

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSISSIPPI

DOCKET NUMBER 96-UA-389

IN RE: ORDER OF THE MISSISSIPPI PUBLIC SERVICE COMMISSION ESTABLISHING A GENERIC DOCKET TO CONSIDER

COMPETITION IN THE PROVISION OF RETAIL ELECTRIC

SERVICE

ORDER

COMES NOW, THE MISSISSIPPI PUBLIC SERVICE COMMISSION ("Commission" or "MPSC") and issues this Order establishing a generic docket to consider all aspects of competition in the provision of retail electric service.

I. JURISDICTION

It is settled law that the business of utility regulation is legislative in nature and that the Commission, in regulating utilities, is acting as an arm of the Legislature. The Legislature, its wisdom, has delegated to the Commission broad "exclusive original jurisdiction over the intrastate business and property of public utilities." Therefore, it is clear that the subject matter of this proceeding is properly within the jurisdiction of this Commission.

The Commission would like to assure the Legislature, the utilities and the Public that there will not be "a rush to judgment" concerning this issue. The decision to go to retail competition, or not, is far too important to be made without thoroughly exploring all aspects thereof. However, if after completing this Docket, the Commission determines that

competition in the provision of retail electric service is in the public interest, we may seek enabling legislation to allow for the providing of competitive retail electric service just as we recently did with telephone service.

II. BACKGROUND

The commentators on this subject use the terms

electricity restructuring", "retail competition" and "retail wheeling." Although "electricity restructuring" may be the broader term, we will use the terms interchangeably.

Electricity restructuring is an issue that is being considered throughout the United States. More than half the states are considering or have considered the issue. Some states have experimental programs (New Hampshire, Illinois) in force and some states (California, Illinois, Massachusetts,

Pennsylvania) have fast-track introduction of retail wheeling scheduled. A number of foreign countries (Chile, Norway, Sweden, Argentina, United Kingdom, New Zealand, and Australia) have gone even further and have already introduced full scale restructuring initiatives. Several factors are driving the restructuring initiative in the United States, including: technological advances, divergent prices, federal legislation, FERC rule-making, domestic and foreign competition.

The National Association of Regulatory Utility Commissioners adopted (July 25, 1996) a resolution on "Principles to Guide the Restructuring of the Electric Industry" (NARUC

Principles). While the Commission does not necessarily adopt this resolution in its entirety, may be useful for interested parties to review this document before

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filing comments. Key points from the NAPUC Principles are included here.

General Principle

Consumers should have access to adequate, safe, reliable and efficient energy services at fair and reasonable prices and at the lowest long-term cost to society. Structural changes in the industry should be encouraged when they result in improved economic efficiency and serve the broader public interest.

Eight Specific Principles

1. Network Integrity: The safety, reliability, quality and sustainability of electric service should be maintained or improved in a restructured electric industry.
2. Universal Service: Universal service at reasonable rates, including adequate protections for low-income customers, should be maintained.
3. Customer Choice: Customers should have the opportunity to make informed choices among electricity providers and services.
4. Consumer Protection: Consumers should be protected from anti-competitive behavior, undue discrimination, poor service, unfair billing and disconnection practices.
5. Public Participation: Industry restructuring policies should be developed in public with participation open to all.
6. Shared Benefits: All classes of customers should benefit from improvements due to structural changes in the industry.

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7. Stranded Costs: Existing commitments of utilities, arising from past decisions made pursuant to historical regulatory and legal principles, should be addressed in a fair and reasonable manner by states.
8. State Responsibilities: States and state commissions should determine retail electric policies, including restructuring policies.

III. GENERIC HEARING ISSUES

Specific issues to be addressed in this hearing are listed below. However, the list is not to be exhaustive and the Commission will entertain any issues determined to be pertinent to electricity restructuring.

1. Is electric retail competition ripe for resolution in Mississippi?
2. What is this Commission's authority?

3. Are there jurisdictional conflicts with the FERC?
 4. What problems, regardless of jurisdiction, may exist in regard to municipalities, EPAs and TVA?
 5. What issues should the Commission consider in the transition to retail competition?
 6. What functional unbundling of retail services is necessary and/or desired?
 7. What pricing issues arise from functional unbundling and how should they be managed?
 8. How should existing retail contracts be handled?
 9. What "'stranded costs" may potentially impact the Mississippi ratepayers, how should these costs be handled and allocated?
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10. Should utilities recover potential "stranded costs"?
 11. Should ratepayers receive potential "gains"?
 12. What cost shifting may occur with the implementation of retail competition and how should be managed?
 13. What anti-competitive issues evolve from electric retail competition?
 14. Will retail competition result in "captive" ratepayers?
 15. What will be the impact of retail competition on "captive" ratepayers?
 16. How does retail competition comport with "the obligation to serve"?
 17. How will service reliability be handled?
 18. How will quality of service be handled?
 19. What will be the impact of retail competition on universal service?
 20. What will be the role of price regulation in retail competition?
 21. What will be the role of regulation in retail competition?

IT IS THEREFORE ORDERED:

- (1) That a generic docket to consider all aspects of competition in the provision of retail electric service be and is hereby established;
- (2) That all interested parties are to file comments by the 1st day of October, 1996;
- (3) That the Executive Secretary of the Commission is directed to

serve a copy of this Order on all holders of

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Certificates of Public Convenience and Necessity to provide retail electric service;

(4) That notice be given as required by law and

Commission regulation; and

(5) That a Scheduling Order will be forthcoming.

SO ORDERED, this the 22 day of August, 1996.

Chairman Nielsen Cochran voted Aye Vice-Chairman Bo

Robinson voted Aye and Commissioner Curt Hebert voted

Aye.

MISSISSIPPI PUBLIC SERVICE COMMISSION

Signature

NIELSEN COCHRAN, Chairman

Signature

BO ROBINSON, Vice-Chairman

Signature

CURT HEBERT, Commissioner

Signature

Brian U. Ray

Executive Secretary