

Congress of the United States

Washington, DC 20515

July 12, 2000

**The Honorable John Dingell
Ranking Democratic Member
Committee on Commerce
2125 Rayburn House Office Building
Washington, DC 20515**

Dear Congressman Dingell:

The Commerce Committee is developing consensus legislation to restructure the electric power industry, historically one of the most highly regulated industries in the country. Recent technological improvements and marketplace changes have made deregulation not only possible, but desirable and viable. Soon, customers will be able to choose who supplies their electricity, just as they now select their long distance phone company.

Done properly, electric deregulation will bring consumers lower electric bills and better service. Done incorrectly, it could hurt our nation's small businesses and therefore consumers.

Small business supports fair competition, but it must be just that fair. That means that utilities must not be allowed to use their monopolistic advantages to unfairly encroach on services traditionally provided by small business, services such as heating and cooling, plumbing and electrical contracting. We have seen such practices before in the deregulation of other industries.

Left unchecked, electric utilities could use "cross subsidization" to gain an unfair advantage for their subsidiaries. In effect, they would support their subsidiaries through such intangible benefits as company name and logo, personnel and equipment -- unfair advantages underwritten by ratepayers. As a result, these unregulated subsidiaries could set their prices well below market cost, driving out their competitors, primarily small businesses. This would undermine the very goal of deregulation, which is to create more choices for the consumer at lower prices.

To avoid these anti-competitive practices, Congress must act now to create minimum standards ensuring that small businesses have access to meaningful remedies. Hearings before the Commerce Committee Judiciary and Committee on Small Business have established that the need for legislation is real and immediate, especially given the emerging interstate market for electricity and energy services.

As strong supporters of small business, we are closely monitoring the development of electricity restructuring legislation. Our goal will be to ensure that the needs of small business -- the main driver in this new economy -- are fairly addressed to the benefit of the consumer.

Very truly yours,

Nydia M. Velázquez
Ranking Democratic Member

Rubén Hernández

Danny K. Davis

Grace F. Kapuletanov
Bill Pasarell, Jr.

Stephanie Ribb Jones

Benjamin R. Rain

Spencer M. Chestnut

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Pat A. Brady

James E. [unclear]

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Robert E. Auld

Cc: Democratic Members of House Commerce Committee