

Decision Tree Stranded Costs and Related Issues

Should stranded cost/stranded benefits recovery be permitted?



NO



If YES, who should determine “what, when, and how”:

- General Assembly
- State Corporation Commission
- Other



General Assembly determines:

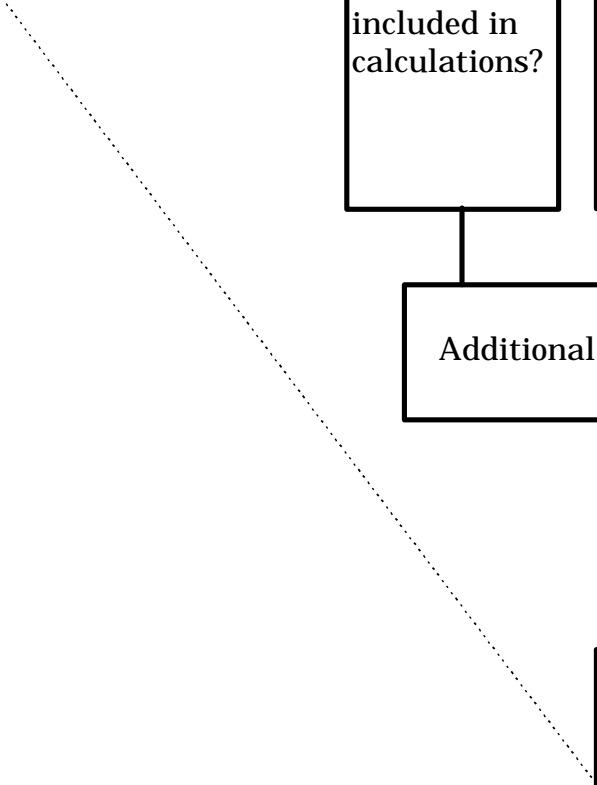
What is included in calculations?

When are stranded costs/stranded benefits recovered?

How are stranded costs/stranded benefits recovered?

Additional direction/instruction to SCC

Determination of stranded costs by State Corporation Commission



Stranded Costs and Related Issues

Should the General Assembly specify which elements should be considered in determining stranded costs?

(Staff matrix pp 3-5)

⇒

IF YES, should stranded costs include lost revenues associated with:

- Power production assets
- regulatory assets (previously deferred generation-related costs)
- power purchase contracts
- Nuclear decommissioning costs
- Other

⇒

Should stranded cost or benefit determination involve transition costs, including:

- employee retraining and unemployment benefits
- consumer education
- Pilot program costs
- ISO/RPX formation
- Other



NO

Stranded Costs and Related Issues

Established transition period.

When does the recovery period start?

- 4-5 year transition period
- 5 year transition period
- Power purchase contract and nuclear decommissioning cost recovered over the life of the contract or facility.

⇒ • Other

When does the recovery period end?

- No more than 10 years
- Life of nuclear facility or contract
- Other

Should the General Assembly specify when and for how long stranded costs/benefits are recovered or use an “effective competition” standard?

(Staff matrix pp. 6, 11)

“Effective competition” standard

Who determines effective competition?

- General Assembly
- State Corporation Commission
- Other

⇒ How is effective competition determined?

- Individual seller is not able to influence significantly the price of service as a result of:
 1. the number of sellers of the service,
 2. the size of each seller’s share of the market,
 3. the ability of the sellers to enter or exit the market, and
 4. the price and availability of comparable substitutes for the service.
- Other

Stranded Costs and Related Issues

Should the General Assembly specify how stranded costs/stranded benefits are recovered or collected? (staff matrix p 7)

⇒

If yes, treatment of:
Nonshopping customers

- Frozen generation rates
- Capped generation rates
- Other

If yes, treatment of:
Shopping customers

- competitive transition charge
- nonbypassable wires charge
- Other

If yes, treatment of :
Self-generating customers

- Disconnection charge
- No disconnection charge
- Other



NO

Stranded Costs and Related Issues

Should the General Assembly develop specific guidelines for the SCC to use in the calculation of stranded costs/stranded benefits? [matrix pp. 1-4]

⇒

IF YES, examples include

- Use of divestiture to determine market value of generation assets and power purchase contracts.
- Consideration of mitigation efforts
- shareholder considerations
- Consideration of past management decisions
- Impact of recovery on the competitiveness of the market
- Extent to which the stranded costs are verifiable

- Extent to which any amounts have been previously disallowed
- degree to which federal and state requirements have imposed competitive burden on the utility or provided a competitive advantage
- degree to which the utility management has maintained adequate and reliable electric service in the past and proposes to provide such service in the future.

- degree to which the recovery of net stranded costs will provide an incentive or disincentive to decrease such costs in the future.

↓

NO