

TABLE OF CONTENTS

Introduction	i
Executive Summary	iii
 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
3.1 Status of MAPP	I-3
3.2 MAPP RTC	I-3
3.3 MAPP GRSP	I-5
4.0 Status of Midwest ISO	I-5
5.0 FERC Rulemakings and Energy Policy Act of 2005	I-6
6.0 Conclusions	I-7
 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-3
2.1 Economic Logic	II-3
2.2 Evolution of FERC Definition and tests for Market Power	II-3
2.3 Basic Elements of Traditional FERC "Hub and Spoke" Market Power Analysis	II-4
3.0 Region Defined	II-5
3.1 East/West Interconnection Description	II-5
3.2 Nebraska's Portion of Each Interconnect	II-6
3.3 Eastern Interconnection Defined	II-6
3.4 ERCOT Interconnection	II-6
3.5 Western Interconnection Defined	II-6
3.6 Comparison of Region to that in Technical Group #1	II-7
4.0 New FERC Methods for Assessing Market Power	II-7
4.1 Reasons for Instituting New Methods	II-7
4.1.1 New Tests for Market Power	II-8
4.1.1.1 Modified "Hub and Spoke" Test	II-8
4.1.1.2 Electricity Market Models	II-8
4.1.1.3 Supply Margin Assessment	II-8
4.1.1.4 Interim Generation Market Screen and Mitigation Policy	II-9
4.1.1.4.1 Relevant Market Area for Interim Generation Market Screens	II-9
4.1.1.4.2 "Pivotal Supplier" Market Screen	II-9
4.1.1.4.3 "Market Share" Market Screen	II-11
4.1.1.4.4 "Delivered Price" Market Screen	II-12

4.1.1.4.5	Mitigation Measures	II-12
4.1.1.4.6	Current Status of Generation Market Screen and Mitigation Policy	II-12
4.1.1.4.7	Current Status of Midwest area utilities regarding the Generation Market Screen and Mitigation Policy	II-12
4.1.1.4.8	Implications for Public Power	II-13
5.0	RTO Market Monitoring and Market Mitigation	II-13
5.1	Marketing Monitoring	II-13
5.2	Market Power Rules and Mitigation	II-14
6.0	Midwest Independent Operator (MISO) State of Market Report 2004	II-14
6.1	Report Overview	II-14
6.2	Reserve Margin Analysis	II-14
6.3	Transmission Request Analysis	II-14
7.0	Conclusion	II-17
7.1	Status of Viable Midwest Wholesale Market in the Eastern Region	II-17
7.2	Status of Viable Midwest Wholesale Market in the Western Region	II-17

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

1.0	Status of Unbundling in Nebraska	III-2
2.0	Team Members	III-2
3.0	Introduction	III-2
4.0	Survey Results	III-3
5.0	Estimated Unbundling Costs	III-5
6.0	Conclusion	III-6

Chapter 4 -- A comparison of Nebraska's wholesale electricity prices to 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 Technology	IV-2
2.1	Market Product Definitions	IV-2
2.2	Comparison Concepts	IV-3
2.3	Physical Product Definitions	IV-3
2.4	Market Product Time Period	IV-3
2.5	Market Product Categories	IV-3
2.6	Market Price and Production Costs Difference	IV-4
2.7	Market Price Volatility and Production Cost Stability	IV-4
2.8	Market Product Price	IV-5
2.9	Transmission Cost & Loss Considerations	IV-5
2.10	Nebraska Production Cost	IV-5
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-6
2.14	Load Factor Considerations	IV-6

3.0	Market Product Pricing and Nebraska Production Cost Comparison Methodology	IV-7
3.1	Alternative Comparison Methods	IV-7
3.2	Comparison Modeling Tool Detail	IV-7
3.3	Comparison Modeling Tool Application	IV-9
4.0	Results of Modeling Tool Comparisons	IV-10
4.1	Time Period Utilized	IV-10
4.2	Sensitivity Cases Analyzed	IV-11
4.3	Median Market Pricing	IV-11
4.4	Megawatt-Hour (MWh) Weighted Fixed Cost Allocations	IV-12
4.5	Other Cost Allocation Issues	IV-12
4.6	Value of Long Term Obligation to Serve	IV-13
4.7	Results Based on Median Market Product Pricing Indices and Applying MWh-Weighted Fixed Cost Allocations to Nebraska Production Costs for 2002 through 2005	IV-13
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-17
5.3	Western Region Market Compared to Eastern Region Market	IV-18
5.3.1	“Markets” or “Hubs”	IV-18
5.3.2	Volatility and Price Comparisons	IV-18
5.4	Nebraska Production Costs	IV-18
5.4.1	Western Nebraska Versus Eastern Nebraska Costs	IV-18
5.4.2	Stability	IV-19
6.0	Conclusions	IV-19

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	Texas	V-2
5.0	Federal Issues	V-5
6.0	Conclusions	V-7

Glossary