



“Effective Regulation and Unbundling”

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Idaho Power Fixed Cost Adjustment

- Decoupling or “true-up” mechanism
- Removed financial disincentive to invest in energy efficiency
- Applied to Residential and Small General Service Customers
- Three Year Pilot beginning January 1, 2007

Calculation:

$$\begin{aligned} & \text{Allowed Fixed Cost Recovery} \\ - & \text{ Actual Fixed Cost Recovered } \\ = & \text{ Fixed Cost Adjustment (FCA) } \end{aligned}$$

Where:

*Allowed = actual # of customers * fixed cost per customer*

*Actual = weather normalized sales per customer class * fixed costs per kWh*

Note:

Fixed costs determined By Commission in rate cases

FCA can be positive or negative and has a 3% cap on increases

Results

As of September 2007, FCA Balance is \$1.7 million deficit – Idaho Power will have to repay customers

Still a DSM incentive – encourages the utility to work harder on energy efficiency programs to move toward a positive balance.

Unbundling in the United States

- *Legal Standard under U.S. law is focused on Public Interest –*
Pragmatic
Outcome-oriented
- *Unbundling is one of the tools to serve the Public Interest –*
Practices that support market liberalization (competition),
reallocate risk between shareholders and consumers,
provide incentives for specific types of utility decisions,
and support energy efficiency practices (such as the Idaho
Fixed Cost Adjustment)

Unbundling in the United States

- U. S. did not implement “ownership unbundling” at the Federal level
- Many state laws and regulations directed disaggregation of generation from delivery
- Such separation was both structural (generation sold to unaffiliated third party) and functional (generation sold to corporate affiliate; transmission assigned to third-party RTO)
- Process and success of outcome remain very controversial



The Evolution of WIRAB

Western Interconnection Regional
Advisory Body

Timeline (1)

Events

Western Blackouts

RMS development

First federal bill

2000-2001

Western
Electricity Crisis

1996

1997

1998

1999

2000

2001

Actions of Western Governors

WGA resolution 97-03

WGA resolution 00-09

2/01 Energy Summit

WGA resolution 01-01

9/01 testimony to DOE

10/01 Govs' letter to Vice President

10/01 Govs' letter to House

11/01 Govs' statement to FERC

12/01 Govs' letter to House

Timeline (2)

Events

Midwest-Northeast
blackout

2002

Actions of Western Governors

1/02 Govs' letter to Senate

2/02 Govs' letter to House

3/02 Govs' letter to DOE on legislation

Govs' letter to House and Senate

Govs' letter to Sen. Thomas

3/02 Govs' press release on legislation

3/02 Govs' rebuttal to WSJ editorial

4/02 Govs' support creation of WECC

WGA resolution 02-26

7/02 Govs' letter to Congress

11/02 Govs' letter to Sen. Thomas

12/02 Lead Govs' letter to colleagues

3/03 Govs' testimony to Senate

4/03 Govs' letter to Sen. Domenici

WGA resolution 03-19

WGA resolution 03-27

8/03 Govs' letter to Rep. Tauzin on blackout

10/03 Govs' letter to WECC

2003

Timeline (3)

