

***Resolution on Maintaining State Authority to  
Ensure Reliable Electric Service at Reasonable Rates***

**WHEREAS**, State commissions are charged with ensuring retail ratepayers receive safe, reliable electric service at just and reasonable rates; *and*

**WHEREAS**, State commissions have a statutory obligation to ensure that the electric utilities operate and maintain the entire electric system in a reliable manner; *and*

**WHEREAS**, Electric utilities regulated by State commissions operate the bulk power and local distribution electric systems; *and*

**WHEREAS**, When there is a failure of facilities or operations, at either the bulk power or local distribution level, service to retail ratepayers can be interrupted; *and*

**WHEREAS**, State regulatory commissioners must balance the needs of ratepayers, utilities, and the electric system operations, planning, and maintenance; *and*

**WHEREAS**, Costs associated with reliability standards (both investments and compliance) are ultimately borne by retail ratepayers; *and*

**WHEREAS**, The North American Electric Reliability Corporation (NERC) and the Federal Energy Regulatory Commission (FERC) authority to set and enforce standards for reliable operation of the bulk power system is defined by Federal Power Act (FPA) Section 215, which explicitly exempts “facilities used in the local distribution of electric energy” from the bulk power system and limits NERC authority to develop standards to the bulk power system; *and*

**WHEREAS**, While recognizing that the electric system is a contiguous set of facilities, the facilities comprising the electric system must be designated as either part of the bulk power system or local distribution system for statutory administration consistent with the FPA; *and*

**WHEREAS**, The design of the bulk systems and design of the local distribution systems are both complicated and varied and, as such, standards designed for the bulk system applied to the local distribution system can be inappropriate and overly costly and can undermine the reliability of the entire system; *now, therefore be it*

**RESOLVED**, That the Board of Directors of the National Association of Regulatory Utility Commissioners, convened at its 2011 Summer Committee Meetings in Los Angeles, California, urges NERC and FERC to respect the statutory limits of their authority under FPA 215 and not attempt to overreach into State jurisdictional local distribution facilities when defining the bulk system or setting reliability standards; *and be it further*

**RESOLVED**, That new and revised NERC standards should demonstratively provide reliability benefits to consumers that justify their costs; *and be it further*

**RESOLVED**, That NARUC and State commissions should be vigilant in monitoring NERC and FERC activities to ensure new and revised standards are consistent with FPA 215, enhance reliability, and benefit ratepayers.

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*Sponsored by the Committees on Electricity, Critical Infrastructure,  
and Energy Resources and the Environment*

*Adopted by the NARUC Board of Directors July 20, 2011*