

MASTER
**Public Utility
Regulatory Policies
Act of 1978**

**Annual Report
to Congress**

May 1981



Economic Regulatory Administration
U.S. Department of Energy

Volume 1

DISCLAIMER

This report was prepared as an account of work sponsored by an agency of the United States Government. Neither the United States Government nor any agency thereof, nor any of their employees, makes any warranty, express or implied, or assumes any legal liability or responsibility for the accuracy, completeness, or usefulness of any information, apparatus, product, or process disclosed, or represents that its use would not infringe privately owned rights. Reference herein to any specific commercial product, process, or service by trade name, trademark, manufacturer, or otherwise does not necessarily constitute or imply its endorsement, recommendation, or favoring by the United States Government or any agency thereof. The views and opinions of authors expressed herein do not necessarily state or reflect those of the United States Government or any agency thereof.

DISCLAIMER

Portions of this document may be illegible in electronic image products. Images are produced from the best available original document.

Available from:

National Technical Information Service (NTIS)
U.S. Department of Commerce
5285 Port Royal Road
Springfield, Virginia 22161

Price:	Printed Copy:	\$6.50
	Microfiche:	\$4.00

**Public Utility
Regulatory Policies
Act of 1978**

**Annual Report
to Congress**

May 1981



Economic Regulatory Administration
U.S. Department of Energy
Washington, D.C.

Volume 1

DISCLAIMER
This book was prepared as an account of work sponsored by an agency of the United States Government. Neither the United States Government nor any agency thereof, nor any of their employees, makes any warranty, express or implied, or assumes any legal liability or responsibility for the accuracy, completeness, or usefulness of any information, apparatus, product, or process disclosed, or represents that its use would not infringe privately owned rights. Reference herein to any specific commercial product, process, or service by trade name, trademark, manufacturer, or otherwise, does not necessarily constitute or imply its endorsement, recommendation, or favoring by the United States Government or any agency thereof. The views and opinions of authors expressed herein do not necessarily state or reflect those of the United States Government or any agency thereof.

Key

Contents

	<i>Page</i>		<i>Page</i>
EXECUTIVE SUMMARY	1	Chapter 4: Analysis of Standards Adopted or Mandated by State Law	
Chapter 1: Introduction	3		11
Background	3	Introduction	11
The PURPA Standards	3	Cost of Service Standard	11
Importance of This Report	4	Declining Block Rates Standard	12
Organization of Report	4	Time-of-Day Rates Standard	13
Chapter 2: Progress Made in Consideration of the PURPA Standards	5	Seasonal Rates Standard	14
Overview	5	Interruptible Rates Standard	14
Progress Made in Consideration of the Regulatory Policy Standards	5	Load Management Techniques Standard	14
Progress Made in Consideration of the Ratemaking Standards	6	Master Metering Standard	17
Chapter 3: Conformance With the Procedural Requirements of the PURPA Consideration and Determination Process	7	Automatic Adjustment Clauses Standard	17
Introduction	7	Information to Consumers Standard	17
Public Awareness and Representation	7	Termination of Service Standard	19
Relevant Information	7	Advertising Standard	20
Written Determinations	9	Lifeline Rates	21
		Chapter 5: DOE Activities in Support of PURPA	23
		Introduction	23
		Financial Assistance	23
		Technical Support Activities	24
		Technical Analysis Activities	25
		Intervention Activities	26
		Mississippi vs. FERC <i>et al.</i> (Constitutionality of PURPA)	26

Exhibits

No.	Title	Page	No.	Title	Page
2.1	Considerations Begun and Final Actions Taken as a Percentage of Total Possible Considerations: Regulatory Policy Standards <i>vs.</i> Ratemaking Standards (June 30, 1980)	5	4.2	Coverage of Declining Block Rates Standards Adopted	13
2.2	Considerations Begun and Final Actions Taken as a Percentage of Total Possible Considerations: Regulatory Policy Standards	6	4.3	Coverage of Time-of-Day Rates Standards Adopted	15
2.3	Considerations Begun and Final Actions Taken as a Percentage of Total Possible Considerations: Ratemaking Standards	6	4.4	Coverage of Seasonal Rates Standards Adopted	15
3.1	Percent of Utilities for Which Section 115 Requirements Were Met During Consideration of the Cost of Service Standard	8	4.5	Coverage of Interruptible Rates Standards Adopted	16
3.2	Percent of Utilities for Which Section 115 Requirements Were Met During Consideration of the Time-of-Day Rates Standard	8	4.6	Coverage of Load Management Techniques Standards Adopted	16
3.3	Percent of Utilities for Which Section 115 Requirements Were Met During Consideration of the Load Management Techniques Standard	9	4.7	Coverage of Master Metering Standards Adopted or Mandated	18
4.1	Coverage of Cost of Service Standards Adopted	12	4.8	Coverage of Automatic Adjustment Clauses Standards Adopted or Mandated	18
			4.9	Coverage of Information to Consumers Standards Adopted or Mandated	19
			4.10	Coverage of Termination of Service Standards Adopted or Mandated	20
			4.11	Coverage of Advertising Standards Adopted or Mandated	21

Executive Summary

In passing the Public Utility Regulatory Policies Act of 1978 (PURPA), Congress sought to promote increased conservation of electric energy and natural gas, increased efficiency in the use of facilities and resources by electric and natural gas utilities, and equitable retail rates for electric and natural gas consumers. These objectives were to be accomplished through decisions made by state and local regulatory authorities with respect to six ratemaking and five regulatory policy standards for utility rates and related policies. Generally, the standards addressed or reflected issues which had been of concern for some time on the part of utilities and their customers. Thus, in addition to being a part of the 1978 legislative response to national energy problems, the Act forced a formal consideration of a number of controversial issues and established procedural requirements for their disposition by state and local authorities. In this sense, the Act encouraged these authorities to act but did not impose on them a specific solution to these issues.

Under PURPA, consideration by state regulatory authorities and certain nonregulated utilities of the five regulatory policy standards was to be completed by November 9, 1980, while consideration of the six ratemaking standards was to be started by that date and completed one year later. This is the second annual report on these activities, pursuant to Sections 116(b) and 309(b) of the Act, and contains the following:

- DOE's summary and analysis of the progress by state regulatory authorities and large nonregulated utilities regarding their consideration, determinations, and other actions related to the six ratemaking and five regulatory policy standards established by PURPA.
- A description of Federal actions conducted by DOE to study regulatory policy issues and to assist the state regulatory authorities and nonregulated utilities in carrying out their responsibilities under Titles I and III of PURPA.

In addition to satisfying the annual reporting requirements of Titles I and III of PURPA, this report satisfied the requirement of Section 206 of the Energy Conservation and Production Act of 1976 (ECPA), which requires DOE to report annually regarding its electric utility rate design activities under Title II of ECPA.*

This report is divided into two volumes. The first volume provides an overview and concisely reports on

*Although the Congressional Reports Elimination Act of 1980 directed that the annual ECPA report be included in the DOE annual report, the applicable provisions of both PURPA and ECPA relate to Federal initiatives with state utility regulation; consequently, such ECPA activities are included in this PURPA annual report.

the elements specified above. Volume II provides additional detail and supporting statistical analysis.

The information provided to DOE by state regulatory authorities and nonregulated utilities in 1980 shows that there was high compliance with PURPA and suggests the following major conclusions:

- *As of June 30, 1980, the consideration process had begun for approximately three-quarters of the required situations. Moreover, final actions, that is actual decisions, were made in approximately one third of the required cases. On both accounts, the level of state activity (considerations started, decisions made) was twice as great by June 1980 as it was one year earlier. Progress in considering the standards was significantly greater for the five regulatory policy standards than for the six ratemaking standards.*
- *The consideration process for the cost of service standard had begun in 73 percent of the required situations. As one might expect, more progress had been made by state regulatory authorities and nonregulated utilities in considering this standard than in considering any of the other ratemaking standards.*
- *The procedural requirements of PURPA were followed in most cases. State and local regulatory authorities (a) provided public notice of hearings prior to conducting them, (b) held hearings open to the public, and (c) provided opportunity for intervenor participation and compensation. In addition, relevant data about decisions made, and written determinations, were made available by a majority of state regulatory authorities and nonregulated utilities.*
- *The standards adopted or mandated by state law were in most cases consistent with congressional intent. Eighty-one percent of the cost of service standards prescribed, as specified in Section 115(a) of PURPA, a method for determining the costs of providing service to each customer class. Ninety-four percent of the cost of service standards permitted, as set forth in that section, the identification of demand-related costs, while 96 percent permitted identification of costs that are energy related. Sixty-six percent of the automatic adjustment clauses standards required, as specified in Section 115(e), evidentiary hearings at least every four years regarding the efficient use of resources and 76 percent required a biannual review to ensure maximum economies in operations and purchases. Finally, as set forth in Section 115(g) of PURPA, 100 percent of the termination of service standards required at least one notice prior to termination, and 74 percent*

contained specifications for considering possible dangers to the health of consumers.

During 1980, DOE's own efforts to assist state regulatory authorities and nonregulated utilities in carrying out their PURPA responsibilities involved financial assistance, technical support, and regulatory interventions. Under the financial assistance program in Fiscal 1980, \$15.9 million was distributed to state regulatory authorities and nonregulated utilities under three programs: basic PURPA grants, consumer office grants, and innovative rates grants. Technical support activities included: publishing voluntary final PURPA-related guidelines on automatic adjustment clauses and solar energy and renewable resources; explaining the requirements of PURPA and discussing useful analytical techniques and approaches through the National Regulatory Research Institute (NRRI); conducting a gas rate design study, which addressed existing state and federal ratemaking policies and suggested that rates be designed to encourage optimum use of natural gas; and initiating a study of least-cost energy services strategies to promote efficiency and conservation. In

1980, interventions took place in 11 states and decisions were issued in four proceedings in which DOE intervened.

