CUSTOMER CHOICE & UTILITY SERVICES

NATURAL GAS, ELECTRIC, and TELECOMMUNICATIONS in the DISTRICT

Chairman Angel M. Cartagena, Jr.

District of Columbia Public Service Commission

February 2, 2002

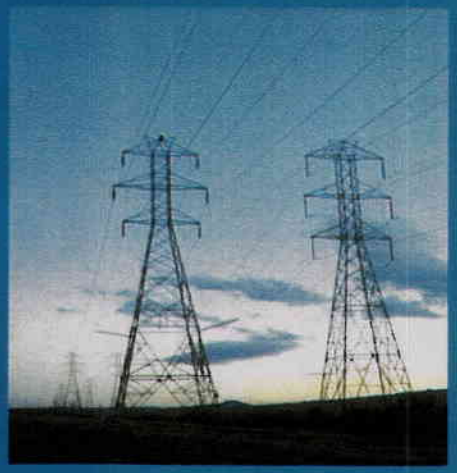
The Public Service Commission

The Public Service Commission of the District of Columbia was established by Congress in 1913 as an independent District Government agency to regulate the electric, gas, and telephone companies in the District.

Our Job at the Commission

Gas

Electricity



Customer Service

Pay
Telephones

Telecommunications

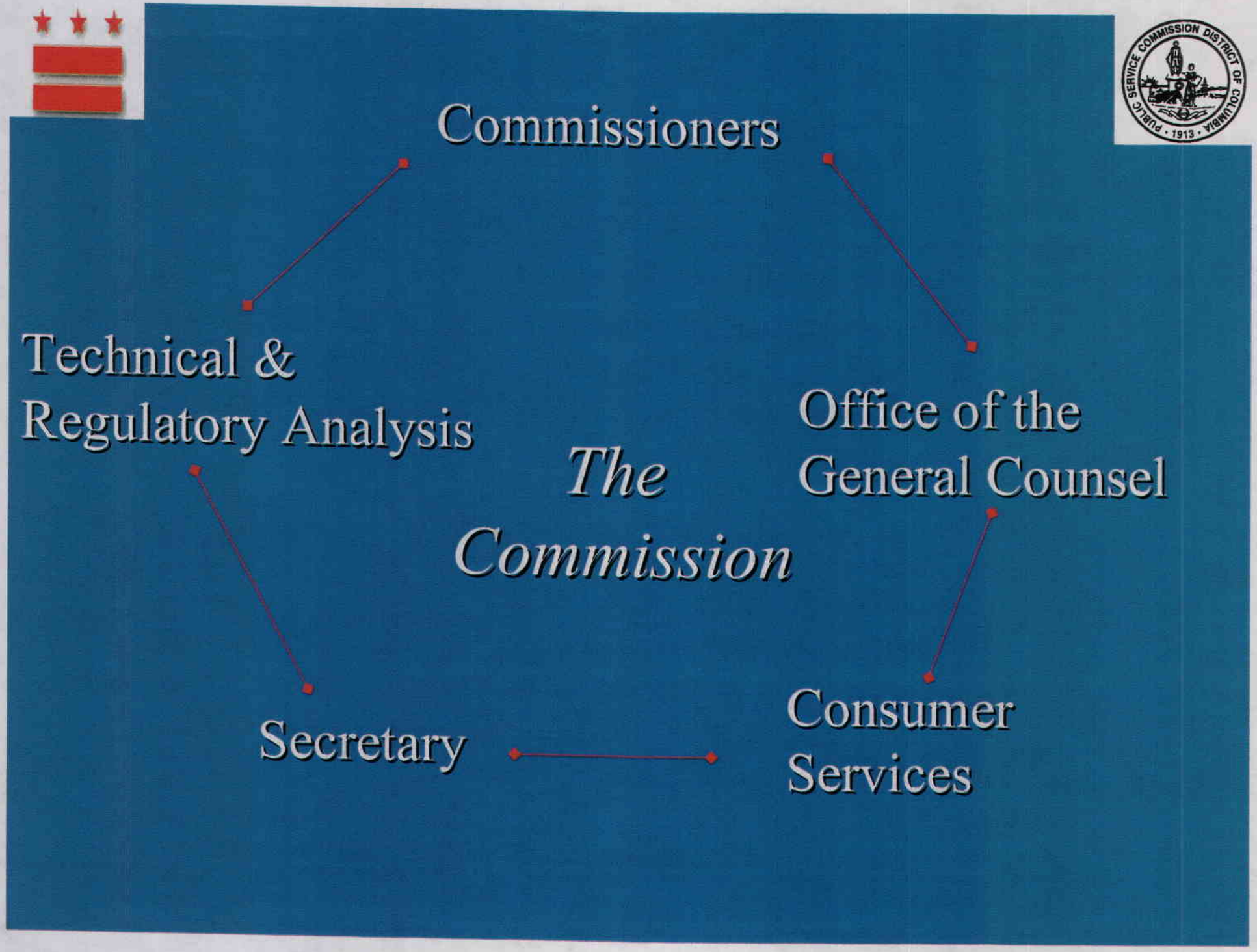
PUBLIC SERVICE COMMISSION

COMMISSIONERS

Agnes A. Yates
Commissioner

Angel M. Cartagena, Jr.
Chairman

Vacant Seat
Commissioner


Commissioners
Technical & Regulatory Analysis
Office of the General Counsel
The Commission
Secretary
Consumer Services

