

Resolution on Competition, the Public Interest, and Potentially Stranded Benefits

WHEREAS, State and Federal electric utility regulators are exploring the restructuring of the electric utility industry so as to provide lower energy service costs and greater consumer choice through the enhanced use of competition and market mechanisms; *and*

WHEREAS, The laws and traditions of electric utility regulation have long recognized the electric industry as a critical element of national infrastructure greatly affected with the public interest; *and*

WHEREAS, The franchise system of regulation has encouraged electric utilities, pursuant to state laws, to secure important public benefits in the provision of utility services, including:

- system reliability and fuel diversity;
- responsible management of the environmental impacts of electric generation;
- the promotion of systematic investments in energy efficiency, thus improving the nation's energy security and lowering energy costs to the nation's economy;
- innovative rate designs that have served national and state objectives in such areas as rate stability, equity, economic development, and meeting the specific needs of low-income customers;
- a system of support for research and development for the electric industry; and
- investments in commercialization strategies to speed growth in markets for renewable energy technologies; *and*

WHEREAS, Utility-sponsored energy efficiency programs have become a significant element of the nation's energy policy (according to the Energy Information Administration, by 1993, cost-effective utility DSM programs provided over 20,000 megawatts of peak load reduction and saved more than 40 million megawatt-hours annually, and such programs were growing at more than 20 percent annually) and utility-sponsored programs were expected to provide a majority of the national goals for energy efficiency savings set out in the 1992 National Energy Strategy; *and*

WHEREAS, These widespread public benefits could be undermined or lost unless integrated into new proposals which are being developed for a more competitive marketplace; *and*

WHEREAS, It is the responsibility of State and Federal electric utility regulators to assure that these vital public benefits are not "stranded", but are well-served in new electric industry structures and in the transition to them; *and*

WHEREAS, Public utility commissions will generally have the authority and the responsibility to protect these vital interests through (a) new regulatory regimes for assuring that increased competition is both fair and free of major market imperfections and (b) continued regulation of those sectors of the industry that may remain natural monopolies, such as distribution and transmission activities; *now, therefore, be it*

RESOLVED, By the National Association of Regulatory Utility Commissioners (NARUC) at its 106th Annual Convention in Reno, Nevada, that a fundamental responsibility of state and federal electric utility regulators in this transition period is to assure that vital public interests and established public benefits will be preserved in any restructuring of the electric utility industry; *and be it further*

RESOLVED, That the NARUC shall communicate to the Federal Energy Regulatory Commission, Congress, Department of Energy, and other responsible Federal agencies the conviction that any Federal actions taken with respect to electric industry competition and restructuring must not foreclose the ability of the States and State regulatory commissions to secure these public benefits within the several States; *and be it further*

RESOLVED, That, in their individual deliberations over the restructuring of the electric industry, State and Federal regulators are encouraged to establish the criteria by which alternative proposals are to be judged, and that these criteria should include: reliability and fuel diversity, environmental protection, energy efficiency, equity, economic development, the needs of low-income customers, and research and development; *and be it further*

RESOLVED, That the members of NARUC are committed to promote these criteria in cooperation with Federal regulators and State legislatures to further the long-term public interests of both the nation and individual States.

*Sponsored by the Committee on Energy Conservation
Adopted November 16, 1994*