Under Sections 116(b) and 309(b) of PURPA, DOE is required to develop "...recommendations for such further Federal actions, including any legislation, regarding retail electric (and gas) utility rates (and other practices) as may be necessary to carry out the purposes of (Titles I and III)." The President has recently submitted a budget amendment for Fiscal 1982, which would make no funds available for obligation or expenditure to carry out certain PURPA requirements. Specifically, the budget request would affect the compilation and publication of the list of covered utilities, pursuant to Sections 102(c) and 301(d) of PURPA, and the submission of this annual report to Congress on PURPA activities. Any additional legislative recommendations which DOE may have will be submitted in the form of legislative proposals. Since the Administration is currently reviewing PURPA and other national energy legislation, no legislative recommendations are being proposed at this time.

Chapter 1: Introduction

Background

The energy problems of the 1970's, while most often associated with rising petroleum prices, also encompassed the rates and financial health of the electric and natural gas utility industries. During the period 1972 to 1980, the average price for a kilowatt-hour to a residential customer increased from 2.29 to 4.93 cents. A substantial part of this increase was due to increases in fuels used for generation—principally oil but also natural gas. The financial health of electric utilities, as registered by investor appraisals of their securities, declined consistently. Market/book ratios for electric utility stocks dropped from about 1.2 in 1972 to 0.8 in 1980. The bond ratings of 80 utility companies were downgraded over this period, while only 15 were upgraded.

As a consequence of these changes, controversy arose over a number of revenue and rate-related cases. Subsidies to large electricity users by small users (under declining block rates), the effects of automatic adjustment clauses on utility efficiency, termination of service procedures, and other issues became the bases for controversy among utilities, regulators, and customers. In passing PURPA, Congress sought to force a consideration of these issues in the context of applicable state law and the three Federal purposes established by Titles I and III of the Act (conservation of energy supplied by electric and natural gas utilities, the optimization of the efficiency of use of facilities and resources by electric and gas utilities, and equitable rates to electric and natural gas consumers). This PURPA annual report presents a summary of the progress made by state regulatory authorities and nonregulated utilities in considering and making determinations on the PURPA standards.

PURPA addresses a vital area of national energy policy. Approximately one-half of total United States energy consumption flows through electric and gas utilities. The state and local authorities that determine the prices and conditions of service for these utilities have, therefore, a critical role in shaping the Nation's energy future. They affect the supply of these energy resources and their use in homes, commercial establishments and industrial facilities across the Nation. The decisions these regulators make with respect to the prices and rate structures for electricity and natural gas affect the use of renewable resources, oil displacement, utility capacity expansion planning, utility financial health, and other critical utility and, therefore, national energy issues.

The drafters of PURPA also required DOE to report on the progress of the states under PURPA. The Joint Explanatory Statement of the Committee of Conference notes that "the conferees expect that

through the reports made under (Sections 116 and 309), the progress of the states will be accurately measured and reported to Congress to provide a basis for legislative oversight by Congress."

The PURPA Standards

PURPA requires state and local regulatory authorities to consider 11 specific standards in the context of the three purposes of the Act and applicable state law. Six of these standards, as set forth in Sections 111 and 115 of PURPA, deal with ratemaking issues, while the other five, specified in Sections 113, 115, 303, and 304 of the Act, deal with issues of regulatory policy.

The consideration had to be completed for the regulatory policy standards by November 9, 1980, and for the ratemaking standards consideration had to be completed one year later. All 11 of the PURPA standards apply to covered electric utilities, while only the last two below apply to covered gas utilities.* The standards can be summarized as follows:

Ratemaking Standards

1. *Cost of Service Standard:* Rates to each class of consumer shall be designed to the maximum extent practicable to reflect the costs of providing service to that class, including the cost consequences of both additional kilowatt-hour usage and peak kilowatt demand;
2. *Declining Block Rates Standard:* Declining block energy charges that are not cost-based shall be eliminated;
3. *Time-of-Day Rates Standard:* Time-of-day rates shall be established, if cost-effective, where costs vary by time of day;
4. *Seasonal Rates Standard:* Seasonal rates shall be established where costs vary by season;
5. *Interruptible Rates Standard:* Interruptible rates based on the costs of providing interruptible service shall be offered to commercial and industrial customers; and
6. *Load Management Techniques Standard:* Load management techniques shall be offered to consumers where practicable, cost-effective, reliable, and useful to the utility for energy or capacity management.

Regulatory Policy Standards

1. *Master Metering Standard:* Master metering shall be prohibited or restricted for new buildings

*PURPA defines a covered electric (or natural gas) utility as one whose total sales of electricity (gas) for purposes other than resale exceeded 500 million kilowatt-hours (10 billion cubic feet) during, for the purposes of this second annual report, 1976, 1977, or 1978.

to the extent necessary to carry out the purposes of Title I of PURPA;

2. *Automatic Adjustment Clauses Standard*: Automatic adjustment clauses shall not be allowed unless they provide efficiency incentives and are reviewed in a timely manner;

3. *Information to Consumers Standard*: All consumers shall receive a clear and concise explanation of applicable and proposed rate schedules and annual consumption, upon request;

4. *Procedures for Termination of Service Standard*: Service shall not be terminated except pursuant to certain enumerated procedures; and

5. *Advertising Standard*: Political or promotional advertising shall not be charged to ratepayers.

Importance of This Report

This second annual PURPA report provides the first comprehensive picture of the relative progress state regulatory authorities and nonregulated utilities have made in fulfilling their obligations under PURPA. The first PURPA report, submitted to Congress and the President on May 9, 1980, while providing a useful overview, covered only the first eight months of the consideration process. This report, on the other hand, covers a much longer period (20 months) and indicates the rate of progress under PURPA in the course of the last year. Finally, although the period covered by this report ends on June 30, 1980, it indicates that state regulatory authorities and nonregulated utilities most likely have met the November 9, 1980, deadline for acting on the regulatory policy standards.

Organization of Report

This report is divided into two volumes. The first volume provides a general overview and summary of DOE's analysis. Volume II provides additional detail

and supporting statistical analysis.

The remainder of Volume I consists of the following four chapters:

Chapter 2—*Progress Made in Consideration of the PURPA Standards*, which summarizes the progress made by state regulatory authorities and nonregulated utilities in considering and adopting the PURPA standards.

Chapter 3—*Conformance with the Procedural Requirements of the PURPA Consideration and Determination Process*, which describes the requirements of the PURPA consideration and determination process, and reports on the extent of conformance by state regulatory authorities and nonregulated utilities with these requirements.

Chapter 4—*Analysis of Standards Adopted or Mandated by State Law*, which reports on the characteristics of those standards adopted by state regulatory authorities and nonregulated utilities, or mandated by state law, in comparison to the substantive provisions of the standards specified in PURPA. Data on coverage of these standards, in terms of customers billed and sales, are also presented.

Chapter 5—*DOE Activities in Support of PURPA*, which describes the activities of the Department in 1980 to assist state regulatory authorities and nonregulated utilities in carrying out their responsibilities under Titles I and III of PURPA and, thereby, further the three purposes of PURPA and related national energy goals. This chapter also covers the Federal financial assistance programs established by Title II of the Energy Conservation and Production Act of 1976 (ECPA).

Chapter 2: Progress Made in Consideration of the PURPA Standards

Overview

As of June 30, 1980, state regulatory authorities and nonregulated utilities had begun consideration of the 11 PURPA standards in three-fourths of the situations required by the Act.* By contrast, as of June 1979, they had initiated action in only 37 percent of the required cases. Between 1979 and 1980, the number of final actions taken** also doubled, from 697 (17 percent) to 1420 (35 percent). Although there was a large increase in the number of final positive actions taken between 1979 (622) and 1980 (1184), there was also a large increase in the number of final negative actions taken over the same period (from 75 to 236).

Of the two types of standards, greater progress on the consideration process was made on the five regulatory policy standards than on the six ratemaking standards. As can be seen in Exhibit 2.1, the consideration process for the regulatory policy standards had been initiated, as of June 30, 1980, in 83 percent of the cases required. By contrast, the process had been initiated in 69 percent of the cases required for the ratemaking standards. The greater relative progress made in considering the regulatory policy standards is also reflected in the percent of final

actions taken: 48 percent for the regulatory policy standards as opposed to 22 percent for the ratemaking standards.

Finally, greater overall progress was made by state regulatory authorities than by nonregulated utilities in considering the standards. As of June 30, 1980, state regulatory authorities had started the consideration process in 80 percent of the cases in which they were required to do so, while nonregulated utilities had started the process in only 61 percent of such cases. The percentage of cases resulting in a final positive action being taken on a standard was roughly the same: 30 percent for state regulatory authorities and 27 percent for nonregulated utilities.

Progress Made in Consideration of the Regulatory Policy Standards

Between June 1979 and June 1980, progress in considering the regulatory policy standards almost doubled. In June 1980, the consideration process had been initiated in 83 percent of the cases required, as compared to 46 percent a year earlier. Furthermore, final action had been taken in 48 percent of the required cases by the 1980 reporting date *vs.* 21 percent as of June 1979.

Significant differences were evident in the levels of progress reached for each of the five standards (see Exhibit 2.2). Progress on the termination of service standard was most advanced: 89 percent of the cases required for consideration of this standard had begun, and final action had been taken in 54 percent of such cases. Even though the information to consumers standard showed the most limited progress, fully three-fourths of the required considerations had begun as of June 30, 1980. Moreover, final action had been taken in 35 percent of the cases required to be considered.

