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of any restructuring effort would be tax equalization. Responding to a question from Easley, Wilson explained that it would not be wise to move forward with restructuring without a tax equalization component "because there are so many different entities and so many different needs to be resolved in what would be a competitive environment."

Specifically, Wilson proposed the repeal of all existing state taxes on electric utilities and on the sales of electricity. Those taxes would then be replaced with a 4.75 percent gross receipts tax on the retail sales of electricity. Two-and-three-quarters percent of that revenue would be allocated to schools and vo-techs on the basis of average daily attendance, he added, while one percent of the tax revenue would be allocated to the counties on the basis of revenue obtained from each county on electricity sales. One percent of the revenue would be deposited in the state's general fund.

Admitting that such a proposal might not be politically popular, Wilson advanced a second tax equalization proposal to repeal the state sales tax applicable to retail sales of electricity and exempt sales tax on the purchase of goods and services for all electric utilities. In place of those taxes, Wilson suggested the implementation of a 1.75 percent electric service tax on all electricity sold to the ultimate customer, including total energy sales, transmission fees and distribution access fees. Additionally, Wilson proposed, all electric service generating, transmitting and distributing entities would be subject to ad valorem taxes or a two percent tax on their gross receipts.

Under the terms of Wilson's blueprint, "Certain costs shall be allowed to be recovered as part of the restructuring of the electric industry," including costs associated with federally mandated contracts and debt or assets that are not competitive. Such costs, Wilson explained, would be recovered through an access or an exit fee, which would be charged at the consumer level when an electric customer leaves the electric utility transmission or distribution system. A fee to recover stranded utility costs would be added 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, Wil-

son 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 expansion 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

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