

#151

✓ Mark
✓ Shaw
✓ Lechers
✓ B. Meyer
✓ Winter



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Missouri Public Service Commission

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POST OFFICE BOX 360
JEFFERSON CITY, MISSOURI 65102
573-751-3234
573-751-1847 (Fax Number)
573-526-5695 (TT)
<http://www.ecodev.state.mo.us/pscl>

October 28, 1997

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Mr. Cecil I. Wright
Executive Secretary
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102

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RE: Case No. EW-97-245 - Retail Electric Competition Task Force

Dear Mr. Wright:

Enclosed for filing in the above-captioned case is an original and fourteen (14) conformed copies of the **Minutes of the Market Structure/Market Power Meeting of September 22, 1997; Minutes of the Public Interest Protection Meetings of September 17, 1997, and October 1, 1997; and the Stranded Cost Meeting of September 30, 1997.**

This filing has been mailed or hand-delivered this date to all task force members and alternates.

Thank you for your attention to this matter.

Sincerely yours,

Dana K. Joyce
General Counsel
(573) 751-8705
(573) 751-9285 (Fax)

DJ:tmw
Enclosure
cc: Task Force Members and Alternates

**Missouri Public Service Commission
STRANDED COST WORKING GROUP
September 30, 1997**

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APPROVED MINUTES

The Stranded Cost Working Group met at 10 o'clock AM on September 30, 1997, in Room 530, Conference Room No. 3, at the Truman Office Building in Jefferson City, Missouri.

Working Group members present were:

Maurice Brubaker, Chair	Donald Brandt, Union Electric Company
Duane Galloway, Vice-Chair	Scott Jaskowiak, Laclede Gas Company
Mark Oligschlaeger, Staff Vice-Chair	Ivan Eames, Central Missouri Counties'
Chris Giles, Kansas City Power & Light	Human Development Corporation
John Gallagher, Kansas City BOMA Assoc.	Ryan Kind, Office of the Public Counsel
Charles E. Dumsky, City of Sugar Creek	Todd Decker, Citizens Electric Corporation
Steve Mahfood, Missouri Environmental	Steven Svec, Chillicothe Municipal Utility
Improvement and Energy Resources	Gary Burton, House of Representatives

Working Group members absent were:

Ken Midkiff, Sierra Club

The minutes from the previous meeting were approved as submitted.

The program consisted primarily of presentations by Don Brandt of Union Electric Company on the "pros" of stranded cost recovery in conjunction with electric utility industry restructuring, and a counter-presentation by Ryan Kind of the Office of the Public Counsel on the "cons" of stranded cost recovery. Following the presentations there were numerous questions and comments from members of the Working Group, and from members of the audience.

Mark Oligschlaeger confirmed that Dr. Eric Hirst will be available for our October 23 meeting. He will focus his presentation on methods for calculating stranded costs and methods for collecting stranded costs. The presentation will run approximately one and one-half to two hours, with one-half to one hour allowed for questions. The meeting will begin at 10:30 AM. Because of the timing and the expected popularity of this presentation, arrangements will be made to have lunch brought in.

Mark Oligschlaeger will check on the availability of a facility with larger space than the room currently reserved. Everyone will be notified promptly if there is a change. A larger

facility was considered appropriate because this would permit members of other working groups, and also members of the Legislature, to attend.

KCP&L distributed the report of the Kansas Retail Wheeling Task Force.

The Group established November 6, 1997 as an additional meeting.

The meeting was adjourned at 1:30 PM.

MISSOURI PUBLIC SERVICE COMMISSION
MARKET STRUCTURE/MARKET POWER WORKING GROUP
SEPTEMBER 22, 1997, 9:00 A.M.

A meeting of the Market Structure/Market Power working group was held September 22, 1997, at 9:00 a.m., in Room 850 at the Truman Office Building in Jefferson City. Members of the Working Group attending were:

Chair: Richard E. Malon, Water and Light Director, City of Columbia

Staff Vice-Chair: Michael S. Proctor - PSC

Members from Task Force:

Paul A. Agathen	-	IOU (UE)
Donald Shaw	-	Rural Electric Coop. (Central Electric)

Members not from Task Force:

James M. Fischer	-	IOU (Attorney for KCPL)
Bill Guinther	-	Consumer/etc (Parkway School District, Chesterfield)
Bradley Lambert	-	Commercial Users (Independent Consultant)
Lewis R. Mills, Jr.	-	OPC
David K. Wallace	-	Industrial User (ICI Explosives)

Members absent were Vicki Aeschleman, Wayne Goode, Duncan E. Kincheloe, Carol Jean Mays, James D. Steffes, Penny Tvrdik and James H. Buford.