The amount of progress made on the automatic adjustment clauses standard, although substantial, is of some concern. In an era of rapidly rising fuel costs, automatic adjustment clauses represent a method for ensuring the financial integrity of electric utilities. However, these clauses have been the subject of attack by customers in recent years on the grounds that they lead to inefficiencies in electric utility operations. The PURPA automatic adjustment clauses standard represents one approach to the reconciliation of

Exhibit 2.1 Considerations Begun and Final Actions Taken as a Percentage of Total Possible Considerations: Regulatory Policy Standards vs. Ratemaking Standards (June 30, 1980)

<i>Standards</i>	<i>Consideration Process Begun (%)</i>	<i>Final Actions Taken (%)</i>
Regulatory Policy	83	48
Ratemaking	69	22
Total	76	35

*As of 1980, there were 328 covered electric utilities and 210 covered gas utilities for which reports were submitted. The 11 Title I standards were applicable to each covered electric utility, and the two standards in Title III were applicable to each covered gas utility. The product of covered electric utilities and the 11 electric standards is 3608, while the product of covered gas utilities and the 2 gas standards is 420. The total is 4028 situations in which considerations had been required. However, state regulatory authorities could consider the standards on a group or generic basis if they so chose. The minimum number of situations requiring consideration could be 1,428 under this procedure.

**"Final actions taken" refers to a standard being: (1) adopted by the state regulatory authority or nonregulated utility, or mandated by state law (positive final action); or (2) rejected by the state regulatory authority or nonregulated utility, or prohibited by state law (negative final action).

Exhibit 2.2 Considerations Begun and Final Actions Taken as a Percentage of Total Possible Considerations: Regulatory Policy Standards

Standard	Consideration Process Begun		Final Actions Taken*	
	6/30/80 (%)	6/30/79 (%)	6/30/80 (%)	6/30/79 (%)
Master Metering	82	44	47	19
Automatic Adjustment Clauses	77	46	51	27
Information to Consumers	75	34	35	13
Termination of Service	89	52	54	23
Advertising	86	47	48	21
TOTAL: Regulatory Policy Standards	83	46	48	21

*Standard adopted or mandated by state law, or rejected or prohibited by state law.

consumer concerns with utility needs. It was designed to assure both economy and efficiency in fuel procurement and systems operation as well as adequate regulatory oversight of automatic adjustment to utility bills.

The deadline for acting on the regulatory policy standards (November 9, 1980) accounts for the level of consideration of these standards. Progress may also be advanced because of the relative paucity of requisite data, and the relative simplicity and noncontroversial nature of most of these standards *vis-a-vis* the ratemaking standards.

Progress Made in Consideration of the Ratemaking Standards

Exhibit 2.3 shows the amount of progress made by state regulatory authorities and nonregulated utilities in considering and making determinations on the six ratemaking standards. More progress was made in considering the five regulatory policy standards. Overall, by the June 1980 reporting date, the consideration process had begun in 69 percent of the required cases, as compared to 28 percent a year

Exhibit 2.3 Considerations Begun and Final Actions Taken as a Percentage of Total Possible Considerations: Ratemaking Standards

Standard	Consideration Process Begun		Final Actions Taken*	
	6/30/80 (%)	6/30/79 (%)	6/30/80 (%)	6/30/79 (%)
Cost of Service	73	32	23	13
Declining Block Rates	70	30	27	15
Time-of-Day Rates	70	27	22	13
Seasonal Rates	71	28	22	14
Interruptible Rates	66	24	16	8
Load Management Techniques	66	29	21	15
TOTAL: Ratemaking Standards	69	28	22	13

*Standard adopted or rejected by state regulatory authority and non-regulated utility (none of the ratemaking standards were mandated or prohibited by state law).

earlier. Moreover, the percent of final actions taken increased from 13 percent in June 1979 to 22 percent in 1980.

Levels of progress reached for each of the ratemaking standards were relatively similar. Initiation of the consideration process was most advanced on the cost of service standard (73 percent of the cases required for consideration) and least advanced for the interruptible rates and load management techniques standards (66 percent for each). The greatest number of final actions were taken on the declining block rates standard, and the fewest decisions were reached with respect to the interruptible rates standard.

Progress made by state regulatory authorities and nonregulated utilities in considering and making determinations on the cost of service standard is important because of its potential impact on the other ratemaking standards. The high degree of progress that had been made on this standard since June 30, 1979, and relative to the other ratemaking standards, attests to the effectiveness of PURPA. As noted, the process had begun for 73 percent of all required considerations for the cost of service standard, highest among the ratemaking standards.

Chapter 3: Conformance With the Procedural Requirements of the PURPA Consideration and Determination Process

Introduction

Titles I and III of PURPA set forth a number of procedural requirements with which state regulatory authorities and nonregulated utilities must comply when considering the 11 PURPA standards. These requirements were intended to:

- Increase public awareness of and representation in the regulatory process;
- Provide data relevant to pending decisions; and
- Ensure that written determinations are rendered and that they are based on data and other evidence presented.

In addition, Section 115 of Title I of PURPA sets forth a number of specific requirements for three standards: cost of service, time-of-day rates, and load management techniques. These requirements are designed to ensure that certain specific types of information are evaluated during the decisionmaking process for these standards.

This chapter examines the extent of conformance with the procedural requirements and the standard-specific requirements of PURPA. The data presented are only for those situations in which a state regulatory authority or nonregulated utility had actually made a determination to adopt or reject a standard.

Public Awareness and Representation

PURPA attempts to encourage public awareness of and representation in the regulatory process by requiring the following:

- Public notice of hearings prior to conducting them;
- Hearings open to the public; and
- Opportunity for intervenor participation and compensation, when required.*

As was the case last year, state regulatory authorities and nonregulated utilities reported a high degree of conformance (97 percent in each case) with

the requirements to: provide prior public notice of hearings; hold hearings open to the public; and provide opportunity for intervenor participation.

Unlike last year, however, a fairly high proportion (66 percent) of state regulatory authorities and nonregulated utilities provided an opportunity for intervenor compensation. Although falling short of the reported conformance with the other “public awareness” requirements, this level of intervenor compensation indicates significant public representation in the PURPA consideration and determination process. Of the 31 state regulatory authorities who offered opportunity for compensation, 7 did so directly and 24 did so through an alternative means, such as an office of public counsel or consumer services. Of the 14 nonregulated utilities offering opportunity for compensation, 6 did so directly, while 8 did so through an alternative means.

Relevant Information

For all standards, PURPA requires that a determination to adopt or reject be based upon an assessment of the appropriateness of the standard to carry out the three purposes of PURPA. In addition, for the cost of service, time-of-day rates, and load management techniques standards, PURPA requires that the decision to adopt or reject be based upon information specified in Section 115.

During the period June 30, 1979, through June 30, 1980, the percentage of state regulatory authorities and nonregulated utilities that made a determination of appropriateness with respect to the three purposes of PURPA increased considerably. On average, 89 percent of the decisions regarding adoption or rejection of a standard included such a determination of appropriateness, compared to 67 percent during the previous year. Of the determinations made, 70 percent indicated that the standard in question advances the PURPA purpose of equitable rates; 65 percent indicated the standard advances conservation of energy; and 62 percent indicated the standard advances the efficiency purpose.

*This requirement applies to electric utilities only.

Cost of Service Standard

Section 115(a) of PURPA describes how the cost of service is to be determined by state regulatory authorities and nonregulated utilities when considering and/or deciding on the cost of service standard. The section stipulates that these authorities and utilities should consider methods which, to the maximum extent practicable, identify costs of each class by daily and seasonal time of use and by differences in customer, demand, and energy components by cost. In addition, the methods they consider should take into account the extent to which total costs to an electric utility are likely to change if: additional capacity is added to meet peak demand relative to base demand; and additional kilowatt-hours of electric energy are delivered to electric consumers.

As can be seen in Exhibit 3.1, methods for accounting for costs by time of day, season, and customer class were prescribed for 70 percent, 82 percent, and 85 percent, respectively, of all utilities during consideration of the cost of service standard. Methods that take into account the costs of an additional kilowatt or kilowatt-hour were also presented in a majority of the cases.

Exhibit 3.1 Percent of Utilities for Which Section 115 Requirements Were Met During Consideration of The Cost of Service Standard

Section 115 Requirements	Type of Utility		Total (%)
	Regulated (%)	Nonregulated (%)	
Methods which take into account:			
Cost differences by time of day (115(a)(1))	78	45	70
Cost differences by season (115(a)(1))	89	59	82
Cost differences by customer class (115(a)(2))	85	86	85
Cost of additional kilowatts (capacity) (115(a)(2))	59	67	61
Cost of delivering an additional kilowatt-hour (115(a)(2))	59	71	62

Time-of-Day Rates Standard

The special rules contained in Section 115(a) of PURPA contain certain requirements applicable to the costing and rate design of the time-of-day rates standard. Specifically, that section calls for the identification of differences in cost incurrence attributable to time of use. As can be seen in Exhibit 3.2, methods that allow for such identification were prescribed in 69 percent of the cases overall.

Exhibit 3.2 Percent of Utilities for Which Section 115 Requirements Were Met During Consideration of The Time-of-Day Rates Standard

Section 115 Requirements	Type of Utility		Total (%)
	Regulated (%)	Nonregulated (%)	
Prescribing methods:			
Based on costs at different times of day (115(a)(1))	68	70	69
Based on costs of additional kilowatts (115(a)(2))	67	50	63
Based on costs of delivering additional kilowatt-hours (115(a)(2))	71	50	66
A finding of the cost-effectiveness of time-of-day rates (115(b))	48	54	49

Section 115(a) of PURPA also indicates that time-of-day rates should reflect the costs associated with both: (1) the addition of capacity to meet peak load; and (2) the delivery of additional kilowatt-hours. As shown in Exhibit 3.2, methods that take into account such capacity and energy costs were prescribed overall, for 63 and 66 percent of the utilities, respectively.

