

20 Senators Criticize FERC's Electric Deregulation Agenda

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The Federal Energy Regulatory Commission is going beyond its congressional authorization in the pursuit of deregulating the electric industry, 20 senators said Tuesday in a letter to FERC Chairman Pat Wood .

The commission is pushing through its model for electricity markets, despite its promise not to do so, in a piecemeal fashion, the bipartisan group of senators from the Southeast and West complained. And FERC is trying to force traditional, investor-owned utilities to give up control of their transmission lines throughout the country, despite opposition from most southeast and western states represented by the senators who signed the letter.

"The electric markets in our regions are serving consumers well and we can see no justification for replacing them with an untested, federally coerced structure that will result in higher prices for consumers, inefficient and unnecessary siting of generation and transmission, and questionable reliability, " the senators wrote.

"Time and again," the letter states, "the commission has demonstrated that neither comment nor action from Congress can deter it from this ill-advised path."

A FERC spokesman said that Wood is reviewing the letter and will respond to the senators in due course.

Generally, said FERC spokesman Bryan Lee , "the commission's policies are all about protecting customers from market abuses and assuring that state regulators have the opportunity to pass through to (local) customers the benefits of competitive markets."

Lee also noted that senators from Arkansas didn't sign the letter, though most other southern senators did. Neither of California's senators joined eight of their western counterparts.

The senators complain that FERC backed off its proposed national model for electricity markets, known as "Standard Market Design," only to try to implement the model in several recent orders.

"We are no more supportive of a piecemeal approach to implementing the proposed SMD than we were of seeing a final rule," the senators wrote.

The letter also attacks a July 8 decision by the FERC that encourages regulated U.S. utilities to put their transmission lines under the control of regional transmission organizations, or RTOs. Those that don't, under the order, could lose their FERC-approved licenses to sell excess electricity at market rates. Without that ability, big utilities such as Entergy Corp. (ETR) and Southern Co. (SO) would have to sell power at rates based on cost, which can be less lucrative. Some of the profits from selling excess electricity at market prices go to reducing electricity bills, Tuesday's letter says.

"Congress has clearly communicated its concern with the commission's attempts to `mandate' participation in regional transmission organizations and its (Congress') preference for a voluntary approach. Yet, we get the sense from the commission's recent actions that national mandatory participation in RTOs will be expected by the agency," says the letter, a draft of which Dow Jones Newswires reported on Friday.

The letter also criticizes "expensive" conditions FERC commissioners attached to their July 6 approval of Oklahoma Gas & Electric Co. 's (OGE) purchase of a power plant from merchant-power company NRG Energy (NRG), and it berates the FERC for recent losses at the U.S. Court of Appeals for the D.C. Circuit.

FERC's Lee responded that "the commission's track record over the past two years in appeals courts decisions is above the historic norm for the commission." He added that OGE's chief executive thanked FERC's Wood for an expedited decision that "serves the public interest."

In a press release making the senators' complaints public, Sen. Richard Shelby , R-Ala., who organized the effort, asked: "Why would I or anyone want to jeopardize the reliable and affordable energy that the hard-working citizens of my state already receive?"

Other senators who signed the letter are: Larry Craig , R-Idaho; Jon Kyl, R- Ariz.; Gordon Smith , R-Ore.; Mary Landrieu, D-La.; John Breaux , D-La., Jim Bunning , R-Ky.; Saxby Chambliss, R-Ga.; Trent Lott , R-Miss.; Jeff Sessions , R- Ala.; Zell Miller, D-Ga.; Fritz Hollings , D-S.C.; Wayne Allard , R-Colo.; Mike Crapo , R-Idaho; Conrad Burns , R-Mont.; Thad Cochran , R-Miss.; Elizabeth Dole , R- N.C.; Lindsey Graham , R-S.C.; Ben Nighthorse Campbell, R-Colo.; and John McCain, R-Ariz.

-By Mark Golden , Dow Jones Newswires; 415-765-6118; mark.golden@dowjones.com

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