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)**

<u>(Ended Here on 8/2/04)</u>

9. Poses significant regulatory risk related to after-the-fact prudence reviews. **(Midwest Gen)**

10. May involve affiliate power contracts that are ~~be~~ 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)**