Section 115(b) of PURPA establishes a cost-effectiveness test as a criterion for implementation of time-of-day rates. Implementation of time-of-day rates may require expenditures for metering and other related expenses. For some customer classes, the required level of expenditure may be in excess of the benefits obtained for time-of-day rates. Consequently, net savings resulting from time-of-day rates may not, in some cases, be realized for a particular customer class. As can be seen in Exhibit 3.2, cost-effectiveness findings were part of the consideration of the time-of-day rates standard in approximately one-half of the processes concluded.

Load Management Techniques Standard

The proper evaluation of a given load management technique requires the quantification of the costs and potential savings resulting from implementation of such technique. Savings in system costs are those identified by Section 115(a) of PURPA, i.e., the costs associated with providing one more or one less kilowatt or kilowatt-hour of electricity. Conformance with the PURPA cost of service standard is thus an important part of the consideration of the load management techniques standard. As can be seen in Exhibit 3.3, such conformance occurred in 74 percent of the processes concluded for the load management techniques standard. If the state regulatory authority or nonregulated utility has found the load management techniques standard appropriate, PURPA states that

electric utilities should offer load management techniques to their customers when these techniques are practicable and cost-effective, reliable, and useful in providing energy or capacity management advantages to the electric utility. Such aspects were taken into account as part of the consideration process for the load management techniques standard in approximately two-thirds of the concluded processes.

The measurement of both costs and savings resulting from the implementation of load management techniques can ensure the achievement of long-run economic efficiencies. Such costs were considered in 54 percent of all processes concluded for this standard, while the long-run savings were considered 44 percent of the time.

Written Determinations

PURPA establishes a requirement that decisions on the standards be rendered in writing. The written determinations must be based upon the findings made and the evidence presented as part of the consideration process. As was the case last year, reported conformance with this requirement was high. In fact, conformance exceeded 90 percent for all but the load management techniques standard, for which it was 87 percent.

A related requirement of PURPA pertains to rejection of a standard. When such a decision is issued, even though it was determined that adoption of the standard was appropriate to carry out the purposes of

Exhibit 3.3 Percent of Utilities for Which Section 115 Requirements Were Met During Consideration of The Load Management Techniques Standard

Section 115 Requirements	Type of Utility		Total (%)
	Regulated (%)	Nonregulated (%)	
Prescribing methods which are in conformance with the PURPA cost of service standard (115(a))	72	81	74
Considering the merits of load management techniques (practicable, cost-effective, and reliable) (115(c))*	81	53	72
Considering likely long-run savings of load reductions from using load management techniques (115(c))	46	38	44
Considering likely long-run costs of offering load management techniques (115(c))	64	32	54

*Also specified in PURPA Section 111(d)(6).

the Act, then PURPA requires the public written issuance of the reasons for the decision. Overall conformance with this requirement was reported in 38 percent of the applicable cases.

Chapter 4: Analysis of Standards Adopted or Mandated by State Law

Introduction

The following analysis compares the significant characteristics of standards adopted by state regulatory authorities and nonregulated utilities (or mandated by state law) with the relevant PURPA requirements* and indicates the number of consumers affected by each standard. This chapter indicates the extent to which PURPA has promoted the resolution, at the state or local level, of issues that plagued utilities, regulators, and consumers throughout the 1970's.

The chapter is organized in the following manner:

- *Description of Standard*—A brief description of the standard and, where relevant, a definition of the term adoption.**
- *Consistency with PURPA*—An analysis of the characteristics of the standard and the extent to which the adopted (or mandated) standard is consistent with the PURPA provisions.
- *Coverage of the Adopted (or Mandated) Standard*—A summary of the number of consumers “covered” by each standard, a comparison with last year's coverage, and a table of coverage by customer class and regulatory authority.

As can be seen in the following presentations, the adopted (or mandated) standards, in a majority of cases, are consistent with the substantive provisions of PURPA. Conformance ranged from a high of 100 percent for prior notice in the termination of service standard, to a low of 40 percent for providing rate schedule information for the information to consumers standard. Of additional interest is conformance to the substantive provisions of cost of service and termination of service. The concept of cost of service is basic to all of the ratemaking standards; identification of (a) functional cost components, and (b) time-related cost differentials as well as taking into account additional capacity or energy costs was specified in 95 percent, 83 percent, and 67 percent of the cases respectively for the cost of service standard. Automatic adjustment clauses, especially for fuel and purchased power expenses, have become highly visible. The establishment of biannual reviews for ensuring economies has been required for 76 percent of the utilities covered by an automatic adjustment clauses standard.

*As specified in Sections 111(d), 113(d), 115, 303(b) and 304.

**A verbatim statement of the standard and any special rules included in Form ERA-166 can be found in Appendix A of Volume 2.

Cost of Service Standard

Standard Description

The cost of service standard set forth in PURPA requires that electric rates reflect the cost of providing electric service by customer class. Such costs are to: (1) be determined using methods prescribed by a state regulatory authority or officials of a nonregulated utility; (2) permit identification of costs attributable to daily and seasonal time of use; (3) permit identification of the customer, demand and energy components of costs; and (4) take into account the cost of consequences of adding capacity to meet peak demand or of delivery of additional kilowatt-hours.

Adoption of this standard by a state regulatory authority or nonregulated utility would entail (1) specification of a method or methods for determining cost of service, (2) a requirement that utilities use those methods, and (3) a policy that rates be designed to reflect the cost of providing service to each consumer class.

Consistency with PURPA

By specifying a methodology for determining cost of service by customer class, state regulatory authorities and nonregulated utilities establish a consistent basis for identifying and evaluating such costs and for setting rates which reflect those costs. Costing procedures which, as required by Section 115(a), identify the cost impact resulting from adding capacity to meet peak load or delivering additional kilowatt-hours will better provide the capability of assessing future supply alternatives in terms of their impact on the cost of providing service. Electric rates that reflect these costs will also tend to direct electric consumers to use the amount of electric service that is justified by its resource costs.

Of the 328 electric utilities covered by Title I of PURPA*, the cost of service standard has been adopted for 69 (21 percent). Conformance of the standards adopted with the substantive provisions of Section 115(a), including the identification of functional costs and time variations of cost, is shown in the following chart:

*Electric utilities with retail sales in excess of 500 million kilowatt-hours.

**Percentage of Cost of Service Standards
Adopted Consistent with PURPA Requirements**

	%
Specific cost of service procedures prescribed for utility	81
Costing methodology or methodologies required:	
— Embedded costing only	13
— Marginal costing only	0
— Both embedded and marginal costing	84
— Not addressed	3
Identification of time-related cost differentials	83
Identification of customer, demand, and energy cost components	95

Reported Coverage of Standard

Approximately 24.9 million consumers, about 31.0 percent of all consumers served by electric utilities meeting the PURPA threshold, are covered by a cost of service standard adopted as of June 30, 1980 (see Exhibit 4.1). The number of customers covered by the cost of service standard increased 120 percent from the 11.3 million customers one year prior.

Declining Block Rates Standard

Standard Description

The declining block rates standard stipulates that the energy component of a rate charged by a utility must not decrease as consumption increases, except to

the extent that energy costs can be demonstrated to decrease as consumption increases. Adoption requires declining block rates be allowed only after a demonstration that costs attributable to the energy component of a rate decrease as consumption increases.

Consistency with PURPA

Adoption of this standard requires cost of service data which indicate, by customer class, the change in energy costs associated with the provisions of an additional kilowatt-hour of electricity. In addition, this standard requires a distinction between energy costs and demand or customer-related costs. Many retail rates, especially those for residential service, include demand or customer-related charges in the kilowatt-hour energy charge. In these cases, rates may decline with increased consumption because the per unit demand-or customer-related charges fall.

As of June 1980, the declining block rates standard had been adopted for 83 or 25 percent of the utilities covered under PURPA. For 26 utilities, declining block rates were categorically rejected. For the remaining utilities, 59 percent would be allowed declining block rates where justified by the structure of costs. The identification of cost attribution to energy component, by class, was required for 52 percent of the utilities adopting the standard.

Coverage of Standard

Approximately 29.8 million customers, about 37.2 percent of the customers served by eligible electric

Exhibit 4.1 Coverage of Cost of Service Standards Adopted

Type of Utility	Customer Class	Customers			Consumption	
		Customers Covered (#)	% of Class Nationally	% of Covered Utility Customers	% of Class Nationally	% of Covered Utility Customers
Regulated Electric	Residential	21,184,574	32.2	96.8	18.6	45.4
	Commercial and Industrial	2,478,723	29.7	96.3	18.9	41.7
	Other	106,280	25.7	44.9	11.3	21.6
Nonregulated Electric	Residential	994,390	20.0	98.1	26.7	96.2
	Commercial and Industrial	117,702	18.5	97.1	29.4	99.0
	Other	13,553	23.3	80.0	29.5	87.7
Total	Residential	22,178,964	31.3	96.8	20.1	47.3
	Commercial and Industrial	2,596,425	28.9	96.4	19.8	45.3
	Other	119,833	25.4	47.2	12.3	24.1

utilities, are covered by a declining block rates standard adopted as of June 30, 1980 (see Exhibit 4.2). The number of customers covered increased 127 percent, from the 13.1 million covered in the previous year.

Time-Of-Day Rates Standard

Standard Description

The time-of-day rates standard calls for rates that reflect the differences in cost of providing service at different times of the day, unless such rates are not cost-effective. Adoption of this standard would require: (1) the use of time-of-day rates by each customer class unless not cost-effective for a class; and (2) a determination of the cost-effectiveness of such rates, i.e., a comparison of the long-run benefits of such rates with the associated metering costs.

Consistency with PURPA

Time-of-day rates will provide customers of most utilities with more accurate price signals regarding the cost consequences of their usage decisions. To develop these rates, a cost of service study consistent with the special provisions of the cost of service standard (Section 115(a)) is needed. As part of the consideration of such rate, a cost/benefit analysis should be undertaken to determine whether the special metering and administrative costs of such rates exceed the benefits derived by the utility and its customers.

