**RESEARCH ON ELECTRIC UTILITY REGULATORY
AND POLICY MATTERS RELATING TO STATE
AND FEDERAL JURISDICTION**

Final Report
For Period September 1, 1994 – February 28, 2001

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Scope of Work

Aims have not changed from the original application of the DOE award number DE-FG02-94P010264. The funding provided by the above referenced grant has supported research and meetings addressing electric utility regulatory and policy matters relating to State and Federal jurisdiction.

The NARUC received the \$250,000 DOE grant award in two installments, \$95,000 in September 1994 and \$155,000 in September 1995. All monies have been expended.

The research and initiatives described in this report supports NARUC's position of promoting dialogue and careful coordination between Federal and State officials in the electricity sector.

Results of Work

The need for closer dialogue between Federal and State energy officials was outlined in an October 1992 proposal to the FERC. The subsequent DOE/NARUC activities were designed to assist State commissions in responding to FERC outreach initiatives, energy sector restructuring, and technical issues such as transmission siting procedures. The following activities have been implemented as a result of this DOE/NARUC grant:

Activity I: Responses to FERC Policy and Technical Initiatives

DOE funding has enabled the NARUC to provide travel support and meeting facilities for State utility commissioners and commission staff to attend meetings addressing FERC policy and technical issues. Issues addressed by the grant include: transmission pricing, stranded investment and proposed FERC/NARUC consultative procedures.

Grant-Supported Meetings included:

- NARUC/FERC Technical Conference on Transmission Pricing in Washington, DC
- NARUC Committee on Electricity Retreat on September 13-15, 1995, in Knoxville, TN
- NARUC/DOE "Executive Dialogue on Market Power" on July 8-9, 1998, in Minneapolis, MN
- NARUC/DOE Electric Reliability Conference, 1999
- NARUC/FERC/SEC Registered Holding Companies Meeting

Activity II: White Paper on the Definition of and Jurisdiction over "Stranded Investment" in the Electric Industry

DOE funding has enabled the NARUC to sub-contract with Scott Hempling and Ken Rose, Senior staff of the National Regulatory Research Institute (NRRI), to jointly conduct a study titled "Regulatory Treatment of Embedded Costs Exceeding Market Prices". The study analyzed issues associated with defining "stranded investment" and determining jurisdictional (FERC vs. State) aspects of assigning related costs.

See attached report, The Regulatory Treatment of Embedded Costs Exceeding Market Prices: Transition to a Competitive Electric Generation Market Report

Activity III: NARUC/FERC/SEC Meetings

DOE funding has enabled the NARUC to offer travel support to State utility commissioners and commission staff to attend various meetings with the FERC and SEC in Washington, DC. The commissioners and staff addressed the complex issues associated with the restructuring of the nation's electric power industry on behalf of NARUC. These open meetings, congressional briefings, DOE policy forums on utility privatization were for the purpose of coordinating public policy matters between State and Federal agencies.

Activity VI: Reference Document on Minimum Standards for Transmission Planning and Siting Information

DOE funding has enabled the NARUC to sub-contract with Mike Arny of the University of Wisconsin, to conduct a study on regional transmission groups (RTGs) titled "Transmission Planning and Siting Under Open Transmission Access, The Uncertainties and Opportunities".

The study consists of State and Federal laws and regulations related to transmission planning and siting that allow States affected by an RTG proposal or a FERC decision to operate from the same information base in reacting to the proposal or decision. The document was also aimed to benefit transmission facility owners by allowing them to be confident of satisfying regulatory information needs through the preparation of a single document or set of documents. This reference document was intended to facilitate both communication between state and federal regulators and the cooperative development of regional transmission groups (RTGs)

See attached report, Transmission Planning and Siting Under Open Transmission Access, The Uncertainties and Opportunities

Activity V: NARUC Electric Restructuring Database

In our ongoing effort to coordinate public policy matters between State and Federal agencies DOE funding has enabled the NARUC to construct a comprehensive and up-to-date database containing information on all State policies and activities of concern with respect to the restructuring of the regulated electric utility industry. NARUC consultant, Xenergy, designed this extensive, searchable website database addressing electric industry restructuring housed on the NARUC website at www.naruc.org.

The National Association of Regulatory Utility Commissions (NARUC) and its research arm, The National Regulatory Research Institute (NRRI), jointly administer the Electric Restructuring Database. NARUC will continue to provide technical maintenance of the database, and staff of the NRRI will supply the research and content for the database, as well as coordinate the verification process for information posted to the web site. Updates to the database are undertaken monthly.

See attached Xenergy Electric Restructuring Database Final Report and Technical Report.

Activity VI: North American Summit on Harmonizing Business Practices in Energy Restructuring

DOE funding has enabled the NARUC to provide travel support to State utility commissioners, commission staff and key stakeholders to attend the NARUC/DOE North American Summit on Harmonizing Business Practices in Energy Restructuring, on November 29 to December 1, 2000, in Dallas, Texas. The meeting was aimed to address the most pressing issues facing the North American energy industry as we move towards a more competitive, transnational marketplace

The meeting consisted of a day and a half of panel discussions using various formats (afternoon of November 29 and all of November 30). On the morning of December 1, a group of about 40 opinion leaders from both the public and private sectors participated in a four-hour public discussion. This consensus session, known as the Accord Forum, focused on the next steps to be taken in the process of developing and implementing uniform business practices. The potential relationship of any new organization to existing regulatory commissions was also addressed.

For further details, see attached meeting proceedings.