

# Magnolia Electric Power Association

## NOTICE OF PURPA PROCEEDING

Magnolia EPA (the "Association") is holding a proceeding to facilitate the consideration and determination of certain new standards established by the Public Utility Regulatory Policies Act of 1978, as amended by the Energy Independence and Security Act of 2007 (hereinafter referred to as "PURPA").

The following new PURPA standards will be considered as part of this proceeding:

1. Integrated Resource Planning (26 U.S.C. § 2621 (d) (16)).
2. Rate Design Modifications (26 U.S.C. § 2621 (d) (17)).
3. Smart Grid Information (26 U.S.C. § 2621(d) (17)).
4. Smart Grid Investments (26 U.S.C. § 2621(d) (16)).

This proceeding is to be governed by the "Rules for Conducting Proceedings Required by the Public Utility Regulatory Policies Act of 1978 (as amended by the Electricity Modernization Act of 2005)." Pursuant to 16 U.S.C. § 2631 (1), the United States Secretary of Energy, any affected electric utility, and any electric consumer of an affected electric utility has a right to participate as a formal party to the proceeding.

In order to participate, Association members may submit a "Notice of Comment" form regarding any or all of the new PURPA standards by June 30, 2009. Notice of Comment forms, as well as other information pertaining to the proceeding and the respective PURPA standards, may be obtained on the Association's website or at any of the Association's offices.

Subsequent to receiving all public comment, the Association Board of Directors will deliberate and make a final determination by December 1, 2009 (prior to the PURPA deadline for such determination, which is December 19, 2009). This determination will be based upon all of the evidence and public comment in the official proceeding record as it supports the three purposes of PURPA: to encourage (i) conservation of energy supplied by electric utilities, (ii) optimal efficiency of electric utility facilities and resources, and (iii) equitable rates for electric consumers.

Below are descriptions of the new PURPA standards to be considered as required by the Energy Information and Security Act of 2007 (EISA). Note that the reference to "electric utility shall" means that the utility shall consider implementing the standard, and does not mean that the legislation requires the utility to implement the standard.

EISA Section 532, PURPA 111(d) (16) INTEGRATED RESOURCE PLANNING.

Each electric utility shall –

- (A) integrate energy efficiency resources into utility, State, and regional plans; and
- (B) adopt policies establishing cost-effective energy efficiency as a priority resource.

EISA Section 532, PURPA 111(d) (17) RATE DESIGN MODIFICATIONS TO PROMOTE ENERGY EFFICIENCY INVESTMENTS.

(A) IN GENERAL.—The rates allowed to be charged by any electric utility shall—

- (i) align utility incentives with the delivery of cost-effective energy efficiency; and
- (ii) promote energy efficiency investments.

(B) POLICY OPTIONS.— In complying with subparagraph (A), each State regulatory authority and each nonregulated utility shall consider—

- (i) removing the throughput incentive and other regulatory and management disincentives to energy efficiency;
- (ii) providing utility incentives for the successful management of energy efficiency programs;
- (iii) including the impact on adoption of energy efficiency as one of the goals of retail rate design, recognizing that energy efficiency must be balanced with other objectives;
- (iv) adopting rate designs that encourage energy efficiency for each customer class;
- (v) allowing timely recovery of energy efficiency-related costs; and
- (vi) offering home energy audits, offering demand response programs, publicizing the financial and environmental benefits associated with making home energy efficiency improvements, and educating homeowners about all existing Federal and State incentives, including the availability of low-cost loans, that make energy efficiency improvements more affordable.

EISA Section 1307, PURPA 111(d) (18) CONSIDERATION OF SMART GRID INVESTMENTS.

(A) IN GENERAL.— Each State shall consider requiring that, prior to undertaking investments in nonadvanced grid technologies, an electric utility of the State demonstrate to the State that the electric utility considered an investment in a qualified smart grid system based on appropriate factors, including—

- (i) total costs;
- (ii) cost-effectiveness;
- (iii) improved reliability;
- (iv) security;
- (v) system performance; and
- (vi) societal benefit.

EISA Section 1307, PURPA 111(d) (19) SMART GRID INFORMATION.

(A) STANDARD.—All electricity purchasers shall be provided direct access, in written or electronic machine-readable form as appropriate, to information from their electricity provider as provided in subparagraph (B).

(B) INFORMATION.—Information provided under this section, to the extent practicable, shall include:

(i) PRICES.—Purchasers and other interested persons shall be provided with information on—

- (I) time-based electricity prices in the wholesale electricity market; and
- (II) time-based electricity retail prices or rates that are available to the purchasers.

(ii) USAGE.—Purchasers shall be provided with the number of electricity units, expressed in kwh, purchased by them.

(iii) INTERVALS AND PROJECTIONS.—Updates of information on prices and usage shall be offered on not less than a daily basis, shall include hourly price and use information, where available, and shall include a day-ahead projection of such price information to the extent available.

(iv) SOURCES.—Purchasers and other interested persons shall be provided annually with written information on the sources of the power provided by the utility, to the extent it can be determined, by type of generation, including greenhouse gas emissions associated with each type of generation, for intervals during which such information is available on a cost-effective basis.