



Regulatory Update

October 9, 1998

Announcements

1. **The Court of Appeals of Indiana reversed and remanded the case of US Gypsum vs. Indiana Gas holding that FERC exceeded its authority in implementing alternative regulatory treatment for an index pricing arrangement.** The court ordered FERC to disapprove an underlying supply arrangement. between Indiana Gas and Proliance Energy, LLC. As soon as the case is available in electronic format it will be uploaded to the NEMA site.

2. **Hans Meterns has been invited to a Coalition of Northeastern Governors (CONEG) conference to be held on October 27, 1998.** Hans has been asked for recommendations on three major issues on which the Governors are requesting input:

a. What actions are needed by government and/or ISOs to ensure that seamless trading occurs among and across ISOs.

b. What actions are needed by government and/or ISOs to ensure development of new generation?

c. What are the realistic and effective measures to protect customers and provide appropriate consumer information; what is the industry likely to do, what should government do across the board?

Executive Committee Input to Hans is Requested As Soon As Possible.

3. **There is an EDI meeting in New York on October 13.** Bruce Ball from Williams will be representing NEMA at the meeting.

4. **Comments are being solicited by October 20, 1998 by the NYPSC on *Pricing of Gas Transportation for Electric Generation* as outlined below.**

North Carolina

- **Public Service Company of North Carolina Rate Case Docket No. G-5, SUB 386.** The Commission bifurcated the transportation rate case. Industrial customers argued that transportation customers pay twice for fixed gas costs since they are embedded in the LDC's transportation rates,

and thus subsidize costs to other customers. Only 20% of industrial customers use transportation services vs. 80% nationwide. Forty states have moved away from full margin rates including Georgia and Florida. LDC's argued transportation customers already benefit disproportionately to other classes by being able to "swing" from transportation to sales depending on the price of alternative fuels. The Commission took the matter under advisement and will consider the parties' briefs and proposed orders.

- **Marketing Affiliate Issues** – Southeastern Gas and Power prefiled testimony in the same case about the relationship between LDC's and their affiliates. It argued that the Commission should implement a rulemaking docket to determine standards for LDC/affiliate conduct, and set requirements for the public reporting of LDC/affiliate transactions. The testimony included an attachment of proposed standards of conduct prepared by the AGA.
- **Electric Restructuring** – on September 8, 1998, the Commission held the ninth presentation in its series about electric industry restructuring presentations. The General Assembly's Study Commission is preparing a report to the 1999 session.

New York

- **NOTICE SOLICITING COMMENTS – Proceeding on Motion of the Commission to Review the Bypass Policy Relating to the Pricing of Gas Transportation for Electric Generation.** – NYPSC – Case 98-G-0122 Issued September 24, 1998. Traditional pricing allows the sharing of savings between the gas and electric operations of combined utilities. New competitors seek transportation of gas without the contribution inherent in the shared savings approach. Utilities, on the other hand, seek to maximize revenues from such service to the benefit of firm gas customers. Staff recommends a basic gas-for-electric-generation-service tariff that would have a uniform general structure statewide but which would reflect utility specific costs and operational differences. The 3 components: 1) a contribution to overall system costs of 10 cents per DT; 2) an amount to cover marginal system costs (7 – 15 cents per DT); 3) a real-time value based add-on, initially set at 0, that would measure increases in the wholesale market price of electricity relative to the changes in the cost of gas for generation.

The add-on would only be triggered by an increase in the spread between gas and electricity. These 3 components strike a balance between the LDC's concerns over lost revenue if steam sales from generators displace gas sales and the generators' interest in minimal charges. A "spark spread"

is defined as the measure of the competitive relationship between the busbar cost of gas-fired generation and the current market price for power. Utilities would share with customers (80% customer, 20% utility) the profits realized. **Comments are to the Secretary on October 20, 1998.**

- **Brooklyn Union – Case Nos. 95-G-0761 and 98-G-0824 on September 25, 1998, filed revised Schedule for Gas Service, P.S.C. No. 12 – Gas Effective October 1, 1998.** Filed in compliance with the Commission’s “Order on Review of Rate Plan Filing” issued Sept. 22, in Case 95-G-0761 and “Order Adopting Provisions of Settlement Agreement” issued August 27, in Case 98-G-0824.