State regulatory authorities and nonregulated utilities have adopted the time-of-day standard for 56

electric utilities, or 17 percent of all covered utilities. Of the electric utilities for which the standard had been adopted, the following chart indicates the degree of conformance with the substantive elements of PURPA:

Percent of Time-Of-Day Rates Standard Adopted Conforming with PURPA Requirements		%
Costs determined by time of use		73
Costs of adding capacity to meet peak demand identified		74
Costs of additional kilowatt-hours identified		88
Cost-effectiveness analysis utilized		66

Reported Coverage or Standard

About 3.8 million customers, or 4.7 percent of total customers served by PURPA-covered utilities, are covered by a time of day rates standard adopted as of June 30, 1980 (see Exhibit 4.3). The number of customers covered by a time-of-day rates standard decreased 13.6 percent, from the 4.4 million customers the previous year. For an additional 2.7 million customers or 3.4 percent of total customers, time-of-day rates were found not to be cost-effective.

Of the customers covered by an adopted time-of-day rates standard, 99.8 percent (3,777,000) were offered voluntary rates. Of these customers, 104,000 chose to be served by such rates. Mandatory time-of-day rates covered 8,000, or 0.2 percent of total customers covered by the standard.

Exhibit 4.2 Coverage of Declining Block Rates Standards Adopted

Type of Utility	Customer Class	Customers			Consumption	
		Customers Covered (#)	% of Class Nationally	% of Covered Utility Customers	% of Class Nationally	% of Covered Utility Customers
Regulated Electric	Residential	25,721,026	39.1	85.1	48.0	90.1
	Commercial and Industrial	2,919,066	35.0	82.7	50.3	92.5
	Other	222,893	54.0	83.6	54.7	86.7
Nonregulated Electric	Residential	836,178	16.8	89.5	26.3	91.9
	Commercial and Industrial	103,920	16.4	90.8	29.9	98.4
	Other	17,817	30.7	98.3	33.3	98.8
Total	Residential	26,557,204	37.5	85.2	46.8	90.1
	Commercial and Industrial	3,022,986	33.7	83.0	48.4	92.8
	Other	240,710	51.1	84.5	53.5	87.1

Seasonal Rates Standard

Standard Description

The seasonal rates standard requires that rates reflect seasonal variations in the cost to serve to the extent that such costs vary seasonally.

Consistency with PURPA

To evaluate the desirability of seasonal rates, the costing methodology for an electric utility must permit identification of seasonal differences in both demand and energy costs. Where seasonal cost variations exist, conformance with the standard may result in seasonal demand and/or seasonal energy charges. Because special customer metering costs are not incurred in the implementation of seasonal rates, a cost/benefit determination is not required.

The seasonal rates standard was reported adopted for 48 (15 percent) of the electric utilities covered by PURPA. For these utilities covered by the standard, 36 (75 percent) are to determine seasonal cost variations.

Reported Coverage of Standard

Approximately 20.0 million customers, about 25 percent of the potential customer field, are covered by a seasonal rates standard adopted as of June 30, 1980 (see Exhibit 4.4). The number of customers covered increased 67 percent from the 11.98 million customers covered in the previous year.

Interruptible Rates Standard

Standard Description

This standard, if adopted or mandated, would require that interruptible rates be offered to commercial and industrial customers. The rates offered would reflect the costs associated with providing interruptible service.

Consistency with PURPA

Interruptible rates are designed to promote a more level demand for electricity or alleviate low reserve margin levels and/or constraints of energy production. Implementation may result in a decreased need for incremental capacity or energy. Rates for interruptible customers should reflect these cost savings and, therefore, should be based on cost of service studies which identify the costs of adding capacity or providing additional kilowatt-hours.

This standard was adopted for 58 utilities, or 18 percent of all covered utilities. For those utilities for which the standard had been adopted, the following chart indicates the degree of conformance with the substantive elements of PURPA:

Percent of Interruptible Rates Standards Adopted Conforming with PURPA Requirements

	%
Determine cost of adding capacity to meet peak demand	54
Determine cost of additional kilowatt-hour delivery	54
Quantify demand-related cost avoidance	50
Quantify energy-related cost avoidance	50

Reported Coverage of Standard

Nationally, 96 thousand commercial and industrial customers are covered by an adopted interruptible rates standard (see Exhibit 4.5). This is about 1.1 percent of all commercial and industrial customers of covered electric utilities. Compared to one year earlier, the number of commercial and industrial customers decreased 56 percent from 219 thousand.

Control of interruption can take two forms: direct utility control (by equipment cycling and by notification), and customer control (upon utility request). The direct utility control type of interruptible service is allowed or required for 74 percent of the utilities; customer control is allowed or required for 74 percent.

Load Management Techniques Standard

Standard Description

This standard requires that load management techniques be offered to consumers, when they are practicable, reliable, and cost-effective and provide either energy or capacity management advantages to the electric utility. Adoption of the standard requires a determination that load management techniques meet the criteria of practicability, reliability, cost-effectiveness, and cost savings.

Consistency with PURPA

The evaluation of a load management technique requires a determination of costs as well as potential savings. Savings in system costs are of two types: those resulting from a reduced need to provide energy (kilowatt-hour) and those resulting from a reduced need to provide capacity (kilowatt).

This standard had been reported adopted for 61 utilities, or 19 percent of the total covered electric utilities. For those utilities applying the standard, the following chart indicates the degree of conformance with the substantive provisions:

Percent of Load Management Techniques Standards Adopted Conforming with PURPA Requirements

	%
Determine the likely reduction in maximum kilowatt demand	68
Determine the likely long-run cost savings	51
Determine that a technique is practicable, cost-effective, and reliable and provides a utility operating advantage	60

Specific techniques offered by a majority of utilities include time switches, load-limiting devices, and customer-controlled mechanisms.

Reported Coverage of Standard

Approximately 26.7 million consumers, or 33.2 percent of all consumers, were reported to be covered by a load management techniques standard (see Exhibit 4.6). This amounts to a 685 percent increase from the 3.4 million customers one year prior.

Exhibit 4.3 Coverage of Time-of-Day Rates Standards Adopted

Type of Utility	Customer Class	Customers			Consumption	
		Customers Covered (#)	% of Class Nationally	% of Covered Utility Customers	% of Class Nationally	% of Covered Utility Customers
Regulated Electric	Residential	2,951,212	0.2	0.4	0.1	0.3
	Commercial and Industrial	545,123	0.1	0.4	4.8	10.6
	Other	5,663	0.1	0.1	0.1	0.3
Nonregulated Electric	Residential	251,228	0.001	0.05	0.002	0.01
	Commercial and industrial	31,383	0.003	0.03	20.1	76.6
	Other	15	0.02	0.01	2.1	7.7
Total	Residential	3,202,440	0.1	0.4	0.1	0.3
	Commercial and Industrial	576,506	0.1	0.4	6.2	14.3
	Other	5,678	0.05	0.1	0.3	0.5

Exhibit 4.4 Coverage of Seasonal Rates Standards Adopted

Type of Utility	Customer Class	Customers			Consumption	
		Customers Covered (#)	% of Class Nationally	% of Covered Utility Customers	% of Class Nationally	% of Covered Utility Customers
Regulated Electric	Residential	17,044,248	25.9	90.5	15.8	52.8
	Commercial and Industrial	2,007,053	24.1	89.6	16.1	51.0
	Other	204,998	49.7	95.9	13.1	37.9
Nonregulated Electric	Residential	670,502	13.5	72.6	17.0	68.4
	Commercial and Industrial	90,420	14.2	80.2	7.5	26.6
	Other	9,684	16.7	81.9	6.7	23.5
Total	Residential	17,714,750	25.0	89.7	15.9	53.5
	Commercial and Industrial	2,097,473	23.4	89.1	15.3	49.0
	Other	214,682	45.6	95.2	12.7	37.2

Exhibit 4.5 Coverage of Interruptible Rates Standards Adopted

<i>Type of Utility</i>	<i>Customer Class</i>	<i>Customers</i>			<i>Consumption</i>	
		<i>Customers Covered (#)</i>	<i>% of Class Nationally</i>	<i>% of Covered Utility Customers</i>	<i>% of Class Nationally</i>	<i>% of Covered Utility Customers</i>
Regulated Electric	Residential					
	Commercial and Industrial	25,420	0.31	1.51	0.2	0.7
	Other					
Nonregulated Electric	Residential					
	Commercial and Industrial	81	0.01	0.10	18.6	68.8
	Other					
Total	Residential					
	Commercial and Industrial	25,501	0.28	1.45	1.9	6.9
	Other					

Exhibit 4.6 Coverage of Load Management Techniques Standards Adopted

<i>Type of Utility</i>	<i>Customer Class</i>	<i>Customers</i>			<i>Consumption</i>	
		<i>Customers Covered (#)</i>	<i>% of Class Nationally</i>	<i>% of Covered Utility Customers</i>	<i>% of Class Nationally</i>	<i>% of Covered Utility Customers</i>
Regulated Electric	Residential	498,783	0.76	2.22	0.73	1.65
	Commercial and Industrial	333,674	4.0	12.81	16.51	34.71
	Other	2,755	0.67	1.24	0.0003	0.001
Nonregulated Electric	Residential	9,881	0.2	0.82	0.15	0.48
	Commercial and Industrial	20	0.003	0.01	20.06	63.41
	Other	35	0.06	0.15	0.01	0.03
Total	Residential	508,664	0.72	2.15	0.69	1.60
	Commercial and Industrial	333,694	3.72	12.09	16.84	36.52
	Other	2,790	0.59	1.14	0.001	0.002

Master Metering Standard

Standard Description

Adoption of the master metering standard requires that master metering be prohibited or restricted in new buildings if long-run benefits to the electric consumers exceed the costs of purchasing and installing separate meters in such buildings.

