Overview

This bill includes two components which are precursors to potential restructuring of the electric industry by the state to allow for competition in the retail supply of electricity.

First, the bill requires the Department of Public Service (DPS) to submit a report to the Legislative Electric Energy Task Force (LEETF) by December 15, 1999 on the costs of certain investments made by utilities in the current regulated environment that may not be recoverable in a restructured, competitive generation market. Such costs are otherwise known as "stranded costs." Second, the bill requires electric utilities to separately account for the costs associated with generation, transmission, and distribution services and to reflect such cost separations on every customer's bill by July 1, 2000. The Public Utilities Commission (PUC) must approve all cost separation plans of investor-owned utilities. The bill requires cooperative electric associations and municipal utilities to submit their cost separation plans to the DPS.

By way of background, today electric service in the state generally is provided by utilities which have geographic monopolies on the provision of electric service within their service territories. The rates each utility charges for its exclusive services are determined by the PUC for service provided to customers of investor-owned utilities (or "public utilities") and are determined by the governing bodies of municipal utilities and cooperative electric associations for service provided to customers of those entities.

1 Provides definitions applicable to this act. Defines "electric utility" to include all investor-owned utilities, all municipal utilities, all municipal power agencies, and all electric cooperative associations including generation and transmission electric cooperative associations. Defines "public utilities" as investor-owned utilities. Defines "stranded costs" as the value of prudent, net, nonmitigable, verifiable assets that have been included in a utility's rates but that may not be recoverable in a competitive market.

2 Requires each electric utility to file with the DPS a report documenting the utility's anticipated net stranded costs in the state if the state were to restructure. The report must include proposed mitigation
measures and describe anticipated offsetting increases in market value of other assets. Provides additional criteria to be followed in determining the anticipated stranded costs.

Requires the Commissioner of DPS to analyze issues relating to anticipated stranded costs in the state and submit a report to the LEETF by December 15, 1999 on at least recommendations on alternatives for mitigation and elimination of stranded costs and on mechanisms for recovery of stranded costs.

3 This section requires "unbundling" (or cost separation) of retail electric service rates into generation, transmission, distribution and other cost components by public (investor-owned) utilities. There is a two step process for the unbundling. First, by October 1, 1999, the PUC is required to identify unbundling issues which are generic to all electric utilities and issue an order adopting methodologies to be used by electric utilities in dealing with those issues as part of an unbundling plan. Second, each public utility in the state is required by December 15, 1999, to submit a plan to the PUC for financially separating the costs of the utility's distribution, transmission, and generation business functions as well as the costs of government mandates and applicable taxes. The plan must also provide for itemization of unbundled rates on customers' bills. This section provides that the PUC, after notice and an opportunity for comment, shall approve the plan if it finds that the plan accurately allocates costs. The PUC is required to issue a final order on all plans submitted by July 1, 2000. This section also authorizes the commission to conduct expedited proceedings.

4 Requires each municipal electric utility, municipal power agency, cooperative electric association, and cooperative generation and transmission electric association by July 1, 2000 to separate its costs and reflect that unbundling on its retail customer bills. It also requires each of those entities to submit a report to DPS detailing its cost separation plan and its plans for itemization of its cost components on retail customer bills.

5 Requires the Commissioner of DPS to coordinate the activities under this bill and report periodically to the LEETF.

6 Appropriates funds to the DPS and the PUC to fulfill their duties under this bill.

7 Repeals one provision in Laws 1998, Chapter 380 requiring the LEETF to conduct analyses of unbundled rates.

8 Provides that the bill is effective the day following final enactment.