The following are major changes from the June 1998 filing: 1) an intraclass reblocking of SC No. 3 – Multi-Family Residential; 2) substantive changes for reduction in rates to SC Nos. 1A, 1AR, 1B, 1B1, 1BR, 2, 3, 4A, 4B, 7, 16 and 17 and a reduction in the allocation of fixed gas costs to SC Nos. 6C, 6G and 6M; 3) changes in the allocation of capacity release credits associated with the net volume made available as a result of conversion of core customers to firm transportation service under SC No. 17.

Several other changes were made to allocation of pipeline refunds, design of winter delivery requirements, imbalance trading and elimination of existing aggregation program limitations. *The Effective Tariff – for October 1, 1998 PSC No. 12 – Schedule for Gas Service (428 pages!) and the Effective Statements and Addendum PSC No. 12 – Gas, are both available on the NEMA site.*

- **NY State Consumer Protection Board (CPB) opposes Industrial Customer’s** “Petition for Rehearing of a Portion of the Commission’s Order” submitted October 4, 1998. The CPB feels exempting existing transportation customers from their fair share of all strandable costs will impose additional and unreasonable burdens on the remaining sales and transportation customers and therefore the Commission should deny the relief requested in MI’s Petition.

Oklahoma

- **ARKLA has begun a collaborative process to consider and implement downstream unbundling on its distribution system in the State of Oklahoma.** The collaborative will continue on **Monday, October 12, 1998**, at 10:00 a.m. in Oklahoma City, Oklahoma. Topics to be discussed are:
 - Overview of Arkla’s current upstream capacity and supply.
 - Operational discussion concerning the NGT system.
 - Assigning Arkla’s upstream pipeline capacity.

NEMA members interested in providing retail energy services to Arkla's residential and general service customers or that wish to participate in this collaborative---please call NEMA headquarters so we can coordinate NEMA representation.


FERC

- **Revision of Existing Regulations Under Part 157 and Related Sections of the Commission's Regulations Under the Natural Gas Act –NOPR – September 30, 1998. Docket No. RM98-9-000.** The Commission proposes to update its regulations governing the filing of applications for the construction and operation of facilities to provide or to abandon facilities or service under section 7 of the Natural Gas Act. Comments are due on **December 1, 1998**. *This document is available on the NEMA site.*
- **Collaborative Procedures for Energy Facility Applications – NOPR – Docket No. RM98-16-000 – September 30, 1998.** The proposed regulations are intended to offer prospective applicants seeking to construct, operate or abandon natural gas facilities or services the option of using a collaborative process to resolve significant issues. Comments are due 60 days after publication in the Federal Register and 90 days for reply comments. *This document is available on the NEMA site.*
- **Standards For Business Practices of Interstate Natural Gas Pipelines – Final Rule – September 29, 1998, Docket No. RM96-1-009; Order No. 587-I.** Rehearing and clarification requests concerning the regulations relating to intraday nominations, trading of imbalances, and Internet Communications. The date for transition to Internet communications has been changed to June 1, 2000. The effective date will be 30 days after publication in the Federal Register. *This document is available on the NEMA site.*
- **Order Approving Experiment for Processing Requests for Next-Hour Transmission Service on the OASIS – September 29, 1998, Docket No. RM95-9-007.** The Commission granted a request from the Commercial Practices Working Group to conduct a 4-month experiment, starting November 1, 1998, to test their proposed procedures to promote development of a next-hour market for power. *This document is available on the NEMA site.*

All NEMA members that wish to comment on these FERC proceeding should forward comments to Peter Esposito as soon as possible for circulation as a NEMA draft.

MISC

- **Georgia Implements Natural Gas Deregulation – October 6, 1998.** The Georgia PSC granted 19 companies the right to sell natural gas under the first total industry deregulation ordered by a state legislature. Marketers were told they could start quoting prices and making deals immediately with the 1.4 million customers of Atlanta Gas Light. Consumers must designate a supplier by Oct. 25 or the PSC will designate one. The actual switch over date is Nov. 1. Consumers will still be able to designate a preferred supplier after that time.
- **Allegheny Energy's Pa subsidiary – West Penn Power - could resume settlement discussions in mid-October regarding the Company's restructuring order. October 7, 1998.** Settlement negotiations will begin if the PUC determines there is a reasonable possibility of the parties achieving a settlement. If negotiations begin, they are scheduled to be completed by November 4.



NEMA NATIONAL ENERGY MARKETERS ASSOCIATION
www.energymarketers.com

The power to shape the future

Craig G. Goodman
President
3333 K Street, NW
Suite 425
Washington, DC 20007
Tel: (202) 333-3288
Fax: (202) 333-3266
Email: cgoodman@bellatlantic.net
Web Site: www.energymarketers.com