

ASSISTANTS

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Monopoly and the Utilities Market

Deregulation is Changing
The Way the Game is Played



Apartment and Office Building Association AOBA



Power Player

A Conversation with D.C. Public Service Commission Chairman Marlene Johnson

► by Laura Ochipinti Zaner

Deregulation of utilities is a given, according to Marlene Johnson, chair of the Washington, D.C. Public Service Commission.

"The Federal Energy Regulatory Commission is going to make sure deregulation comes," she says. "That's the trend in the industry—if you look at the gas industry, for example, it's just about here—and we can expect similar changes in the electric industry. The question is what regulations the federal government is going to impose on the companies involved."

Johnson assumed the chairmanship of the Public Service Commission in December 1995; her current term expires in June 1999. She has held several other positions within the D.C. government, including that of Legal Counsel to Mayor Marion Barry and Legal Counsel for the Committee on Finance and Revenue for the City Council. A native Washingtonian, she earned her BA degree from Boston University and her law degree from the University of Chicago. In addition to her various government appointments, Johnson has also held several positions in the private sector.

In a recent interview with AOBA, Johnson joked about having to "get up to speed" on the utility industry (including learning all the technical terms involved). But as an attorney, of course, she's had a great deal of experience with hearings—and that's one of her most important responsibilities at the moment. She is presiding over the Commission's hearings on the



proposed merger between PEPCO and Baltimore Gas & Electric. The Commission's decision on that issue will have great repercussions for the customers of both companies, and the Commission, says Johnson, is looking at all aspects of the proposed deal with a very critical eye.

"The ultimate question is whether the merger is in the public interest of the rate-payers," she says, making a point to stress that the interests of all classes of ratepayers are being considered. "To warrant our approval, the merger would have to be in the best interest of both residential and commercial users," she says.

Although she admits that government entities have the tendency to put the needs of residential customers first, she emphasizes that the Commission will not lose sight of the commercial segment of the market, including AOBA members.

"I think rates make a difference to companies when they are

selecting a building for their offices," she says. "While utility rates may not make or break a real estate deal, low rates are helpful to creating an environment that is hospitable to business, and they are helpful in combination with other factors in attracting and keeping those businesses here.

She notes, too, that PEPCO currently offers some of the lowest residential rates in the country and that its "ratepayer profile" is very different than that of BG&E.

"D.C. is very urban and while Maryland does have major cities, it also has rural areas and land available for development," she says. "So we have to ensure that the consumers in both jurisdictions are going to benefit if the merger takes place."

If the merger is approved, the Public Service Commission will retain oversight responsibility for utility service in D.C.

The Changing Role of the Commission

The other hot issue besides the merger, of course, is the future of deregulation. The deregulation of the natural gas industry is well under way—at least at the generation level—and Johnson expects that the deregulation of the electric industry is not that far away.

"At first deregulation will be only at the wholesale level, but ultimately it will be at the retail level too," she says.

The Commission's role will also change as deregulation becomes a reality.

"I think the Commission's focus is going to shift from rate

Continued on page 24

Continued from page 17

regulation to consumer protection issues," she says. "We'll also be providing information so that consumers can make informed choices about their providers, and we'll also help resolve the inevitable disputes that will occur between the ratepayers and the new providers." The major concern of the Commission, she says, will be ensuring reliability of service in a deregulated environment.

"The D.C. government has already passed a telecommunications law that makes it clear that telecommunications companies will be under the jurisdiction of

the Commission" explains Johnson. She notes that part of the Commission's oversight will involve setting standards for new companies entering the marketplace.

"There will be a question of what companies are entitled to be in the market—there are a lot of new companies and we have to be able to assess the likelihood of those companies being able to stay in the market and to serve the ratepayers," she says. "When we do say no to a company, I'm sure we'll go to Court, and then the reasonableness of our standard will become the issue."

Johnson believes that many energy companies will be attracted to the metropolitan Washington market, and several of them will most likely market both gas and electric services. She also predicts that companies will begin to offer a variety of related services, from energy conservation to appliance repair.

"The consumer is going to have more choices in the future, and I believe, the costs will go down because of the competitive marketplace," she says. "Customers are going to want to be assured of good service, however, not just lower rates."

According to Johnson, there are still many questions regarding how to assure that quality service. She notes that the Commission has started a natural gas pilot project in which users can select from different providers. "We will be studying whether rates go down, but also examining how we as a Commission can assure reliability," she says. "For example, we have jurisdiction over the gas utilities here, but what about the brokers—can we also assure that 'Company X' is a reliable provider?"

The reliability question also brings up the issue of "power pooling," and cooperative arrangements that currently exist between the utility companies in regional areas right now.

According to Johnson, a new arrangement for the Pennsylvania-New Jersey-Maryland cooperative is pending with the FERC right now. She believes, however, that even in a competitive marketplace, power pooling will continue.

But even with all the changes occurring at both the federal and state level concerning utility deregulation, Johnson says the main function of the D.C. Public Service Commission will remain the same in the future: to protect the interests of D.C. and its ratepayers.

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