

TABLE OF CONTENTS

	Page
Introduction	i
Executive Summary	iv
Chapter 1-Whether or not a viable regional transmission organization and adequate transmission exist in Nebraska or in a region that includes Nebraska.	
1.0 Purpose	I-2
2.0 Team Members	I-2
3.0 Summary	I-2
4.0 Background	I-5
5.0 Current Status of Transmission Adequacy and Availability	I-10
6.0 RTO Characteristics and Functions	I-15
6.1 Characteristics	I-15
6.1.1 Independence	I-15
6.1.2 Scope and Regional Configuration	I-15
6.1.3 Operational Authority	I-16
6.1.4 Short-Term Reliability	I-17
6.2 Functions	I-17
6.2.1 Tariff Administration and Design	I-17
6.2.2 Congestion Management	I-17
6.2.3 Parallel Path Flow	I-18
6.2.4 Ancillary Services	I-18
6.2.5 OASIS and Total Transmission Capability (TTC) and Available Transmission Capability (ATC)	I-18
6.2.6 Market Monitoring	I-18
6.2.7 Planning and Expansion	I-19
6.2.8 Interregional Coordination	I-19
7.0 Other Issues	I-19
8.0 Conclusions	I-20
Figure 1	I-21
Figure 2	I-22
Figure 3	I-23
Figure 4	I-24
Figure 5	I-25
Figure 6	I-26

**Chapter 2-Whether or not a viable wholesale electricity market exists
in a region which includes Nebraska.**

1.0 Introduction	II-2
1.1 Group’s Purpose And Membership	II-2
1.2 Approach	II-2
2.0 Viable Wholesale Market Definition	II-2
2.1 Economic Logic	II-2
2.2 FERC Definition	II-3
2.3 Basic Elements of Traditional FERC Market Power Analysis	II-3
2.4 Definition Of a Viable Market	II-4
3.0 Region Defined	II-4
3.1 East/West Interconnection Description	II-4
3.2 Nebraska’s Portion of Each Interconnect	II-4
3.3 Eastern Interconnection Defined	II-4
3.4 ERCOT Interconnection	II-4
3.5 Western Interconnection Defined	II-5
3.6 Reasons for Size of Region Used for this Report	II-6
3.6.1 Eastern Region	II-6
3.6.2 Western Region	II-7
4.0 New FERC Methods for Assessing Market Power	II-8
4.1 Reasons for Instituting New Methods	II-8
4.1.1 New Tests of Market Power	II-9
4.1.1.1 Modified “Hub and Spoke” Test	II-9
4.1.1.2 Electricity Market Models	II-9
4.1.1.3 Supply Margin Assessment	II-10
5.0 Findings	II-10
5.1 Current Wholesale Market	II-10
5.1.1 Eastern Region	II-10
5.1.1.1 Number and Sized of Sellers	II-10
5.1.1.2 Market Information	II-10
5.1.1.3 Sustainability	II-11
5.1.2 Western Region	II-11
5.1.2.1 Number And Size Of Sellers	II-11
5.1.2.2 Market Information	II-11
5.1.2.3 Sustainability	II-11
6.0 Conclusions	II-11
6.1 Status of Viable Market in the Eastern Region	II-11
6.2 Status of Viable Market in the Western Region	II-12

Chapter 3-To what extent retail rates have been unbundled in Nebraska.

1.0 Purpose	III-2
2.0 Team Members	III-2
3.0 Introduction	III-2
3.1 What is Unbundling and Why Would Anyone Do It	III-2
4.0 How Electricity Related Services Could be Unbundled	III-2
5.0 Consumer Information and Education	III-4

6.0 Consumer Choices	III-4
7.0 Local Distribution Companies	III-4
8.0 Cost Allocation and Comparison	III-5
8.1 Reallocation of Costs Among Classes	III-5
9.0 Explicit and Implicit Costs	III-5
9.1 Transition Costs	III-5
9.2 Stranded Costs	III-5
10.0 Consumer Issues	III-6
10.1 Public versus Private	III-6
10.2 Consumer Information	III-6
11.0 Uniform Business Practices	III-6
12.0 Status in Nebraska	III-7
12.1 Survey Results	III-7
13.0 Cost to Unbundle Electricity Bills in Nebraska	III-7
13.1 Introduction	III-7
13.2 Cost Estimation Methodology	III-8
13.3 Comparison to Other States	III-8
13.4 Scope Considerations	III-9
13.5 Conclusion Regarding Unbundling Costs	III-9
14.0 Scope Consideration Descriptions	III-10
14.1 Dynamic Data Exchange	III-10
14.2 Qualified Suppliers	III-10
14.3 Public Utility Commission vs. Nebraska Power Review Board vs. Local Boards	III-10
14.4 Competitive Services	III-10
14.5 Provider of Last Resort (POLR)	III-10
14.6 Universal Service	III-10
15.0 Description for Each Cost Breakdown for Unbundling	III-10
15.1 Initial Costs	III-10
15.1.1 Evaluation and Planning	III-10
15.1.2 New System Software or Upgrades	III-10
15.1.3 Hardware	III-10
15.1.4 System Setup and Testing	III-10
15.1.5 Program Existing System	III-11
15.1.6 Testing of Software/Hardware	III-11
15.1.7 Rate Design	III-11
15.1.8 Training Costs	III-11
15.1.8.1 Entity Training	III-11
15.2 Ongoing Expenses	III-11
15.2.1 Bill Print Additional Pages	III-11
15.2.2 Call Center Questions	III-11
15.2.3 CIS Annual Maintenance	III-11
15.3 Statewide Consumer Education	III-11

Chapter 4-A comparison of Nebraska’s wholesale electricity prices to the prices in the region.

