

1999 DRAFTING REQUEST

Bill

Received: **01/11/99**

Received By: **kunkemd**

Wanted: **Soon**

Identical to LRB:

For: **Administration-Budget 6-8593**

By/Representing: **Holden**

This file may be shown to any legislator: **NO**

Drafter: **kunkemd**

May Contact:

Alt. Drafters:

Subject: **Public Util. - electric**
Public Util. - energy

Extra Copies:

Topic:

DOA:.....Holden - Electric retail choice study

Instructions:

See Attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/P1	kunkemd 01/27/99	ygeller 01/27/99	jfrantze 01/27/99	_____	lrb_docadmin 01/27/99		
	kunkemd 01/29/99	gilfokm 01/29/99		_____			
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FE Sent For:

<END>

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FE Sent For:		<i>1-1-29 kg</i>	<i>IS 1/30/99</i>	<i>IS/LP 1/30/99</i>			
				<END>			

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1/?	kunkemd	1/1 1/27 jcg	1/27 JH	1/27 JH			

FE Sent For:

<END>



STATE OF WISCONSIN
DEPARTMENT OF ADMINISTRATION
101 East Wilson Street, Madison, Wisconsin

TOMMY G. THOMPSON
GOVERNOR
MARK D. BUGHER
SECRETARY

1692
Mailing Address:
Post Office Box 7864
Madison, WI 53707-7864



Date: January 8, 1999
To: Stephen Miller
Chief, Legislative Reference Bureau
From: Kerry Holden *KH*
Policy and Budget Analyst
Subject: Statutory language request – updates to electric reliability law

The purpose of this memo is to request that LRB draft statutory language changes to the electric reliability law. Please draft the following changes to the electric reliability law.

OUT
1. Regarding the current cap on assets:

- Delete s. 196.795 (5)(p) in its entirety.
- Amend s. 196.795 (11)(b) by deleting the phrase “or which relates to future investments by the holding company.”

OUT
2. Regarding the treatment of independent transmission companies:

- Amend s. 196.80 by adding a new section which provides that the Commission shall approve a transfer of assets to an Independent Transmission Owner pursuant to s. 196.485 within 90 days of the receipt of an application from a transmission utility if the transfer of assets meets the following criteria:
 - a) All transmission facilities as defined in s. 196.485 (1)(h) owned by the transmission utility are being transferred.
 - b) The transfer meets the requirements of s. 196.485(4).
 - c) For the purposes of establishing utility rates for electric service, the transfer shall be accounted for by crediting to the public utility an amount equal to the net book value of the facilities sold, regardless of sale price. The Commission shall not take any action that would have the effect of preventing the public utility from realizing the value of the sale in excess of the net book value.
- Amend s. 196.485(2)(a) to add the following between the word “not” and the word “transferred”:
“filed an application”.
- Amend s. 196.485(2)(b) to add the following after “June 30, 2000, the Commission shall,”:
“unless an application has been filed under par (a), and”
- Reorganization – Transfers of assets under s. 196.485 and s. 196.80 shall not be subject to approval under s. 196.79.
- Regarding non-foreign corporations:
 - a) Repeal s. 196.53.
 - b) Repeal s. 196.795 (5)(L).
 - c) Modify s. 196.795 (8)(a) by adding at the end of the section, “An exemption under this sub. (8) shall not be affected by the sale, divestiture, spin off, or asset transfer to an affiliate which is not, nor would become by virtue of such transfer, a public utility, or other disposition of generation, transmission, or distribution of assets by a public utility pursuant to this Act [cross reference sections affected or created by

the Act] nor any merger with a corporation other than with a Wisconsin public utility, any subsidiary, or a Wisconsin public utility holding company.”

d) Amend s. 196.795 (11)(b) by adding a sentence at the end:

“No holding company exempt from regulation under sub. (8) shall be subject to regulation under this sub. (11)(b).”

