

SHOULD FEDERAL LEGISLATION CREATE A RIGHT TO STRANDED COST RECOVERY

WHO SHOULD DECIDE?

- Do national interests suffer if this issue is decided state-by-state?
 - Have Vermont and New Hampshire slowed down Massachusetts?
 - Are we learning from diverse state experiments?

DOES SOME UNIFORM NATIONAL RIGHT OR COMPACT REQUIRE RECOGNITION?

- The Constitutional issues were settled in the Duquesne case?
 - Much larger "used and useful" disallowances have since gone unreviewed.
 - The N.Y. Supreme Court and most state commissions have rejected the concept of a "compact"
 - Losses due to technology and competition not covered

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STRANDED RISKS?

- Self generation
- Municipalization
- Prolonged nuclear outage

PUBLIC BENEFITS

- No one state has all
 - Divestiture
 - Standard offers above costs
 - Open billing and metering
 - Assignment of customers who don't choose

**OTHER REGULATORY COMPACT
DIFFICULTIES**

- Undiscovered until 1984
- State franchises and service obligations not uniform
- Investors on notice as to risk of substantial loss and received compensation
- Imperfections of regulation argue against the assumption that existing rate bases are 100% prudent.

OTHER POLICY JUSTIFICATIONS

- Fairness?
- Getting the job done?
 - But what job?

**THE HIGHJACKING OF ELECTRIC
RESTRUCTURING**

- Utility gains are such that they are the ones seeking restructuring, now called "deregulation"
 - Secure recovery
 - Head start on competition
 - Money up front
 - Securitization
 - Exit fees
 - Special long term contracts