1.0 Introduction	IV-2
1.1 Purpose and Group Membership	IV-2
1.2 Approach	IV-2
2.0 Wholesale Market Terminology	IV-3
2.1 Market Product Definitions	IV-3
2.2. Comparison Concepts	IV-3
2.3 Physical Product Definitions	IV-3
2.4 Market Product Time Period	IV-4
2.5 Market Product Categories	IV-4
2.6 Market Price and Production Cost Difference	IV-4
2.7 Market Price Volatility and Production Cost Stability	IV-4
2.8 Market Product Price	IV-5
2.9 Transmission Loss & Loss Considerations	IV-5
2.10 Nebraska Production Cost	IV-6
2.11 Long-Term “Obligation to Serve” Considerations	IV-6
2.12 Various Generation Unit Types Serving Load	IV-6
2.13 Ancillary Services Component	IV-7
2.14 Load Factor Considerations	IV-7
3.0 Market Product Pricing & Nebraska Production Cost Comparison Methodology	IV-7
3.1 Alternative Comparison Methods	IV-7
3.2 Comparison Modeling Tool Detail	IV-8
3.3 Comparison Modeling Tool Application	IV-10
4.0 Results of Modeling Tool Comparisons	IV-11
4.1 Time Period Utilized	IV-11
4.2 Sensitivity Cases Analyzed	IV-12
4.3 Median Market Pricing	IV-12
4.4 Megawatt-Hour (MWh) Weighted Fixed Cost Allocation	IV-13
4.5 Other Cost Allocation Issues	IV-13
4.6 Results Based on Median Market Product Pricing Indices and Applying MWH-Weighted Fixed Cost Allocations to Nebraska Production Costs for 1999 through 2002	IV-14
5.0 Expected Differences Eastern Region to Western Region	IV-17
5.1 North American Electrical Interconnection	IV-17
5.2 Eastern Interconnection and Western Interconnection Generation Supply and Demand	IV-18
5.3 Western Region Market Compared to Eastern Region Market	IV-19
5.3.1 “Markets” or “Hubs”	IV-19
5.3.2 Volatility and Price Comparison	IV-19
5.3.3 California Influence	IV-19
5.4 Nebraska Production Costs	IV-20
5.4.1 Western Nebraska versus Eastern Nebraska Costs	IV-20

5.4.2 Stability	IV-20
6.0 Conclusions	IV-20
Appendix IV-A	IV-22

Chapter 5-Any other information the board believes to be beneficial to the Governor, the Legislature, and Nebraska’s citizens when considering whether retail electric competition would be beneficial, such as, but not limited to, an update on deregulation activities in other states and an update on federal deregulation legislation.

1.0 Purpose	V-2
2.0 Team Members	V-2
3.0 Introduction	V-2
3.1 Deregulation Overview	V-2
4.0 Status of Retail Competition in Selected States	V-3
4.1 Significant Legislative Actions Affecting the Implementation of Retail Choice	V-3
4.1.1 Arizona	V-4
4.1.2 California	V-5
4.1.3 Montana	V-7
4.1.4 Pennsylvania	V-8
4.1.5 New York	V-11
4.1.6 Connecticut	V-11
4.1.7 New Hampshire	V-11
4.1.8 Vermont	V-12
4.1.9 Maine	V-12
4.1.10 Rhode Island	V-12
4.1.11 Massachusetts	V-12
5.0 Recent Adopters of Retail Choice	V-13
5.1 Ohio	V-13
5.2 Illinois	V-13
5.3 Texas	V-15
6.0 Reconsideration of Retail Choice	V-16
6.1 Nevada	V-16
6.2 Arkansas	V-17
6.2.1 Customer Choice	V-17
6.2.2 Customer Protection/Reliability	V-17
6.2.3 Rate Freeze	V-17
6.2.4 Market Structure/Market Power	V-18
6.2.5 Stranded Cost Recovery	V-18
6.2.6 Other Key Provisions	V-18
6.3 Oklahoma	V-18
6.3.1 Conditions for Starting Retail Competition	V-18
6.3.2 Restructuring Advisory Committee	V-18
6.3.3 Renewables Tax Credit	V-19
6.4 Florida	V-19

6.5 Louisiana	V-19
7.0 Regional Impacts	V-19
8.0 Consideration of Retail Choice by Neighboring States	V-21
8.1 Colorado	V-22
8.2 Iowa	V-22
8.3 Kansas	V-22
8.4 Missouri	V-23
8.5 South Dakota	V-23
8.6 Wyoming	V-24
9.0 Federal Issues	V-24
9.1 Bush Administration National Energy Policy Recommendations	V-25
9.2 FERC	V-26
10.0 Conclusions	V-27

Glossary