SCENARIO 10
Re-regulation of Electricity Production

PROS

1. Can yield stable rates. (Consensus Agreed)
2. Is compatible with various rate designs. (Consensus Agreed)
3. Provides for stakeholder review and input through rate filings and associated proceedings. (Consensus Agreed)
4. Provides for single point accountability. (Consensus Agreed)
5. Accommodates long-term bilateral contracts with independent suppliers. (Consensus Agreed)
6. Transparency of information regarding new generation. (Consensus Agreed)
7. Allows for DSM programs and renewable portfolio standards (Consensus Agreed)

CONS

1. Involves specific and detailed legislative changes necessary to support procurement for 2007 power suppliers. (Consensus Agreed)
2. Not a competitive procurement approach approved in the “Electric Service Customer Choice and Rate Relief Law of 1997”. (Consensus Agreed)
3. Unclear how utilities would re-acquire a generation portfolio. (Consensus Agreed)
4. Regulated return on re-acquired utility assets may not result in competitive market price for electricity. (Consensus Agreed)
5. No opportunity for customers to choose an alternate supplier and unclear as to the future of existing customer contracts. (Consensus Agreed)
6. Provides utilities limited incentive to procure power efficiently. (Consensus Agreed)
7. Does not foster development of competitive wholesale markets. (Consensus Agreed)
8. May not provide efficient price signals to consumers. (Consensus Agreed)
9. Poses significant regulatory risk related to after-the-fact prudence reviews. (Midwest Gen)

10. May involve affiliate power contracts that are difficult for regulators to evaluate and oversee. (Midwest Gen)

11. Does not take advantage of competitive efficiencies. (Midwest Gen)

12. Shifts all cost risks for new builds to customers (Com Ed)

13. Forgoes the cost benefits and efficiencies that are provided by a competitive market. (Com Ed)

14. Significant costs and resources must be dedicated to lengthy regulatory proceedings. (Com Ed)

15. Decisions made through regulatory process may not include all information that would be provided by markets (expected costs, risk exposures and management opportunities, resource flexibility value, discount rate assumptions) (Com Ed)

16. Involves greater chance (than some other scenarios) that utilities will be unable to recover their costs. (Com Ed)

17. Fuel price risks passed through to customers through FAC. (Com Ed)