Events

EPAct enacted
WIEB Board amends
bylaws to enable creation
of WIRAB

FERC approves WIRAB

2005

2006

Actions of Western Governors

6/05 WGA resolution

11/05 Govs' resolution to establish WIRAB

12/05 Statement to FERC on ERO

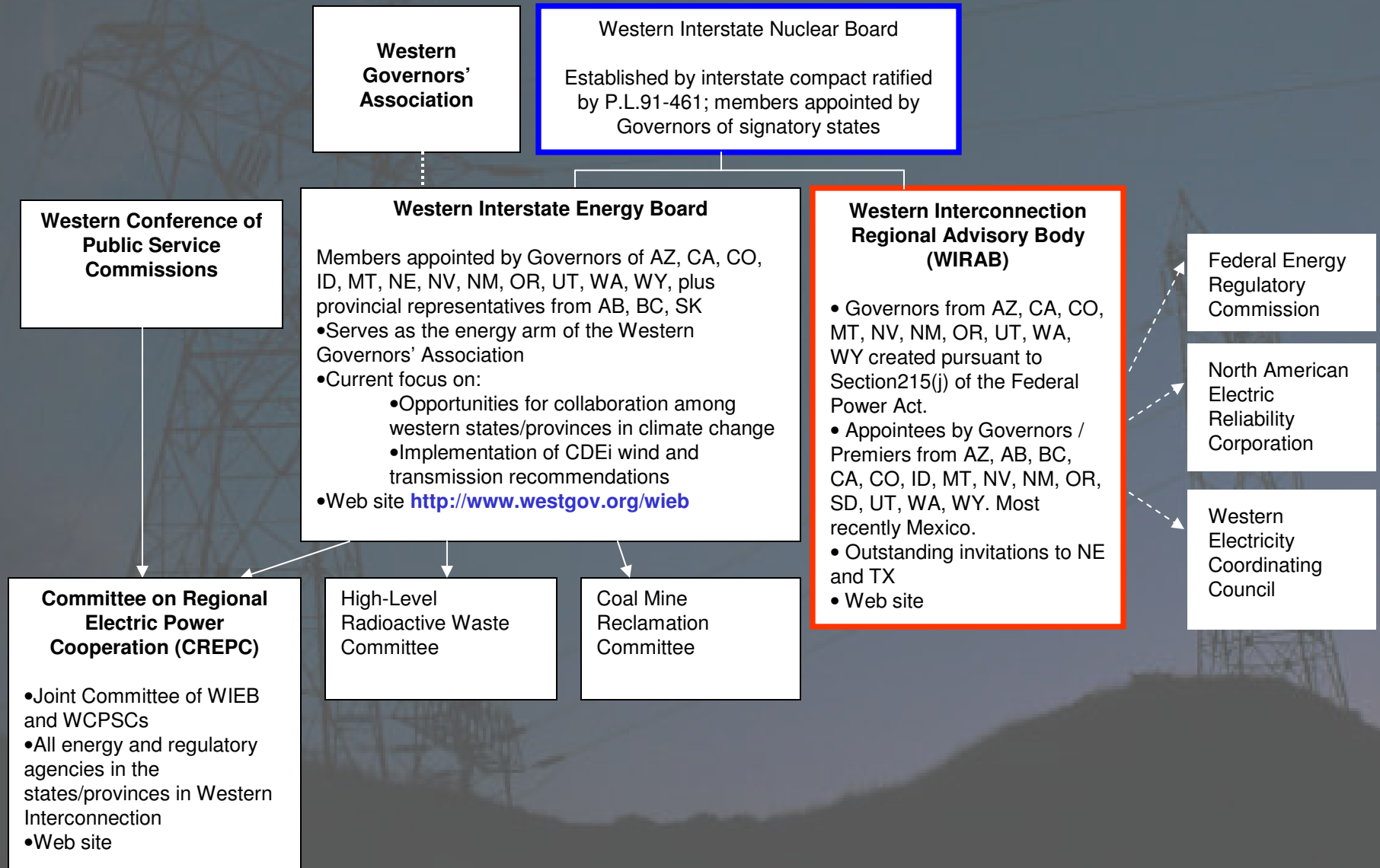
Governors create WIRAB

3/06 Govs' request to FERC on RAB funding

5/06 Govs' statement to Sen. Energy Com. on
215 implementation

12/06 Govs' letter to FERC on RCs

Western Interstate Energy Board





WIRAB Operation

- Bylaws
 - Open and Frequent Meetings
 - Voting rules require approval by at least ½ of members
- Agendas & Results publicly posted
- Website

<http://www.westgov.org/wieb/site/wirab/wirabindex.htm>

WIRAB Section 215(j) Duties

Provide advice on Standards, Fees, and Governance to:

- **FERC** – Federal Energy Regulatory Commission
- **NERC** – North American Electric Reliability Corporation
- **WECC** – Western Electricity Coordinating Council

WIRAB Section 215(j) Duties

Advice Criteria: “Just, reasonable, not unduly discriminatory or preferential, and in the public interest.”

FERC may give deference to WIRAB advice because it is an advisory body organized on an interconnection-wide basis.

WIRAB Advice

- Support timely implementation of new standards – Regional Entities should be given enforcement flexibility
- FERC should approve regional standards that go beyond NERC standards
- Reliability Centers are a core element in maintaining grid reliability
- WECC-NERC Delegation Agreement should achieve what was intended by Congress in Section 215
- NERC and WECC activities should promote transparency
- Standards should have an economic justification

Introduction of Panel Discussion

This morning's program will discuss:

- The legal underpinnings of regulatory policy in the U.S. (State and Federal) and the European Commission legislative proposal
- The role of the independent regulator in advancing the Public Interest
- The organization of wholesale electricity markets through Regional Transmission Organizations (RTOs)