Power Decision-time Cut Proposed

By Sheilah Kast
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WASHINGTON — Declaring that wholesale electricity customers have paid "excessive" rates in recent years, the chairman of the agency that regulates those rates has proposed to cut the decision time by two-thirds.

The current system allows a company that produces electricity to consistently charge its wholesale customers more than the Federal Energy Regulatory Commission would find reasonable, FERC Chairman Charles B. Curtis said in a report to Congress.

The system, which now requires three different levels of decisions by the FERC, means that the average case takes at least two years to decide and some cases take four years or more.

In order to shorten that time Curtis suggested the following:

- Encouraging utilities and the companies that buy power from them wholesale to agree on rate changes rather than wait for a FERC ruling.
- Shifting FERC's tradition of deciding issues utility-by-utility to one of deciding at one time a policy issue that applies to many cases.
- Drastically reducing the amount of time FERC spends deciding how much profit a utility can make on its investment.

Curtis said the time spent deciding the fairest profit level probably costs both utilities and their wholesale customers more than its saves, because wholesale sales represent a small share of most investor-owned utilities' business.

State regulatory commissioins govern the rates that a utility directly charges end customers, such as homeowners or small businesses. The FERC regulates the rates that utilities charge wholesale customers, such as electric cooperatives or city-owned distribution companies.

For example, the Maryland Public Service Commission sets the rates used by the Potomac Electric PowerCo. to bill homeowners in the Maryland suburbs of Washington, but FERC sets Pepco's charges to the Southern Maryland Electric Cooperative.

Frequently, the utility that produces the power competes with its wholesale customer for the same retail customer — for example a large industry that could hook up with either the utility or the city-owned distribution company.

That has led wholesale customers to accuse the utilities of "price squeeze," or charging so much wholesale that the city or coop cannot compete at the retail level. That charge further slows the FERC's decisions.

Just as retail rates have risen in recent years, the FERC has been deluged with requests to raise wholesale rates. When fiscal 1980 began last October, the FERC had a backlog of 248 electric cases.

The rates go into effect seven months after the utility asks for them, "even if that rate seems excessive on its face an even if it is far higher than anything that the commission would be likely to award after a hearing," Curtis wrote.

If the commission eventually finds the rates too high, they are refunded with interest.

Because the utility can continue to file for higher rates even before the commission finishes the two- or three-year process of ruling on the previous rate increase request, wholesale customers can go years without ever paying a rate the commissioin has determined is fair.

Curtis did not ask Congress to eliminate the seven-month deadline. He asked, however, that Congress to give the FERC staff authority to make final decisions on some routine matters — a move which would trim the number of decisions that must be made by the full five-member commission.

The chairman listed several attempts by his agency to cut into the backlog, including the order that utilities must pay prime rate interest, compounded quarterly, on rates which are later ruled too high. Curtis said that move gives utilities an incentive to settle.

Curtis also asked the Congress to reconsider whether FERC should be setting wholesale rates at all, or whether that job could be better done by the state commissioins.

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