12

3. Please create a section of statutory language that requires the following:

“The Commission shall conduct a study of retail choice for all Wisconsin electric consumers. The Commission shall submit a report on the results of the study to the legislature in the manner provided under s. 13.172(2) no later than one year following the effective date of the bill. The report shall be comprehensive and address without limitation the following issues:

- necessary infrastructure changes including timing and cost to implement retail choice,
- the benefits of retail choice to residential and commercial/industrial customers;
- a recommended implementation schedule for retail choice by class of customer;
- regulation of new market entrants including the issues of equal treatment for all market participants, licensing, and certification;
- calculation and recovery of transition costs to retail choice;
- stranded costs;
- securitization;
- necessary changes in taxation to ensure equitable distribution of the tax burden on producers, distributors, marketers, and transmitters of electricity in a manner requiring revenue neutrality with respect to the industry and municipalities receiving shared revenues under the current taxation structure;
- equitable dispersion of costs on all market participants for public benefits, including low-income and energy efficiency;
- development and use of renewables; and
- recommended statutory changes for implementation of retail choice including without limitation ss. 196.85, 196.856, and 196.857.”

?

bundling something and selling it as a security

Not sure about this

if (or) needed, why relevant?

Kunkel, Mark

From: Holden, Kerry
Sent: Saturday, January 23, 1999 1:57 PM
To: Kunkel, Mark
Subject: Status of Drafts

Mark -

Here is the status of the bill drafts as of today's briefings with the Governor:

Draft #	Title	Status	Add'l Instructions
817	Create appropriation for settlement	IN	
1692	Electric Reliability	IN	Some changes
630	Regulation of LECs and competitors	OUT	
631	Complaint requirements & prohibitions	IN	
632	Public inspections of filings with PSC	IN	
633	Alt regulatory plans	OUT	
634	Exemptions from interconnection req	OUT	
?	Large generating facility approval	OUT	
?	Firm services - resale of power	IN	

Regarding draft #1692, pertaining to changes in the Electric Reliability law:

- eliminate part 1 (re: asset cap) in its entirety;
- eliminate part 2 (re: treatment of independent transmission companies) in its entirety; and
- include part 3 (study) with the minor changes.

These are the changes to make to #3:

- The commission shall submit a report on the results of the studyon July 1, 2000. The previous language instead had "no later than one year following the effective date of the bill."
- Add a provision that the study should also examine the benefits of retail wheeling as it pertains to state procurement laws and state fuel and utility contracts.

Please feel free to call if you have questions.

Kerry Holden
Tax, Finance & Local Government Team
State Budget Office
(608)266-8593



State of Wisconsin
1999 - 2000 LEGISLATURE

LRB-1692/P1

MDK:.....

Very
soon

D-NOTE

JLg

DOA:.....Holden - Electric retail choice study

FOR 1999-01 BUDGET — NOT READY FOR INTRODUCTION

WFO - check
auto refs

do not gen

1 AN ACT ...; relating to: the budget.

Analysis by the Legislative Reference Bureau

STATE GOVERNMENT ✓

OTHER STATE GOVERNMENT ✓ (PSC)

This bill requires the public service commission to conduct a study on implementing retail consumer choice for all consumers of electricity in this state. The study, which must be submitted to the legislature no later than 12 months after the effective date of this bill, must address certain specified issues, including: 1) the infrastructure, taxation and statutory changes that are necessary for implementing retail choice; 2) recommendations for regulating new market entrants; 3) transitional, stranded and public benefits costs; 4) securitization issues; and 5) the development and use of renewable energy resources.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

2 SECTION 9141. Nonstatutory provisions; public service commission. ✓

3 (1) RETAIL CHOICE STUDY.

1 (a) The public service commission shall conduct a study on implementing retail
2 choice for all consumers of electricity in this state. The study shall address each of
3 the following:

4 1. The infrastructure changes that are necessary for implementing retail choice
5 and the cost and timing of the changes.

6 2. The benefits of retail choice to residential, commercial and industrial classes
7 of consumers.

8 3. A schedule for implementing retail choice for each class of consumers specified
9 in subdivision (2) a.r. (5)

10 4. Recommendations for regulating new market entrants in a manner that
11 ensures equitable treatment of all market participants, including any proposed
12 licensing or certification requirements.

13 5. The calculation and recovery of the transitional costs incurred in
14 implementing retail choice.

15 6. The calculation and recovery of stranded costs.

16 7. Securitization issues related to implementing retail choice.

****NOTE: The meaning of "securitization" and how it relates to retail choice should
be clarified in the next version of this draft.

17 8. The taxation changes that are necessary to ensure the equitable distribution
18 of the tax burden on producers, distributors, marketers and transmitters of
19 electricity in a manner that is revenue neutral.

