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### **LEGISLATIVE CHANGES MAY BE NEEDED FOR POWER**

By 2009 the state will need additional electric supply, but the current regulatory structure could make it difficult to have those plants built, officials with the Public Service Commission told legislators Wednesday.

The current regulatory structure on the electric utilities is providing disincentives to both incumbent utilities and power marketers to build new generating plants in the state because neither have any assurance of making back the investment, said George Stojik, one of the authors of a PSC staff report on electric demand projections.

Mr. Stojik said current demand trends, combined with the expectation that some of the state's current baseload plants are nearing the end of their service lives, means the state will need to see at least one new baseload plant by 2012. To make that deadline, construction planning would need to begin in the next year.

But he told a joint meeting of the House Energy and Technology Committee and the Senate Technology and Energy Committee that neither power marketers nor utilities have the guarantee of customers needed to secure the \$2 billion such a plant would cost.

Baseload plants, generally powered by coal or uranium, are designed for long-term operation. All of the plants built in the state in recent years have been natural gas-fired peak plants designed for short-term operation to meet short periods of higher demand.

Mr. Stojic said the report, released at the beginning of the year, urges the Public Service Commission to allow utilities to include some of the costs of a new baseload plant in their distribution rates, which are charged to both utility customers and those getting power from independent marketers.

And, though he said the PSC could not legally pre-approve a new power plant, it could pre-certify the plant. Though the utility would not be able to add the cost of the plant to its rates until the plant was actually operating, it would have a guarantee that, as long as the project came in on time and on budget, the commission had already recognized the need for it, Mr. Stojic said.

"What we recognize is electric reliability is a public good," he said.

And he said the state may not be able to rely as much on out-of-state power production in the coming years because a proposal by Ontario, Canada, to eliminate all of its coal-fired generation to reduce air emissions could mean the province using as much as half of the 3,000 megawatts of transmission capacity into the state.

Mr. Stojic said the report did not call for any legislative changes. "My charge was to work within that policy," he said.

But PSC legislative liaison Greg White and members of the committees indicated the report was a call for another look at current law. "I think we're at a point where we should be re-examining the law," Mr. White said. "I think everything should be on the table right now without going so far as saying it needs to be changed."

Sen. Bruce Patterson (R-Canton), chair of the Senate committee, noted he was putting together a workgroup on long-term energy planning.

"We need to work with the commission to avoid that worst case scenario," said Rep. John Proos (R-St. Joseph) of Mr. Stojic's statements that if neither the Legislature nor the commission made any policy changes, the state would face electric reliability concerns.