

2. POLICY POSITION

IMPACT OF ELECTRIC UTILITY RESTRUCTURING

BACKGROUND

The member states of the Southern Legislative Conference presently enjoy electric rates averaging below the national average. As a result of its low electric rates as well as other benefits, the South has been extremely successful in attracting substantial investments related to tourism and economic development, resulting in substantial increases in the number of jobs for its citizens.

Several states, particularly in the northeast and west coast, with high electric rates are beginning to experiment with electric industry restructuring with the intent of reversing business investment trends away from lower cost electricity states such as those in the southeast.

Recent power failures in the West bring into question the impact restructuring of the electricity industry may have on the reliability and quality of electric service. Residential, rural and small business customers are the most vulnerable to increased rates and other adverse consequences of restructuring.

The southern states presently benefit from an ample supply of reliable and affordable electricity, and the potential impacts of restructuring include significant loss of tax revenue to state and local governments. Furthermore, the federal government has significant questions relating to restructuring the electric industry that have yet to be answered and, historically, state governments have dealt with issues of electricity, price, reliability, and customer service.

RECOMMENDATION

The Southern Legislative Conference of The Council of State Governments opposes federally mandated restructuring of the electric industry (whether called "retail wheeling," "deregulation," or any other term) and requests that the individual states be allowed to proceed in addressing restructuring.

Furthermore, the Southern Legislative Conference urges the transmission of this policy position to the Governors, House and Senate leadership, and legislative clerks of the member states of the Southern Legislative Conference, and to the Congressional delegations of the member states of the Southern Legislative Conference.

Adopted by the Southern Legislative Conference of The Council of State Governments, July 22, 1997, Charleston, West Virginia.