Consistency with PURPA

Rates that reflect the cost of an additional kilowatt or kilowatt-hour provide consumers with an appropriate price signal regarding the consequences of usage decisions and thus promote the three purposes of PURPA. Individual metering ensures that appropriate price signals are communicated to all demands of multi-occupant buildings. However, PURPA specifies that master metering should be prohibited only where the benefits to the consumer outweigh the costs of separate metering. Submetering can accomplish the intent of the standard in some cases.

Of the total electric utilities covered by PURPA, 121 or 37 percent were reported as having the standard adopted (or mandated). For those utilities for which the standard had been adopted (or mandated), the following chart indicates the degree of conformance with the substantive provisions:

Percent of Master Metering Standard Adopted Conforming with PURPA Requirements	
	%
Specification of procedures to evaluate metering decisions	80
Determination of long-run benefits and the costs of metering	45
Prohibition of all master metering	15
Provision for submetering	26

Reported Coverage of Standard

Nationally, about 35.56 million customers, 44.3 percent of all electric customers, are reported covered by a master metering standard (see Exhibit 4.7). This represents a 157 percent increase over the 13.86 million customers (18.0 percent of all customers) covered by a master metering standard the previous year.

Automatic Adjustment Clauses Standard

Standard Description

Adoption of the automatic adjustment clauses standard would require state regulatory authorities

and nonregulated utilities with such clauses to hold: (1) an evidentiary hearing at least every four years to ensure that incentives exist for efficient use of resources and (2) reviews at least every two years to ensure maximum economies in purchasing and operations.

Consistency with PURPA

The PURPA provisions for an automatic adjustment clause are twofold: (1) a periodic evidentiary hearing regarding the efficient use of resources; and (2) a biannual review of clauses to ensure maximum economies in operations and purchases. These hearings and reviews are intended to protect consumers where changes in costs are recoverable without prior hearing.

As of June 30, 1980, 92 utilities, 28 percent of PURPA-covered electric utilities came under an automatic adjustment clauses standard. For those utilities operating under the standard, the following chart indicates the degree of conformance with the substantive provisions:

Percent of Automatic Adjustment Clauses Standards Adopted Conforming with PURPA Requirements	
	%
Require evidentiary hearings on efficient use of resources	66
Require biannual review to ensure maximum economies	76

Of the 92 utilities, 20 reported that they had not established any review process for automatic adjustment clauses.

Reported Coverage of Standard

Nationally, 30.9 million customers, or 38.6 percent of all customers of PURPA-covered electric utilities, were reported covered by an automatic adjustment clauses standard (see Exhibit 4.8). This represents an 85 percent increase from the 16.7 million customers covered by the standard one year prior.

Information to Consumers Standard

Standard Description

The information to consumers standard requires that electric utilities provide their customers with timely explanation of applicable rate schedules, proposed changes in rates, and past history of electricity consumption (upon request).

Exhibit 4.7 Coverage of Master Metering Standards Adopted or Mandated

<u>Type of Utility</u>	<u>Customer Class</u>	<u>Customers</u>			<u>Consumption</u>	
		<u>Customers Covered (#)</u>	<u>% of Class Nationally</u>	<u>% of Covered Utility Customers</u>	<u>% of Class Nationally</u>	<u>% of Covered Utility Customers</u>
Regulated Electric	Residential	30,027,715	45.6	100	53.2	100
	Commercial and Industrial	3,598,265	43.2	100	54.6	100
	Other	254,881	61.7	100	66.4	100
Nonregulated Electric	Residential	1,476,587	29.6	100	40.8	100
	Commercial and Industrial	176,268	27.6	100	15.6	100
	Other	28,598	49.2	100	37.3	100
Total	Residential	31,504,302	44.5	100	52.5	100
	Commercial and Industrial	3,774,533	42.1	100	51.0	100
	Other	283,479	60.2	100	64.7	100

Exhibit 4.8 Coverage of Automatic Adjustment Clauses Standards Adopted or Mandated

<u>Type of Utility</u>	<u>Customer Class</u>	<u>Customers</u>			<u>Consumption</u>	
		<u>Customers Covered (#)</u>	<u>% of Class Nationally</u>	<u>% of Covered Utility Customers</u>	<u>% of Class Nationally</u>	<u>% of Covered Utility Customers</u>
Regulated Electric	Residential	21,044,747	32.3	78.1	22.1	42.2
	Commercial and Industrial	2,474,261	29.9	76.5	22.9	41.5
	Other	48,245	12.3	60.3	13.2	23.6
Nonregulated Electric	Residential	275,665	5.0	48.5	3.9	25.0
	Commercial and Industrial	30,009	4.3	46.4	1.9	28.4
	Other	1,087	1.3	8.8	1.6	5.6
Total	Residential	21,320,412	30.1	77.5	20.9	41.9
	Commercial and Industrial	2,504,270	27.9	75.9	20.9	41.4
	Other	49,332	10.3	53.4	12.4	23.0

Consistency with PURPA

The standard requires that information on applicable rate schedules as well as rate changes be provided to consumers. In addition, it requires that, upon request, information on usage be provided. To be most useful, such information should be adjusted for weather variations. The purpose of these provisions is to promote more intelligent decisions regarding energy use. Through this information transfer and resultant consumer responses, the three purposes of PURPA would be fulfilled.

State regulatory authorities and nonregulated utilities have adopted (or mandated) the information to consumers standard for 102 utilities, or 31 percent of all electric utilities who fall under PURPA. For those utilities, the chart below indicates the degree of conformance with the substantive provisions.

Percent of Information to Consumer Standards Adopted Conforming with PURPA Requirements

	%
Information mailed to consumers on available rate schedules	40
Information mailed to consumers on proposed rate schedule changes	50
Customer usage data (upon request)	100
Customer usage data adjusted for weather variations	26

Reported Coverage of Standard

Nationally, 20.3 million consumers are reported to be covered by the information to consumers standard, or about 25.3 percent of all consumers served by covered electric utilities (see Exhibit 4.9). This compares with 9.0 million customers, or 9.7 percent covered by an information to consumers standard one year prior.

Termination of Service Standard

Standard Description

The termination of service standard calls for termination procedures that require reasonable prior notice, opportunity to dispute reasons for such termination, and that service may not be terminated when a health danger exists and the consumer is unable to pay for service in full. The termination procedures should also take into account elderly and handicapped consumers.

Consistency with PURPA

Nationally, 166 of the 328 covered electric utilities and 123 of the 210 covered gas utilities are reported subject to a termination of service standard. For those utilities for which the standard had been adopted (or mandated), the chart below indicates the degree of conformance with the substantive provisions.

Exhibit 4.9 Coverage of Information to Consumers Standards Adopted or Mandated

Type of Utility	Customer Class	Customers			Consumption	
		Customers Covered (#)	% of Class Nationally	% of Covered Utility Customers	% of Class Nationally	% of Covered Utility Customers
Regulated Electric	Residential	17,287,775	26.5	99.1	29.5	70.0
	Commercial and Industrial	1,695,765	20.5	83.3	26.8	62.7
	Other	196,032	49.8	96.3	25.3	45.5
Nonregulated Electric	Residential	1,002,773	18.0	100.0	24.0	100.0
	Commercial and Industrial	117,527	16.8	100.0	37.9	100.0
	Other	14,433	17.0	100.0	30.5	100.0
Total	Residential	18,290,548	25.8	99.1	29.2	71.1
	Commercial and Industrial	1,813,292	20.2	84.3	27.9	65.9
	Other	210,465	44.0	96.5	52.5	47.5

**Percent of Termination of Service Standards
Adopted Conforming with PURPA Requirements**

	Gas (%)	Electric (%)
Prior notice of termination	100	100
Special procedures for notifying elderly or handicapped	56	76
Consideration of possible dangers	93	70

However, only 129 of the 166 electric and all of the gas utilities are prohibited from terminating service when a health danger exists and the consumer is either unable to pay or can only pay in installments.

Reported Coverage of Standard

All consumers are covered by a termination of service standard for 160 utilities, representing 42.9 percent of consumers of utilities for which the standard had been adopted or mandated by state law. Total consumers covered (49.86 million) are 56 percent of total consumers served by all covered utilities (see

Exhibit 4.10). This compares to 27.32 million, or 31 percent of customers covered by a termination of service standard one year prior.

Advertising Standard

Standard Description

The advertising standard identifies two forms of advertising expenses—promotional and political—whose costs are not to be recovered from ratepayers. These expenses are typically associated with increasing utility energy deliveries, expanding capacity, or presenting a position on a political question. Adoption of the advertising standard would result in the disallowance for ratemaking purposes of any expenditure for promotional or political advertising in accordance with Sections 115(h) or 304(b) of PURPA.

Consistency with PURPA

Of the 538 electric and gas utilities subject to the PURPA standard, 216 or 40 percent are covered by an advertising standard. Of the 216 utilities covered by the standard (129 electric and 87 gas) 189 utilities or 87 percent prohibit recovery of any political or promo-

Exhibit 4.10 Coverage of Termination of Service Standards Adopted or Mandated

Type of Utility	Customer Class	Customers			Consumption	
		Customers Covered (#)	% of Class Nationally	% of Covered Utility Customers	% of Class Nationally	% of Covered Utility Customers
Regulated Electric (and Gas*)	Residential	E 29,985,287	42.5	89.0	32.9	55.8
		G 18,014,711	44.8	97.7	52.2	99.5
	Commercial and Industrial	E 1,530,550	18.4	37.0	15.8	25.8
		G 663,138	20.4	42.8	31.0	60.7
	Other	E 34,569	8.4	35.0	10.5	15.8
		G 1,415	4.4	6.5	8.9	14.0
Nonregulated Electric (and Gas*)	Residential	E 1,200,035	24.1	100.0	32.3	100.0
		G 256,696	45.2	100.0	50.9	100.0
	Commercial and Industrial	E 138,315	21.8	97.2	39.4	95.2
		G 22,026	31.1	48.3	26.5	48.2
	Other	E 17,277	29.7	99.8	34.2	99.7
		G 46	26.7	100.0	1.1	100.0
Total	Residential	E 31,185,322	41.2	89.4	32.8	57.2
		G 18,270,737	44.8	97.7	52.2	99.5
	Commercial and Industrial	E 1,668,865	18.6	39.0	17.9	30.2
		G 685,164	20.6	43.0	31.0	60.5
	Other	E 51,846	11.0	44.6	11.9	18.4
		G 1,461	4.5	6.7	8.8	14.0

*Gas utilities are covered by only the termination of service and advertising standards.

tional advertising expenses from ratepayers. One hundred eighty-nine of the covered utilities (87 percent) are required to recover such expenses from shareholders.