Chairman Malon called the meeting to order at 9:15 a.m.

Mike Proctor distributed the following:

- Proposed Report Format
- Copies of handout from Mr. Steffes on Enron's proposed Market Structure
- Presentation Report Implementing Retail Access: Market Structure Issues from Kansas City Power and Light

The Proposed Report Format had previously been faxed to all members along with the minutes from the September 9, 1997, meeting.

Minutes for August 28, 1997, and September 9, 1997, were approved.

Chairman Malon reminded everyone that the cut-off for Working Group member presentations would be October 14, 1997, and the meeting time would be limited to three hours. Lewis Mills stated he would have a short presentation ready for the 14th. On October 14, 1997, the Work Group would listen to proposed structures from the general public. Maurice Brubaker indicated he would also have a presentation for the 14th.

The meeting was turned over to KCPL. James Fischer introduced Burton Crawford and Chris Giles. Mr. Crawford gave a presentation on a structure that would allow individual

consumers (or in the aggregate) a choice of suppliers for electricity. Generation would be competitive; Transmission and Distribution would be regulated; Metering and Billing could be competitive or remain regulated. The structure proposed that there be an Independent System Operator (ISO) and a Commercial Power Exchange (CPEX). The CPEX would have certain responsibilities including balancing the system and maintaining a clearing price for those who choose to buy and sell through the CPEX. In this structure, Mr. Crawford characterized the Local Electric Distribution Company as the "provider of last resort."

Don Shaw asked how kva performance of the individual customer load, particularly how the var loads of the active load performance, is going to be handled under any kind of retail model. Currently those quantities are supplied to bundled customers without being priced. Mr. Crawford answered that the ISO would be responsible for those kinds of ancillary services.

Chairman Malon asked if KCPL was proposing that the ISO and CPEX Operators were one and the same? Mr. Crawford answered they were closely related and could be the same.

Chairman Malon questioned if the Local Electric Distribution Company, as a provider, could also be a retail electric provider? Mr. Crawford answered yes.

Paul Agathen asked what Mr. Crawford means by "provider of last resort?" Mr. Crawford answered it was to provide electricity to customers that can't get power from other Retail Electricity Providers, or to customers who do not wish to choose an alternative Retail Electricity Provider.

Paul Agathen asked about the obligation to provide generation for future growth or for customers who may wish to come back to the local utility. Mr. Crawford answered that future growth would be up to the market to provide. When the price gets high enough, someone will invest in generation.

Don Shaw wanted to know about someone who had a bad payment record and the Retail Electric Provider elects to not serve them anymore -- will the local utility be forced to serve them? That means the power marketer is not required to serve the non-paying customer. Mr. Crawford answered that Mr. Shaw was correct. Mr. Shaw asked if it is equitable that the local utility is required to serve non-paying customers when the alternative Retail Electric Provider is not? The local utility will end up with a higher proportion of bad debts, will have to roll that into their rates, and will become less and less competitive. Mr. Crawford answered that the local utility would be able to recover their costs through the normal rate-making process; the bad debts would be rolled into the distribution cost as a part of an open access, nondiscriminatory fee to use the distribution system paid by all customers, and would not be included in the costs of the Retail Electricity Provider function.

Paul Agathen asked if we weren't basically maintaining the existing system for the local utility with regulated rates by the PSC, and allowing customers to go where they want for electricity? Mr. Crawford answered yes, that was right.

Chairman Malon asked when you say accept bids ahead for next hour, then no one is doing long-term planning for the next year or the year after? Mr. Crawford answered the market was certainly planning for the year ahead. Chairman Malon stated then that no one is responsible for it. Mr. Crawford answered yes.

Don Shaw asked how wide the ISO grid would be? Mr. Crawford answered at least as big as the SW power pool and much bigger than Missouri.

Chairman Malon asked what do we do when we have Municipals that are sometimes served by one transmission line, they have local generation (diesels) and the line goes down. Does the local utility allow the lights to go out or does the pool ask them to turn on their generator? How does that work? Mr. Crawford stated this was a very good question. The CPEX would need to be alert to the state of these types of situations and designate certain generating units as units that must run during critical conditions, and, regarding how their generation would be priced would need to be determined by a specific set of rules.

Don Shaw raised the following question: There are Municipals in Missouri with units which cost about 60 mills to run, and let's say the transmission access goes away and they have to run these units. How are they reimbursed? Mr. Crawford answered there would need to be a set of rules for determining the pricing. For example, the pricing could be based on the cost of service. There would also be locational pricing or perhaps zone pool pricing.

