice and price competition at the retail level.

Shelton's plan called for the deregulation of electric generation and the creation of a so-called independent system operator (ISO), which would control electricity's transmission, provide or coordinate ancillary services, provide dispatching services and maintain and ensure system reliability. Unregulated affiliates of electric utilities would be separated from the utility under Shelton's proposal.

Like Wilson's plan, Shelton's proposal called for a continued roll for the Corporation Commission in electric utility regulation. Specifically, Shelton said the commission would provide a framework for transmission access; regulate distribution assets; protect against market power abuse; provide oversight of utility affiliate relationships; and qualify electric power suppliers.

A restructured electric utility industry, Shelton said, would be made up of independent generation resources; an Independent System Operator; a regulated, nondiscriminatory transmission grid; a regulated distribution system; and industrial, commercial and residential customers.

In response to questions from Easley, Shelton said his proposal differed from the one advanced by Wilson in a number of ways, including:

- Prohibiting the passing on of stranded costs to the consumer unless the consumer agrees to pay such costs; and
- A more aggressive implementation plan, calling for deregulation to begin as soon as possible as opposed to after national or regional action.

Additionally, Shelton noted, the task force and lawmakers should look cautiously at the implementation of access and exit fees, "because they could restrict competition, and I think that's what we want to achieve."

The most aggressive blueprint was advanced by Shane Woolbright, executive director of the Municipal Electric Systems of Oklahoma, Inc., who called for the state to acquire the assets of private electric utilities and cogenerators and to resell the distribution systems to local government entities. Such a move, he said, would benefit 80 percent of the state residents which currently receive their electric service from non-governmental providers.

Such an acquisition, Woolbright estimated, would cost roughly \$3.5 billion. That money would be recovered, he said, when the state spun off the distribution systems to local government entities.

The generation of electricity, Woolbright said, would be the responsibility of new state agencies, while transmission would be transferred to a single system operator.

In the long run, Woolbright said consumers would pay less for electricity because tax exempt bonds could be used for expansion of generation, transmission and distribution services.

Woolbright said such a plan would take at least one year to put in place, with the sale of the distribution system taking perhaps a bit longer.

Easley, who plans to carry a restructuring bill during the upcoming legislative session, joked that such a plan might invite comparisons to Hillary Clinton, whose work with health care was criticized for growing the size of government.

The blueprints presented Thursday, Easley said, would be evaluated and a bill made up of the best suggestions would be presented to the task force for its consideration when it meets in December.

—SHAWN ASHLEY
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"Some have wondered that disputes about opinions should so often end in personalities; but the fact is, that such disputes begin with personalities; for our opinions are a part of ourselves. Besides, after the first contradiction it is ourselves, and not the thing, we maintain."

Edward Fitzgerald
Polonius
1852