Reported Coverage of Standard

Nationally, 48.19 million consumers are reported to be covered by an advertising standard, or about 53 percent of all consumers served by covered electric and gas utilities (see Exhibit 4.11). This compares to 45.10 million or 52 percent reported covered by an advertising standard one year prior.

Lifeline Rates

Section 114(a) of PURPA specifically excludes from coverage under a cost of service standard a rate for essential needs of residential electric consumers which is lower than a rate(s) established under the standard. Where such essential needs service (lifeline rate) is not in effect for a utility by November 1980,

state regulatory authorities and nonregulated utilities are required to determine, after an evidentiary hearing, whether such a lifeline rate should be implemented. Although not a standard under PURPA, the lifeline rate provision requires an evaluation of residential class costs to serve, the level of essential needs, and a determination of appropriateness. The present extent of lifeline rate coverage is stated in the following chart:

Lifeline Rate Coverage

	Lifeline Rate Service	Percentage of Residential Class Nationwide
Covered utilities	18	5.5*
Residential customers	7,670,225	11
Residential consumption	38,192 GWh	4.9

*Four PURPA-covered utilities do not have residential service; thus, they have been excluded.

Exhibit 4.11 Coverage of Advertising Standards Adopted or Mandated

Type of Utility	Customer Class	Customers			Consumption	
		Customers Covered (#)	% of Class Nationally	% of Covered Utility Customers	% of Class Nationally	% of Covered Utility Customers
Regulated Electric (and Gas*)	Residential	E 31,735,669	48.2	100	46.6	100
		G 19,233,232	47.8	100	43.9	100
	Commercial and Industrial	E 3,884,893	46.6	100	50.0	100
		G 1,524,556	46.8	100	46.3	100
	Other	E 288,251	69.8	100	43.5	100
		G 7,962	24.8	100	22.4	100
Nonregulated Electric (and Gas*)	Residential	E 1,077,043	21.6	100	29.0	100
		G 256,696	45.2	100	50.9	100
	Commercial and Industrial	E 122,410	10.3	100	10.4	100
		G 45,632	64.4	100	55.0	100
	Other	E 16,349	28.1	100	33.7	100
		G 46	26.8	100	1.1	100
Total	Residential	E 32,812,712	46.4	100	45.7	100
		G 19,489,928	47.8	100	44.0	100
	Commercial and Industrial	E 4,007,303	44.7	100	46.4	100
		G 1,570,188	47.2	100	46.4	100
	Other	E 304,600	64.7	100	42.9	100
		G 8,008	24.9	100	22.2	100

*Gas utilities are covered by only the termination of service and advertising standards.

Chapter 5: DOE Activities in Support of PURPA

Introduction

DOE undertakes a variety of research and assistance activities focusing on the needs of state regulatory authorities and nonregulated utilities and intervenes in selected proceedings before Federal and state regulatory agencies in order to advance the three purposes of Titles I and III of PURPA (end-use conservation, efficiency, and equity) and other national energy policy objectives.

Conducting activities in support of the PURPA and other national energy objectives has been the responsibility of two divisions of the Office of Utility Systems (OUS) of the Economic Regulatory Administration: the Division of Rates and Energy Management (DREM)* and the Division of Regulatory Interventions (DRI). DREM supports these objectives by providing policy guidance, financial assistance, and technical support and analysis. Substantive areas of support in which DREM assisted state and local regulatory authorities included rate design, load management, customer education, marketing, advertising, and conditions of service. DRI works toward the PURPA and other national energy goals through intervention in selected proceedings before Federal and state regulatory agencies.

The following sections summarize the activities of OUS in terms of three areas: financial assistance, technical support and analysis, and intervention activities. A more detailed discussion of these activities is presented in Chapter 3 of Volume II of this report.

Financial Assistance

In Fiscal 1980, OUS distributed \$15.9 million to state regulatory authorities and nonregulated utilities under three programs:

- *PURPA Grants Program*, which provides grants for assisting in carrying out consideration of the 11 PURPA standards and other PURPA-related activities (\$9.0 million).
- *Innovative Rates Program*, which funds innovative state approaches to electric utility rate regulation (\$4.9 million).
- *Consumer Office Grants Program*, which funds state offices to represent consumer interests in utility regulatory proceedings (\$2.0 million).

*DREM's activities also include programs authorized under Title II of EPCA.

PURPA Grants Program

PURPA authorizes a grant program to assist state regulatory authorities and nonregulated utilities in carrying out their responsibilities under the Act, including not only consideration of the 11 standards, but also holding evidentiary hearings on lifeline rates (Section 114), preparing annual reports to DOE on PURPA activities (Sections 116(a) and 309(a)), collecting cost of service data for nonregulated utilities (Section 133), and implementing rates that encourage cogeneration and small power production (Section 210).

During 1979-1980, the first year of the program, the PURPA grants assisted the recipients in carrying out their PURPA-related responsibilities through upgrading of staff and enhancement of their analyses of the PURPA standards. Specifically, the 70 grants awarded in 1979, totaling \$9.6 million, were used to support: collection of cost of service and customer data; development of hearing procedures to ensure that the consideration process complied as fully as possible with the PURPA requirements; compliance (by nonregulated electric utilities) with rules of the Federal Energy Regulatory Commission (FERC) to collect information on cost of service; performance of lifeline and cogeneration analyses; consumer involvement in PURPA-related issues; and preparation of testimony. In September 1980, for the second year of the program, 85 state regulatory authorities and nonregulated utilities applied for \$14 million in PURPA grants; 83 received grants totaling \$9.0 million.

Innovative Rates Program

The Innovative Rates Program encourages state regulatory authorities to consider untested approaches for solving today's regulatory problems and to implement the innovative programs if they prove to be beneficial. Funding, including \$4.9 million in Fiscal 1980, is provided by DOE to cover the states' expenses related to analysis of the impact of the program, holding of hearings, and implementation when appropriate.

Beginning in 1975, rate demonstrations produced comprehensive data on residential electricity use by time of day. The data obtained from the program has been made available to the entire regulatory community through the OUS Utility/Regulatory Clearinghouse, reports analyzing specific projects and topics, and conferences, such as the one held in April 1980 to present analytical findings from several

projects and to discuss their applicability to future load research. Experience has also led to continuation and modification of the program through an amendment to the ECPA enabling legislation contained in Section 141 of PURPA. Finally, much practical experience has been gained in areas such as time-of-day rates, load management techniques, and information to consumers.

Consumer Office Grants Program

Section 205 of ECPA created a program to establish or operate state offices representing consumer interests in electric utility regulatory proceedings. PURPA authorized continuation of this program, and \$2 million was appropriated in both Fiscal 1979 and Fiscal 1980. In September 1980, grants totaling \$2.0 million were awarded competitively to 12 states. Ten of these states had previously received funding.

Technical Support Activities

OUS conducted the following technical support activities in 1980:

Updated Listing of Covered Utilities

In accordance with Sections 102(c) and 301(d) of PURPA, OUS developed a listing of electric and gas utilities subject to PURPA requirements. Updated annually, this list notifies the states in advance that the PURPA standards should be considered in regulatory proceedings dealing with these utilities. State regulatory authorities and nonregulated utilities were provided the opportunity to comment and were requested to respond regarding their regulatory authority over each of the covered utilities. The final 1980 updated list of the utilities covered by PURPA was published in the *Federal Register* on December 24, 1980. This list contains a list of covered utilities by state and indicates those that are regulated. This list may be changed to reflect DOE decisions on the status of certain utilities which have submitted petitions to the effect that they should not be included on the list.

Promulgation of Voluntary Guidelines

Section 131 of PURPA authorizes DOE to develop voluntary guidelines to assist the states in carrying out the purposes of the Act. OUS evaluated the need for guidelines related to each of the 11 standards and decided to develop guidelines on those issues that entail departures from traditional regulatory practices that would be of most assistance to state regulatory authorities and nonregulated utilities. In 1980, OUS promulgated final voluntary guidelines on the automatic adjustment clauses standard and on the relation of solar energy and renewable resources to the 11 PURPA standards. In addition, guidelines were proposed on the advertising, master metering, and

cost of service standards. This is in addition to the final guideline on the termination of service standard, which was issued in 1979.

The *Automatic Adjustment Clauses Guideline* neither encourages nor discourages the use of an automatic adjustment clause. The guideline recommends that management audits, as they relate to the operation of an automatic adjustment clause, should be performed every four years unless individual utility circumstances warrant more frequent audits. In addition, an interim review of the utility's current management practices, relative to the operation of an automatic adjustment clause, should be undertaken at an evidentiary hearing every two years, or more frequently at the discretion of the regulatory authority.

In the *Solar Energy and Renewable Resources Guideline*, DOE explains that strict cost of service standards should be applied to all customer classes to prevent discrimination against, or promotion of, customers with solar and renewable systems. Customer investment in these energy-saving technologies is critically affected by the rates charged by electric utilities. Cost of service procedures, which focus on the cost consequences of decisions to use or not use electric energy, are the preferable way to design nondiscriminatory rates.