Don Shaw asked if a Multi-State ISO model would be under FERC jurisdiction? He was answered in the affirmative.

Paul Agathen asked who has responsibility for maintaining transmission -- the existing utility owner? Who has the ultimate call on building transmission lines? Mr Crawford answered the existing utility would likely have the responsibility to build new transmission facilities, and the ISO would be responsible for determining the need for new transmission facilities.

Paul Agathen wanted to know if there was any problem with two ISOs operating in Missouri. Mr. Crawford answered that he did not see any particular problems with having two ISOs operating in Missouri.

Don Shaw wondered whether Municipals and Coops were included in this proposal. Mr. Crawford stated they would have the option of whether or not to join the ISO.

There being no further questions, Mr. Malon reminded the Working Group that the last meeting for members to present a structure would be on the 14th. We will also schedule

public comment so that any member of the public wanting to make a presentation will be welcome to do so at the October 14th meeting.

Mr. Malon and Mr. Proctor discussed the proposed format for outlining the description, issues and impacts for the structures that have been proposed. Each person making the proposal is responsible for writing their proposal. The idea is to have a common format that can then be used by all Working Groups to begin a more formal evaluation of the structure, and for this Working Group to begin its evaluation of the market power issues. The intent is to have a preliminary report in November for the full Task Force on the structures under consideration. The Working Group would then continue work on evaluation and market power with the aim to generate a full report as soon as possible thereafter. Mr. Proctor reminded the members that there are other working groups working on issues such as reliability, stranded cost and public interest issues, and while we might need to understand these other issues, it will be the responsibility of the other Working Groups to analyze those issues.

The Working Group agreed on the proposed format with one addition. On page three, an item 4) should be added on the "Impact on Consumers." Lewis Mills is to do an example, forward it to Mike Proctor who will distribute it to the Working Group. It was agreed to limit the report on each business unit to one page if possible; two at the most. This would make a minimum of five and a maximum of 10 pages for each proposed market structure. The report is meant to be a factual presentation.

The Working Group agreed that each presenter would use the format and send the report to Mike Proctor by October 20, 1997, to be forwarded to all members of the group. This will give Working Group members time to send questions and comments to him prior to the meeting on the 28th. Mr. Proctor will also send out these questions and comments, giving the person who wrote the report time to address the items before the October 28th meeting.

Don Shaw stated he would like to see the subsequent evaluation reports of all of the Working Groups' reports to follow the same format:

- Description
- Alternatives
- Pros and Cons

Paul Agathen stated he would hope that, at some point, there would be some opportunity to provide advocacy for the structure.

The next meeting is scheduled to be in Hearing Room 5 at the Capitol in Jefferson City on October 14, 1997, at 9:00 a.m.

The meeting adjourned at 12:10 p.m.
Beverly D. Perkins
Recorder

EW-97-245
ELECTRIC RETAIL COMPETITION TASK FORCE
Public Interest Protection Working Group
October 1, 1997

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Task Force members in attendance:	Jerry Harris	John Stuart
	Leland Cox	Eve Lissik
	Ivan Eames	Martha Hogerty
	Jim Fanning	Lesa Jenkins
	Steve Jurek	Bob Housh
	William Geary	Dale Houdeshell
	Jackie Hutchinson	James Tuscher
	John Twitty	Lisa Kremer

1. The meeting was called to order at 10:00 a.m.
2. Old Business

The minutes of the Sept. 17 meeting were reviewed and changes were made: Jim Tuscher's and Janet Hoerschgen's names were deleted as members of the group formed to develop a better definition for "universal service." Eve Lissik revised the KCP&L notation to read, "...will be making a presentation on market structure." With these changes the minutes were approved.

3. New Business

The agenda was approved. Eve Lissik offered updated information regarding the report being prepared by the Market Structure Working Group for distribution in mid-November. Maurice Brubaker, the Chair of the Stranded Cost Working Group, will be making a presentation on market structure at the Oct. 14 Market Power/ Market Structure Working Group. If you have any questions, contact Eve.

Eve will provide members with a copy of the presentation given by the Pennsylvania Public Utility Commission at the recent Natural Gas Round table. The Division of Energy will also provide copies of a report prepared by Roger Colton regarding the structure of a distribution fee in Missouri. The report is due out soon.

The final draft of the Guiding Principles was discussed. Martha Hogerty's definition of "universal service" was discussed and it was agreed that her definition would be incorporated into the guiding principles document, with the exception that "customer" will be changed to "consumer" throughout the document. It was agreed that "universal service" will be defined in greater detail during formulation of the issues list.