****NOTE: I am not sure about your intent regarding municipalities that receive
shared revenues. If the tax changes must be revenue neutral, won't the changes have no
impact on shared revenues? If so, why do you want to mention shared revenues?.

20 9. The equitable allocation on all market participants of the costs of public
21 benefits programs, including low-income energy assistance and energy efficiency
22 programs.

****NOTE: Does the above reflect your intent regarding the "dispensation of costs"?

1 10. The development and use of renewable energy resources under retail
2 choice.

3 11. The statutory changes that are necessary to implement retail choice,
4 including any recommended changes to sections 196.85, 196.855 and 196.857 of the
5 statutes.

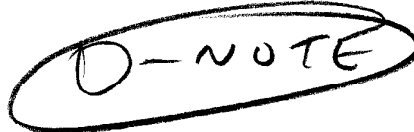
****NOTE: Are the references to ss. 196.85 (payment of commission's expenditures),
196.855 (assessment of costs against municipalities) and 196.857 (stray voltage
program), stats., correct?

6 12. Any other issue that the commission determines is necessary for a
7 comprehensive study of implementing retail choice.

8 (b) The public service commission shall report the results of the study to the
9 legislature in the manner provided under section 13.172 (2) of the statutes no later
10 than the first day of the 12th month beginning after the effective date of this
11 paragraph.

12

(END)



**DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU**

LRB-1692/P1dn

MDK.:...
↑
JLg

Kerry Holden:

Please see the **** NOTES in this draft which contain questions that should be resolved before the draft is finalized.

**Mark D. Kunkel
Legislative Attorney
266-0131**

**DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU**

LRB-1692/P1dn
MDK:jlj:jf

January 27, 1999

Kerry Holden:

Please see the **** NOTES in this draft which contain questions that should be resolved before the draft is finalized.

Mark D. Kunkel
Legislative Attorney
266-0131

Kunkel, Mark

From: Holden, Kerry
Sent: Wednesday, January 27, 1999 12:13 PM
To: Kunkel, Mark
Subject: RE: LRB-1692

I talked to Bert Garvin at PSC about these questions, and here is what I found out.

1. Securitization is a method by which utilities can recover stranded costs that occur as a result of deregulation. For example, utilities can issue bonds to pay for stranded costs, which used to be paid for under regulated cost-of-service models, and can then bill customers for the costs of repaying the bonds.

2. Your assumption was correct about "equitable dispersion of costs...," which refers to allocation of costs among utilities that are regulated by PSC (public and municipal utilities) and are not regulated by PSC (co-ops).

Bert is also going to call me back with more information on your question regarding the firm services draft. He thought it had to do with current PSC requirements that utilities be able to generate 18% power than is actually demanded. However, he's going to look further into the issue.

If you have additional questions about these issues, I'm sure Bert wouldn't mind if you called him at 6-2307. He mentioned that you had spent some time out at PSC this summer.

I hope this is helpful. Thanks.

Kerry

-----Original Message-----

From: Kunkel, Mark
Sent: Monday, January 25, 1999 11:17 AM
To: Holden, Kerry
Subject: LRB-1692

Hi Kerry,

I need a little more info to draft LRB-1692 on the following 2 points:

1. In part 3 of the request, what is intended by "securitization"? The term does not appear in ch. 196 of the statutes or the PSC rules. Can you provide a little more detail on what this aspect of the report should be about?
2. Item 3 also requires the report to address "equitable *dispension* of costs on all market participants for public benefits..." I assume this means that the report should address how such costs are going to be allocated. Is this assumption correct? (The reason I'm asking is that I'm not sure what "dispension" means in this context.)

Thank for your help,

Mark Kunkel
Legislative Attorney
State of Wisconsin
Legislative Reference Bureau

mark.kunkel@legis.state.wi.us
(608) 266-0131

Handwritten: [Signature] 1

DOA:.....Holden - Electric retail choice study

FOR 1999-01 BUDGET — NOT READY FOR INTRODUCTION

Handwritten in circle: RM NOT RUN

Handwritten: Don't
Sen Cat.

1 AN ACT relating to: the budget.

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9 specified in subdivision 2.

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including cooperative associations organized under chapter 185 of the statutes



State of Wisconsin
1999 - 2000 LEGISLATURE

LRB-1692/1
MDK;jlg&kmg:ijs

DOA:.....Holden - Electric retail choice study

FOR 1999-01 BUDGET — NOT READY FOR INTRODUCTION

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