Compilation and Dissemination of Technical Information

Section 132 of PURPA authorizes DOE to provide state regulatory authorities and electric utilities with information which would assist them in carrying out the purposes of Title I. Consequently, OUS operates the Utility/Regulatory Clearinghouse, which distributes publications on: electric rate demonstrations, conservation, load management, rate design and reform, consumer information, gas rates and supply, legislation, and demand forecasting. In 1980, the Clearinghouse filled requests and directly distributed over 22,000 technical materials to interested parties.

OUS also disseminates technical information through conferences and seminars. In April 1980, for example, a DOE conference was held to present analytical findings from several rate demonstration projects and to discuss their applicability to future load research. Similarly, a conference, jointly sponsored with the New York Public Service Commission, entitled, "Utilities and Energy Efficiency: New Opportunities and Risks," was held in October 1980 to discuss least-cost utility investment strategies and their equity implications in terms of meeting customer needs.

Assistance Through the National Regulatory Research Institute

DOE, in keeping with the intent of Congress under Section 603 of PURPA, awarded a \$1 million grant in

Fiscal 1980 to the National Regulatory Research Institute (NRRI). The Institute was established by the National Association of Regulatory Utility Commissioners (NARUC) to conduct research on electric and gas utility regulatory policy issues, develop data-processing and retrieval methods for ratemaking, and perform other functions that relate directly to consideration of the PURPA standards and other provisions of the Act. The 1980 grant was to provide support in four specific areas: rate design, cost control, computer-assisted regulatory analysis, and regulatory information. NRRI has sponsored numerous workshops and conferences and has prepared publications disseminating information on ratemaking practices and techniques that are relevant to the PURPA standards. NRRI has also provided state-specific on-site technical assistance.

Technical Analysis Activities

OUS has undertaken a number of technical analyses to fulfill statutory requirements and to assist state regulatory authorities and nonregulated utilities in fulfilling their responsibilities under PURPA. These are described below.

Natural Gas Rate Design Study

Section 306 of PURPA required DOE to conduct a study of natural gas rate design issues and to report its findings to Congress. That statutory mandate was fulfilled in May 1980 with the submission of *The Natural Gas Rate Design Study* to Congress. As further required by Section 306, the study reflected extensive public consultation.

The study addressed existing state and Federal ratemaking policies and suggested that rates be designed to encourage optimum use of natural gas. DOE concluded that, to deal effectively with our national energy problem, gas rate structures should reflect the utility's economic cost of gas, i.e., the wellhead price of gas determined under competitive market conditions.

Section 306 of PURPA further requires that the Gas Rate Design Study provide the basis for proposals to Congress on improvements in gas utility rate design and conservation. On July 18, 1980, DOE published in the *Federal Register* a Notice of Inquiry outlining its approach to the proposals. These involved endorsing the use of the following pipeline rate structures after 1985: (1) tailblock rates that reflect the price paid for decontrolled gas plus incremental transmission costs; and (2) in the initial blocks, rates that recover pipeline fixed costs, plus the cost of price-controlled gas and any gas that is currently under contract for purchase prior to 1985 and that is not price-controlled. The proposals also endorse distribution company rate structures based on economic or marginal costs.

To involve the public in the development of these proposals, DOE held three public hearings and invited public comment. More than 60 speakers appeared at public hearings in Chicago, San Francisco, and Washington, D.C., in late August and early September. In addition, more than 100 written comments were received from pipeline and distribution companies, trade associations, industrial users, citizens' groups, and regulatory authorities. DOE also consulted extensively with key FERC staff.

After considering the overwhelming negative reaction to the Notice of Inquiry from both the public and senior officials of the FERC, DOE proposed that Congress take no actions on retail rate structure until an in-depth review had been conducted of the issues and options for wellhead decontrol, based on the Gas Rate Design Study. This is because the Administration currently is reviewing the provisions of the Natural Gas Policy Act of 1978 and other matters bearing upon natural gas policies. DOE is considering the need for improvements in gas rate design as part of its review.

Analysis of Demonstration and Pilot Programs

OUS has completed 7 of 14 planned summaries of the results of demonstration projects on residential response to time-of-day rates. Other such reports, focusing on analysis of time-of-day data and implementation procedures, have been prepared. Collectively, the 65 available documents represent a body of time-of-day rate information that can be used by the states in consideration of several PURPA standards. All analyses will be completed and published during 1981. Topics covered will include implementation of time-of-day rates, including necessary metering equipment and billing practices, load management techniques, master metering, and information provided to consumers.

Study of Least-Cost Energy Services Strategies

During 1980, OUS began a study of least-cost electric utility investment strategies directed at moving toward a more efficient or lower cost mix of energy supply. The study was prompted by the huge uncertainties facing the electric utility industry, such as the future demand for electricity and the costs of raising capital to finance new construction. A conference, jointly sponsored by DOE and the New York Public Service Commission, entitled "Utilities and Energy Efficiency: New Opportunities and Risks," was held in October 1980 to discuss least-cost strategies and their equity implications in terms of meeting customer needs. The conference brought together 130 individuals from the utility, financial, regulatory, and academic communities, in the hope that their discussions would provide new perspectives

on future regulatory and utility policies. This conference, which also complemented a previously conducted conference sponsored by the California Public Service Commission, included presentations and panel discussions focusing on: utilities and energy efficiency; new challenges for state regulation; alternative options for delivering energy services; least-cost energy strategies and equity implications; alternatives to traditional regulation; and regulatory preapproval of utility investment.

When completed, it is expected that the study will contain recommendations in three specific areas: improving the financial condition of utilities through traditional regulation, promoting the development of energy management companies, and encouraging increased competition in the electric power industry, especially the deregulation of generation.

Load Research Manual

OUS completed a Load Research Manual in November 1980 to assist regulatory authorities investigate customer electricity demand as part of cost of service studies, rate design, marketing research, system design, load forecasting, and load management research. The manual reviews the state of the art of load research and presents technical guidelines for implementing a load research study. Special attention is given to the concerns of small utilities without previous load research experience and to issues raised by the cost of service reporting requirements of Section 133 of PURPA.

The manual was prepared with the assistance and cooperation of the Load Research Committee of the Association of Edison Illuminating Companies, a voluntary association of investor-owned electric utilities. The association has endorsed the manual.

Intervention Activities

Sections 121 and 305 of PURPA grant DOE authority to participate in state regulatory and nonregulated utility proceedings involving consideration of utility rate reform. Under this authority, DOE can intervene in proceedings to advocate regulatory policies and practices that further national energy goals as well as the specific purposes of PURPA.

In the 1980 reporting period, OUS was involved in the reform of electricity rates and regulatory standards in proceedings in Arizona, California, Connecticut, Delaware, Louisiana, Maryland, Missouri, New Mexico, and Virginia. OUS also presented comments in the Tennessee Valley Authority's consideration of the PURPA service practice standards.

Subsequent to the end of the reporting period in 1980, OUS initiated interventions in two additional proceedings:

- Public Utility Commission of Ohio: Cincinnati Gas & Electric Company

- Vermont Public Service Board: PURPA Rule-making on Section 210.

OUS also continued its involvement in several proceedings:

- Virginia State Corporation Commission: Virginia Electric Power Corporation
- Louisiana Public Service Commission: Gulf States Utilities
- New Mexico State Corporation Commission: Public Service Company of New Mexico
- Arizona Corporation Commission: Arizona Public Service Company
- Missouri Public Service Commission: Kansas City Power and Light Company.

Decisions were issued during the 1980 reporting period in a number of proceedings in which OUS had intervened. The decisions reflected the following positions:

- Maryland Public Service Commission (PSC), Virginia State Corporation Commission, and District of Columbia Public Service Commission: Washington Gas Light. The Maryland PSC recommended denial of an application for standby rates for customers using solar and alternative energy systems, on the grounds that such rates are not cost-justified and discourage conservation by consumers.
- Los Angeles Department of Water and Power. In this proceeding, the utility found that using short-run marginal costs for rate design would promote the purposes of Title I of PURPA. The utility also adopted time-of-day rates and the PURPA standards on load management techniques, master metering, information to consumers, termination of service, and advertising.
- Delaware Public Service Commission: Delmarva Power and Light Company. In this proceeding, all but two of the parties affirmed a commitment to the cost of service standard, and a settlement was reached specifying (1) use of time-of-day rates in the residential and general-service secondary rate classes, and (2) elimination of all declining block rates except for a winter tailblock in the residential rate class.
- Connecticut Division of Public Utility Control (DPUC): Northeast Utilities. The Connecticut DPUC, in part, adopted in principle the concept of marginal costs as a guide for setting electric rates, as well as specific rate structure changes.

Mississippi vs. FERC *et al* (Constitutionally of PURPA)

On April 24, 1979, the State of Mississippi and the Mississippi Public Service Commission sued the Secretary of Energy (DOE) and the Federal Energy Regulatory Commission (FERC) in the United States Court of the Southern District of Mississippi

challenging the constitutionality of PURPA. Mississippi Power and Light Company subsequently intervened as a plaintiff in the proceeding.

On February 19, 1981, Judge Harold Cox ruled in favor of the plaintiffs' motion for summary judgement and found Title I, Title III, and Section 210 of Title II of PURPA unconstitutional and void. *The State of*

Mississippi, et al. vs. FERC, et al., CA NO J79-0212(C) (USDC, So. Dist. Miss.). On February 27, 1981, the Court issued its "Final Judgment" in the action. A Notice of Appeal to the Supreme Court and a Jurisdictional Statement in support of the Notice of Appeal have been filed by the Solicitor General of the United States.

☆ U.S. GOVERNMENT PRINTING OFFICE: 1981-341-067:2077