

The Honorable Clifton A. Woodrum
The Honorable Thomas K. Norment
Co-chairmen, Structure and Transition Task Force
SJR 91 Joint Subcommittee Examining the Restructuring of the
Electric Utility Industry

May 18, 1998

Dear Delegate Woodrum and Senator Norment:

RE: PROPOSED STRUCTURE ISSUES

At the May 7 meeting of the Structure and Transition Task Force, you extended an opportunity to the parties in attendance to review the listing of structure and transition issues proposed for consideration by the Task Force and offer comments and suggestions relative to those issues. In this regard, representatives of a number of electric energy providers in the Commonwealth (including AEP) have discussed the proposed issues and a "joint response" reflecting some of our common views is being prepared for transmittal to you prior to the next Task Force meeting.

In conferring on these issues, each of the suppliers also reserved the option of providing additional comments to the Task Force on any issues that merited further elaboration. In this regard, American Electric Power would like to suggest that you incorporate the following questions and concepts in your examination of the various structure issues that have been proposed:

- The ISO and RPX
 - How are the state's utilities and other parties progressing toward the establishment of a functioning ISO and RPX by 2001, as provided by 1998 HB 1172?
 - What other non-Virginia areas and utilities are being encompassed by these entities?
 - Will the entities be structured -- in terms of the multi-state region to be served, the transmission service pricing and other terms which will be negotiated, etc. -- in such a way as to meet a public interest standard in Virginia? (Considering that the footprint of the ISO will largely determine the footprint of the market.)
- Should customer choice be implemented in Virginia independent of "dates certain" adopted by other states served by the ISO?
- Can the benefits of a competitive market be made available to all classes of customers at the same time?

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- What licensing standards or other requirements should be put in place to ensure that (i) suppliers will honor their commitments to customers, (ii) that customers will be properly informed about the products which are offered to them, and (iii) that customers receive only those services they are willing to pay for? (While this question may appear on the surface to be an issue that should be addressed by the Consumer, Environment and Education Task Force, how it will be addressed will be dependent, in large part, on the market structure that is established in the Commonwealth.)
- Utilities' import capabilities via their transmission interconnections are, in some instances, very much constrained and thereby limited in comparison to their customers' power requirements. This creates a critical "market power" issue which must be resolved prior to a competitive retail market being implemented.

We believe that these additional comments will serve to complement, and are consistent with, the various structure issues that have been identified for examination by the Task Force. AEP stands ready to assist you, the other members of the Task Force, the SJR 91 Joint Subcommittee, staff and various other stakeholders in a positive and productive examination of these important elements of the electric utility industry restructuring debate.

Thank you for the opportunity to offer these comments, and we will be available to elaborate further at an appropriate time.

Sincerely,

Mark S. Lawrence
Governmental Affairs Manager

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copy - The Honorable Jackson E. Reasor
Mr. Arlen Bolstad
Mr. Rob Omberg
Mr. R. D. Carson, Jr. - President, VA/TN