

# Citizens' Electric Company and Wellsboro Electric Company

Presentation to POLR Roundtable

April 21, 2004

# Company Background

## Citizens' Electric

- 6,500 customers
- Primarily residential and small C&I
- Lewisburg area
- No generation
- Minimal early shopping
- Rate cap expired 1/02

# Company Background

## Wellsboro Electric

- 5,800 customers
- Primarily residential and small C&I
- Wellsboro and areas in Tioga County
- No generation
- No shopping
- Rate cap expired 1/00

# Current Wholesale POLR Supply

- Citizens' Electric
  - Full requirements wholesale contract
  - Reliant Resources, Inc.
  - Two RFP processes since 2001
  - Contract through December 31, 2007
  - Fixed charge for energy, capacity and ancillary services
  - Transmission charge flow-through

# Current Wholesale POLR Supply

- Wellsboro Electric
  - Full requirements wholesale contract
  - Dominion Resources, Inc.
  - RFP and negotiation process in 2002
  - Contract through December 31, 2007
  - Fixed, non-escalating energy and capacity
  - Transmission and ancillary services flow-through
  - Congestion included

# POLR Pricing Mechanism

- Ability to update retail price at least once per year to represent projected costs
- Retail POLR Price =
  - Projected purchase power costs (energy, capacity, ancillary services, congestion, transmission)
  - Projected administrative costs
    - RFP; generation legal expenses; cost of credit assurance; small percentage of selected O&M costs, including meter reading; working capital (WECO only)
    - Less than 1 mill per kWh
  - Applicable taxes

# POLR Pricing Mechanism

- Can update on 1-day notice for changes in transmission or ancillary services
- Citizens' has additional rate mechanism if costs or recoveries are adversely impacted by shopping or new load
- Switching rules
  - Citizens: 12 month stay when return unless opt for seasonal rate
  - Wellsboro: 12 month stay when return for C&I

# Generation Rate Stability

- Both companies have used open processes to obtain and evaluate wholesale supplier bids
- Both companies have provided rate stability
- Customer satisfaction levels high



# Observations on Present POLR

- 3 Goals
  - Provide customers with benefits of increased wholesale competition by negotiating and passing on best POLR price to them
  - Provide customer with choice of other supply options
  - Provide EDC with full recovery of costs to provide POLR
- Citizens' Electric and Wellsboro Electric are meeting these goals

# Observations on Future POLR

- Flexibility needed for smaller EDCs
  - Contract structure may differ v. larger EDCs
    - Demand/energy construct
    - Ancillary service costs and congestion
  - Costs incurred may change
    - Credit costs and requirements
    - Impact of customer switching or load growth
  - Some fixed costs remain with the EDC regardless of customer shopping patterns

# Observations on Future POLR

- Need for guidance from the PUC
  - Satisfaction of prudence review on competitive wholesale supply process
  - Minimization of regulatory risk of rejected wholesale supply contract
  - Translation of wholesale costs into retail rates
  - Definition of other recoverable costs, including any margin
  - Mechanism to recover costs

# Suggestions for POLR Regulations

- Differentiate small EDCs from large EDCs
- Understand financial implications of placing more “distribution” costs in POLR rates
- Allow flexibility to continue successful plans working for our territories
- Reference in regulations that small EDCs will have to comply with specific requirements only to the extent cost-effective and in the public interest
- Grandfather existing practices at least for the duration of current wholesale supply contracts