

Montana Electricity Restructuring Principals

Racicot Administration Electricity Restructuring Principles

State of Montana

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Regionally and nationally, electricity industry restructuring is proceeding. It is my belief that Montana can benefit from an efficient electricity marketplace that affords all consumers access to competitively priced electricity supplies. Because our fragile energy dependent state is in two electrical grids, and because our utilities operate in disparate environments, this matter is especially complex in Montana. So, it is in Montana's interest to carefully facilitate the transition to a competitive market while maintaining important public purposes.

To allow Montana to shape restructuring, to meet the specific needs of Montanans, and to prevent outside events from overtaking us, the 1997 Legislature should establish the framework necessary to promote a reasoned and orderly transition to a competitive market system. In making decisions regarding the restructuring of the electricity industry, I recommend the following principles.

Governing Principles

- A. Legislation should establish a date by which all Montanans will be able to choose their electricity supplier.
- B. Legislation should assure that reliable electric service is maintained.
- C. Legislation should provide that all electricity customers in Montana share in the benefits from a restructured industry.

Support Principles

- I. The restructured electricity industry should include the following characteristics:
 - A. Competition among generators of electricity and among providers of retail energy services.
 - B. Minimal regulation for competitive markets.
 - C. All customers should be able to access competitive markets and choose suppliers as quickly as possible, preferably at the same time.
- II. Consumers should be protected from market abuses and unwarranted cost shifts between customer classes.
- III. During the transition to a competitive electricity industry, utilities should have a fair opportunity for the recovery of stranded costs while affording consumers access to market priced electricity. Utilities have the affirmative obligation to mitigate stranded costs to the greatest extent possible.
- IV. During the transition to competitive markets, customers should not pay higher rates as a result of restructuring.
- V. The use of state financing in electricity restructuring should result in verifiable benefits for Montana consumers.
- VI. Important public purposes within the current electricity industry structure should be preserved and assessed equitably among all market participants. Public purposes, wherever possible, should be moved to the private sector as markets develop or mature.

- A. Low income citizens must have equal access to affordable electricity.
 - B. Low income electricity assistance must be maintained or enhanced.
 - C. Funding of renewable and conservation resources (including market transformation) should continue in a way that is appropriate to the competitive market.
 - D. Funding mechanisms for public purposes should be deployed at the same time retail access becomes available.
- VII. Restructuring should not compromise the environment or environmental protection.
- VIII. The Territorial Integrity Act should be amended to facilitate competition in the electricity industry. It should be changed from defining who is responsible for serving all the electrical needs of a customer to who is responsible for connecting that customer to the electrical grid.
- IX. The effects on state and local governments should be considered when looking at tax issues associated with the restructuring of the electricity industry.
- X. Restructuring in Montana should be as consistent as practicable with restructuring elsewhere in the Northwest.