

**Electric Aggregation Program  
Proposal to :**

**Bexley  
Gahanna  
Reynoldsburg  
Upper Arlington**

*Your Partner In Energy  
Solutions*

***MPS***  
***ENERGY SERVICES, INC.***

**August 2, 2002**

# **Agenda**

- I. Update on WPS Energy Services' activities**
- II. Initial Program Analysis**
- III. Estimated Savings**
- IV. Program Development Process**
- V. Review of Recommended Changes to the Plan of Operation**
- VI. Power Supply Agreement Discussion**
- VII. Conclusion**

# **I. Update on WPS Energy Services Activities**

## **Since our meeting in May WPS Energy**

### **Services:**

- **Commencing registration process with AEP**
- **Requested and reviewed customer usage information**

- We requested and obtained the CRES Providers version
- The information given to municipalities has specific data needed to conduct an opt-out
- Community will still need to request the municipality's version of the customer information disk from AEP.

## **II. Initial Program Analysis: Residential**

- **RR-013**
  - These are typical residential customers.
  - RR-013 customers represent 77% of customers
  - They pay an Annualized Average Price-to-Compare of 4.9 cents/kWh.
  - RR-013 customers receive no monetary incentive to conserve energy

# Initial Program Analysis: Residential

## ● Rate RR1-014

- AEP rewards customers who conserve energy in the summer with a very low rate for generation.
- RR1-014 represent 21% of customers
- Their average annualized price to compare is 4.4 cents/kWh
- Customers who do not use more than 600 kWh during the summer are placed on this rate.
- If they exceed 700 kWh (AEP allows them a 100 kWh cushion) during any summer month they are automatically switched to the RR-013 Rate through the end of the subsequent summer period.

# Rate RR1-014

- These customers are already on an attractive rate and will not save money in the aggregation program unless they are switched by AEP to RR-013.
  - RR1-014 customers converted from RR1-014 to the RR-013 rate will be eligible to participate in the aggregation program.
- **If after the following summer their Rate converts back to RR1-014 they would be switched out of the Program with no exit fees.**
- RR1-014 customers enjoy the advantages of the aggregation program if their consumption exceeds AEP's RR1-014 thresholds.
- RR1-014 will save on the energy conscious RR1-014 rate and if their energy usage increases they save on the RR-013 rate through the aggregation program.

# III. Expected Savings

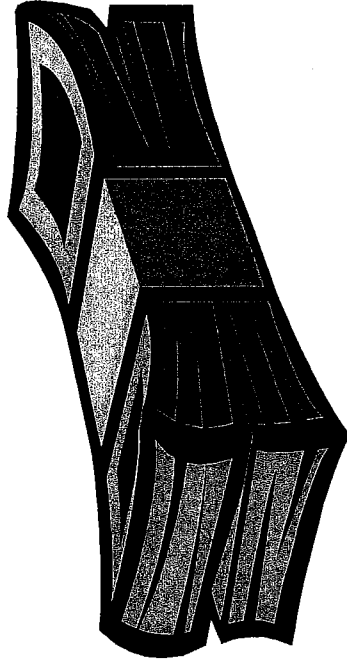
## Estimates: Residential

- **Expected annual savings based on current power prices to RR-013 customers range from 3%-5% off of Annualized Average P-t-C**
- **Annual savings for a typical customer\* would range from \$15-\$25**

**Note: Many variables impact the final rate.**

\* A typical customer would have a year-round usage of 800 kWh per month

# Expected Communities' Savings Savings Up to \$750,000 for Residential Customers



This estimate depends on the variables that affect the rate as listed in the following slides.





# Variables that Impact the Rate and Savings

- Power Prices
- City Administrative Fees
- Consultant Administrative Fees
- AEP Switching Fees

**Impact on rates example if Supplier is asked to pay the \$5 fee and administrative costs.**

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- 50,000 customers- switching fees total \$250,000
- City's Administrative fees totaling \$100,000
- Usage at 500 kWh/month

| <b>Rate A</b> | <b>Rate B</b> | <b>Local Utility</b> |
|---------------|---------------|----------------------|
|---------------|---------------|----------------------|

|                          |                              |                    |
|--------------------------|------------------------------|--------------------|
| <u>Supplier pays all</u> | <u>Customer pays \$5 fee</u> | (Price-to-Compare) |
| <u>of the above</u>      | <u>no City Admin. fees</u>   |                    |

|                  |                  |                  |
|------------------|------------------|------------------|
| <b>5.14¢/kWh</b> | <b>5.02¢/kWh</b> | <b>5.28¢/kWh</b> |
|------------------|------------------|------------------|

Impact on savings if Supplier is asked to pay \$5 fee and administrative costs.