The working group then combined the list of issues developed at the August 15, 1997 meeting with finalized Guiding Principles.

The Working group broke into smaller subgroups to develop the issues list. The charge of the groups is to provide detail to the list of potential issues and formulate possible options. The groups were developed according to the guiding principles list. Membership on the groups is as follows:

- #1. **Network Integrity**
Jerry Harris, John Stuart, Jim Fanning (Chair)
- #2, 4, 8. **Universal Service, Consumer Protection, Right to Privacy**
Steve Jurek, Jackie Hutchinson, Martha Hogerty (Chair), Jim Fanning, Jim Tuscher, Debbie Bernsen (tent.)
- #3, 5. **Customer Choice, Shared Benefits**
Martha Hogerty, John Twitty, Leland Cox (Chair), Dale Houdeshell, Cher Stuewe-Portnoff, John Stuart, Roy Cagle
- #6, 7. **Public Benefits, Environment**
Cher Stuewe-Portnoff (Chair), Bob Housh, Ivan Eames, Jackie Hutchinson, Bill Geary, Debbie Bernsen (tent.)

Eve Lissik will prepare final copy of the list of group members and distribute them at the next meeting.

The subgroups met briefly to begin discussions. The subgroups will meet again on October 15 at 10:00, followed by a meeting of the full work group. Those meetings will be at the Division of Energy offices in Jefferson City.

Chairman Harris will present a report on the activities of the work group to the full Task Force at its meeting on Oct. 14. He will outline the guiding principles and the issues list and discuss the development of the subgroups. The principles and issues will be distributed.

- 4. The meeting adjourned at 1:00.

EW-97-245
ELECTRIC RETAIL COMPETITION TASK FORCE
Public Interest Protection Working Group
September 17, 1997

Minutes

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Task Force members in attendance:

Jerry Harris	John Stuart
Debbie Bernsen	Leland Cox
Roy Cagle	Eve Lissik
Ivan Eames	Martha Hogerty
Jim Fanning	Cher Stuewe-Portnoff
Steve Jurek	Bob Housh
Tim Myers	

1. The meeting was called to order at 10:00 a.m.
2. Old Business

The minutes of the Sept. 3 meeting were reviewed and two changes were noted in the attendance list: "St. Joseph Light 7 Power" to "St. Joseph Light and Power"; and Margaret Zarelli was representing the Committee to Keep Missourians Warm (Human Development Corp). With those changes, the minutes were approved. The approved minutes of the August 15 meeting were distributed.

3. New Business

The agenda was approved with no changes made. It was agreed, however, that discussion will be needed at the next meeting regarding the work group's report to the full task force on Oct. 14. It was decided that Chairman Harris would provide oral comments to the task force on Oct. 14.

Ryan Kind led the discussion regarding the list of guiding principles. A revised list was distributed to members prior to this meeting. Mr. Kind briefly reviewed his process for revisions and reiterated the changes agreed to at the last meeting. The group then proceeded with review of the principles one-by-one and further changes were made. It was agreed that the term "universal service" needs to be defined by the Oct. 14 task force meeting. Martha Hogerty will further develop the definition. Anyone else who would like to have input into these discussions should contact Ms. Hogerty.

It was also noted that there could be a potential for confusion on the part of consumers related to competition vs. restructuring vs. affordability as it relates to the electric industry, based on past experience with deregulation in the telecommunications industry.

The group agreed that public participation should be a part of the group's general principle.

At the next meeting Eve Lissik will discuss a report that the Market Power/Structure Work Group is developing. Their next meeting is September 22 at 9:00 in the Truman Bldg. and everyone is invited. KCP&L will be making a presentation on market structure.

Cher Stuewe-Portnoff informed the group of a 4-state regional customer service survey being developed by Washington State University, commissioned through the U.S. Dept. Of Energy. If anyone has issues they would like to see included in the survey, contact Ms. Stuewe-Portnoff within the next couple of weeks.

The state of Kansas has also issued a report on deregulation activities in that state. It can be located on the internet at www.kcc.state.ks.us.

The Missouri Association for Community Action is holding a utility restructuring conference on Dec. 2-3 at the Capitol Plaza Hotel in Jefferson City. Plans are being made for a panel discussion by the chairs of the PSC work groups.

Public Comment

Frances Goetz of Peper, Martin, et al, offered comment during the discussion of the guiding principles. However, she suggested at this time that the group consider that comments made at the end of meetings may not have any impact if not made at the time the discussions are taking place during the meeting.

4. The next meeting of the Public Interest Work Group will be on Oct. 1 at the Division of Energy offices in Jefferson City. The meeting was adjourned at 1:20 p.m.