



Department of Energy
Southeastern Power Administration
Elberton, Georgia 30635-2496

May 14, 1997

The Honorable John D. Dingell
Ranking Member
Committee on Commerce
U. S. House of Representatives
Washington, D.C. 20515

Dear Congressman Dingell:

Thank you for your letter of April 10, which asks a series of questions relating to the need for congressional legislation concerning the electricity industry. Both the questions and our answers are set forth below.

1. How has increased competition in wholesale electricity markets affected your business? To what extent has the Southeastern Power Administration benefitted and to what extent have you been disadvantaged?

Increased competition in the wholesale market has generally lowered the price of electric power in the marketing area of the Southeastern Power Administration (Southeastern). However, Southeastern has not lost any customers as a result of this increased competition. This is due in part to the fact that Southeastern is not an all requirements power supplier. It markets its power as a peaking resource. Decreases in the amount of marketing reserves have been noted. This has occurred at a time when Southeastern is in the midst of negotiating new transmission services contracts. While the major contracts have been negotiated, uncertainty over the final form and content of the new regulations has drawn out these negotiations.

2. What plans do you have for responding to the challenges posed by increased competition in the electric industry, including the possibility of retail competition? Have any states in your region adopted or are they considering retail competition plans? How might state action affect your business?

Southeastern is continually searching for ways to remain competitive in the changing market. Several changes are being considered to modify Southeastern's formal marketing policy, so it will be more flexible and more able to respond to its customers needs. Several States in the region have discussed or studied the concept of retail wheeling. However, Southeastern is not aware of any State in its marketing area that has formally adopted or introduced legislation to enact a retail competition plan.

3. Do you believe Congress needs to modify the federal authorities applying to Southeastern? If so, please explain why and how.

Southeastern believes at this time Congress does not need to modify or change the basic authorities underlying its program. However, this may change over time as utility deregulation proceeds.

4. If Congress were to enact legislation mandating retail competition by a date certain, what impact might this have on your activities?

a. Please address the general impact of such legislation. Please include in your answer your sense of whether legislation authorizing the states to resolve stranded costs issues would be beneficial from your point of view or not, and what if any risks it might pose for the federal taxpayer.

Since Southeastern operates only in the wholesale market, it is difficult to say what immediate impact this type of legislation will have on our activities.

b. If Congress were to enact retail competition legislation, are there any unique circumstances affecting Southeastern that should be addressed? Should existing statutes be modified as a part of any such bill?

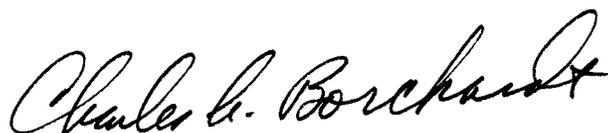
We see no need for Congress to address any unique circumstances affecting Southeastern at present. This may change over time as utility deregulation proceeds.

5. To what extent is your transmission required to operate under the same rules as privately owned utilities systems? Although you are not required under current law to comply with Order 888 and other similar FERC directives, have you taken any voluntary steps to comply? If so, please explain why.

Unlike the other power marketing administrations, Southeastern does not operate and maintain any high voltage transmission lines. It contracts for these services with neighboring utilities. Therefore Southeastern does not anticipate filing an open access transmission tariff.

We hope you find these answers of assistance. We appreciate the opportunity to explain the issues facing Southeastern as a restructuring of the electric power industry continues. If I may be of further assistance, please do not hesitate to call me at (706) 213-3800.

Sincerely,

A handwritten signature in black ink, reading "Charles A. Borchardt". The signature is written in a cursive style with a large, prominent initial "C".

Charles A. Borchardt
Administrator