Savings on Rate A

(Supplier pays switching fee and City Administrative fees)

Local Utility Rate       $5.28 \times 500 = \$26.40$

Rate A                      -  $5.14 \times 500 = \underline{\$25.70}$

Monthly Savings (A)                      =  $\$0.70$  a month

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Savings on Rate B

(Customer pays switching fee and no City Administrative fees)

Local Utility Rate       $5.28 \times 500 = \$26.40$

Rate B                      -  $5.02 \times 500 = \underline{\$25.10}$

Monthly Savings (B)                      =  $\$1.30$  a month



Continued... Annual Savings over P-t-C

| Rate A     | Rate B     |
|------------|------------|
| 5.14 ¢/kWh | 5.02 ¢/kWh |

Annual Savings:

**\$8.40**

**\$15.60**



# Other Variables that may affect the customer

## ● **Rate Structure:**

- AEP rates are seasonal by summer and winter and tiered in the winter to offer a discount to higher use customers
- WPS would offer a rate that mirrors AEP's structure to offer customers a more accurate reflection of their savings each month.
- WPS Energy Services would educate customers on the rate structure through our quarterly newsletter, customer service center, and website.

## ● **Service Delivery Identification Number (SDI)**

- AEP uses an SDI# instead of an account number to enroll customers
- Customers are charged one \$10 switching fee for all SDI#'s switched at the same time

# **Initial Program Analysis: Commercial**

**We are evaluating the possibility of  
serving the community's small to  
medium commercial customers.**

# **IV. Program Development Process**

- **Program Timeline**
- **Purchase of Receivables Agreement  
Issues**

# Program Timeline

## August:

- Complete AEP registration process
- Receive City requested customer information
- Finalize customer pool
- Finalize rates and begin Power Supply Agreement negotiations

## September:

- Sign Power Supply Agreement
- Amend Plan of Operation to coincide with Power Supply Agreement and PUCO rules
- Finalize Opt-out timeline
- Provide Opt-out notices for City approval

## October:

- Conduct 21 day Opt-out for November service
- Provide Welcome letter for City approval

## November:

- Enroll customers and mail Welcome letters
- Start Service





# Purchase of Receivables Agreement Issues

- Earlier this week WPS Energy Services filed a complaint with the PUCO regarding the lack of cooperation shown by utilities (specifically FirstEnergy) in reaching an amicable agreement.
- FirstEnergy and AEP's original position was that they felt the PUCO ruling on POR was voluntary. The PUCO has since clarified that it is mandatory.
- The complaint outcome will affect aggregation programs all over the state.
- Without a POR Agreement marketers are at a severe collections disadvantage:
  - The PUCO payment priority rules place marketers last in the payment chain
  - Marketers are not provided customer information needed to conduct an effective collection process

## V. Review of recommended changes to the Plan of Operation

- The PUCO has adopted new rules for government aggregation. The rules require detailed descriptions. Your plan must be updated to meet the detailed requirements of rule 4901:1-21-16 (B) (Paragraph#listed below):
- (3) Detail actual opt-out procedure including how to opt-out
- (4) Detail who is eligible in the pool (define eligible customer)
- (6) Include Credit/collection policy
- (7) Detail dispute resolution procedure also see 4901:1-21-08 (B)
- (8) Explain that customers who move will be offered an opt-out
- (9) Right to opt-out if rate is higher/detail switching policy
- (10) Policy for customers that did not leave but opted out and want to join

After a Power Supply Agreement is in place WPS Energy Services will work with the City's consultant to update the Plans to match your Program.



## **VI. Power Supply Agreement**

- **The next step will be to finalize the terms of the Power Supply Agreement**

### **Question:**

- **Comments on the sample Agreement we provided in May?**

## **VII. Conclusion**

**WPS Energy Services is ready to negotiate rates and terms of service leading to a Power Supply Agreement.**

Is there any other information WPS Energy Services needs to provide before we discuss the terms of an agreement?

# Questions and Feedback