



FEDERAL ENERGY REGULATORY COMMISSION

FACT SHEET

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MEDIA CONTACT

Barbara A. Connors – 202.502.8680

FERC Clarifies Cross-Subsidization, Blanket Authority Rules

The Federal Energy Regulatory Commission (FERC) today upheld its rule protecting ratepayers against unauthorized cross-subsidization in an order that provides important clarifications to utilities and other entities. In separate orders, FERC affirmed, with modifications, blanket authorizations that it had granted in Order No. 708, expanded one blanket authorization, and asked for comments on certain reporting requirements relating to that blanket authorization.

Background and Order: Cross-Subsidization

In February 2008, FERC finalized rules to ensure that ratepayers are protected against unauthorized cross-subsidies by utilities of their non-utility affiliates. The new rule, Order No. 707, *Cross-Subsidization Restrictions on Affiliate Transactions*, amended FERC's regulations to codify restrictions on affiliate transactions between franchised public utilities that have captive customers or that own or provide transmission service over jurisdictional transmission facilities, and their market-regulated power sales affiliates or non-utility affiliates.

Among the clarifications and revisions in today's order:

- Affiliates within a single-state holding company system that does not have a centralized service company can provide each other general administrative and management services at cost, as long as they do not provide such services to entities outside the holding company;
- Order No. 707 regulations pertaining to sales of non-power goods and services do not apply to fuel purchases covered by FERC's fuel adjustment clause regulations.

Background and Orders: Blanket Authorization

In Order No. 708, *Blanket Authorization Under FPA Section 203*, FERC granted certain limited blanket authorizations to facilitate investment in the electric utility industry and, at the same time, ensure that public utility customers are adequately protected from any adverse effects of such transactions. Among other things, Order No. 708 pre-authorized a public utility to dispose of less than 10 percent of its voting securities to a public utility holding company but only if, after the disposition, the holding company and any associate or affiliate companies, in the aggregate, will own less than 10 percent of that public utility (section 33.1(c)(12) of FERC's regulations).

In today's order, FERC granted a request to extend the blanket authorization under section 33.1(c)(12) to cover public utility dispositions to "any person" other than a holding company, subject to the same aggregate limitation imposed on holding company transfers, and to be effective upon FERC's adoption of reporting requirements applicable to the expanded blanket authorization. FERC found that adoption of the expanded blanket authorization with appropriate reporting requirements would reduce regulatory burdens and encourage





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investment without causing harm to competition or captive customers. In addition, FERC revised its blanket authorization under section 33.1(c)(16) regarding transfers of jurisdictional contracts to remove the limitation of the blanket authorization's availability to associate or affiliated entities. FERC also clarified that the blanket authorization under section 33.1(c)(6) regarding internal corporate reorganizations applies to certain transfers of assets from one non-traditional utility to another affiliated non-traditional utility.

In a related, but separate, order (RM07-21-002), FERC is seeking supplemental comments on the narrow issue of the scope and form of reporting requirements that would apply to the expanded blanket authorization under section 33.1(c)(12), adopted in Order No. 708-A. FERC determined that, in order to extend the blanket authorization to include "any person" under section 33.1(c)(12), it would need to establish appropriate reporting requirements to monitor transfers to non-holding companies. Comments are due 60 days from the date the order is published in the *Federal Register*.