MISSION STATEMENT

- For District of Columbia utility consumers, we promote the availability, reliability, affordability, and quality of energy and telecommunications services. We also promote the provision of utility services that are safe, universally available, and foster economic development.
- **We do this by:**
  - **Protecting consumers to ensure public safety and reliability**
  - **Continuing to regulate monopoly services to ensure their rates are just and reasonable**
  - **Fostering fair and open competition among service providers,**
  - **Empowering consumers and protecting them from market power abuses,**
  - **Resolving disputes among consumers and service providers, and**
  - **Motivating customer-and results-oriented employees.**

PSC GOALS

- Promote Economic Development
- Ensure Public Safety and Reliability
- Protect Consumers
- Educate Consumers
- Ensure Motivated and Customer-Oriented Employees

Economic Development Goals

- Introduce competition in the Gas, Electric, and Telecommunications industries in the District.
- Ensure just & reasonable rates through continued regulation of monopoly services

The California & Western States Crisis

- California's Problems:
  - Insufficient supply and increasing demand
  - No Long-term contracts
  - Heavily reliant on Natural Gas and Hydropower for energy production
  - Greater demand for energy in adjacent states
  - Reduced importation of hydropower
  - Unenforced minimum Reserve Requirement
  - High price for emission credits
  - Lack of a well-functioning Market Monitoring Unit (MMU) to detect and correct market power on a timely basis

California & Western States' Crisis

- The Power Exchange was eliminated on January 17, 2001
- California still has a shortage of 5,000 MW for the coming summer 2001
- The wholesale energy cost was previously 3.5 cents/kwh, now the price is approximately 10 times that amount or over
- **"Price Gouging"** seems to be obvious and the Federal Energy Regulatory Commission (FERC) is getting comments to establish a better Market Monitoring Unit (MMU) to address market power abuse.

Recent Actions

- CA PUC approved 40% increase in retail rates
- FERC ordered a refund of $124 million from generators

WHY THE CALIFORNIA CRISIS HAS NOT OCCURRED HERE

Similarities

	California & Western States	PEPCO-DC & PJM
Demand	Increased 25% over the last decade	Increased 25% over the last decade
Regulation	Price Caps on Retail Rates	Price Caps on Retail Rates
Supply	50,000 Megawatt Capacity Divestiture of Power Plants	50,000 Megawatt Capacity Divestiture of Power Plants

WHY THE CALIFORNIA CRISIS HAS NOT OCCURRED HERE

Differences

California & Western States	PEPCO-DC & PJM
Supply Has Not Kept Pace With Demand No New Power Plants	Supply Has Kept Pace With Demand 6,000 Megawatts of Power Added (14% of Total)
No Minimum Reserve Margins	Minimum Reserve Margin & Financial Penalties Imposed
Must Purchase on Spot Market No Long-Term Contracts	Not Required to Purchase from Spot Market (5% of purchases from Spot Market)
Majority of Fuel Supplied by Gas and Hydropower	Majority of Fuel Supplied by Coal and Nuclear

Why the California Crisis has not Occurred Here?

California	PEPCO-DC & PJM
Peak Load is 45, 884 MWs	Peak Load is 51,700MWs
Supply has not kept pace with demand; No new power plants added in 10 yrs.	Supply is keeping up with demand; 1990-2000 ~ 6,764 MWs added (13% of total capacity of 1990)
Minimum Reserve Margin: 15-20% No penalty for Non-Compliance Had Stage 3 Emergency (reserves < 1.5%) on numerous times	Has 19% Reserve requirements and financial penalties imposed ($177/MW-day)
Must purchase from spot market No Long-Term Contracts	Bilateral Contracts common (10-20% is purchased from spot market)

Why the California Crisis Has Not Occurred Here?

California	PEPCO-DC & PJM
Power Exchange (PX) & ISO were separate entities	ISO also performs the PX functions
Interregional collaboration among ISOs has not been implemented.	3 ISOs in NE region have several working groups to enhance reliability and overall system efficiency
FERC is trying to establish an effective MMU	Had an effective MMU since 4/1/99

California Relies More Heavily on Gas and Hydropower

	California	PJM
GAS	39%	15%
Hydro	24%	5%
	63%	20%
Coal & Nuclear	14%	54%

Proposed Solutions

- Set a temporary cost-based price cap for the wholesale market
- Set a high price cap such as PJM's $1,000/MWH
- Pursue demand-side reductions (such as load management and energy efficiency) aggressively
- Establish a Market Monitoring Unit (MMU) which can correct market power problems in a timely manner

Proposed Solutions

- Eliminate barriers for Distributed Generation
- Construct more "Peakers"
- Regional collaboration to resolve the problems together
- Divestiture of utilities' transmission assets

GAS PRICES

- The Distribution Charge is set by the PSC, usually through a rate case. This is a monopoly service and everyone pays this rate.
- The Purchase Gas Charge (PGC) is based on wholesale market prices under FERC jurisdiction. The PSC audits these costs. Washington Gas **does not** earn a profit on the PGC.

Gas Prices– Two Components

- Distribution Charge – Set by the PSC in a rate case. Everyone pays this charge since there is only one distribution company, Washington Gas.

- Commodity Charge – Price of the commodity gas itself. You can choose whether you want to purchase the commodity from either Washington Gas or other commodity gas suppliers.

Distribution Rates

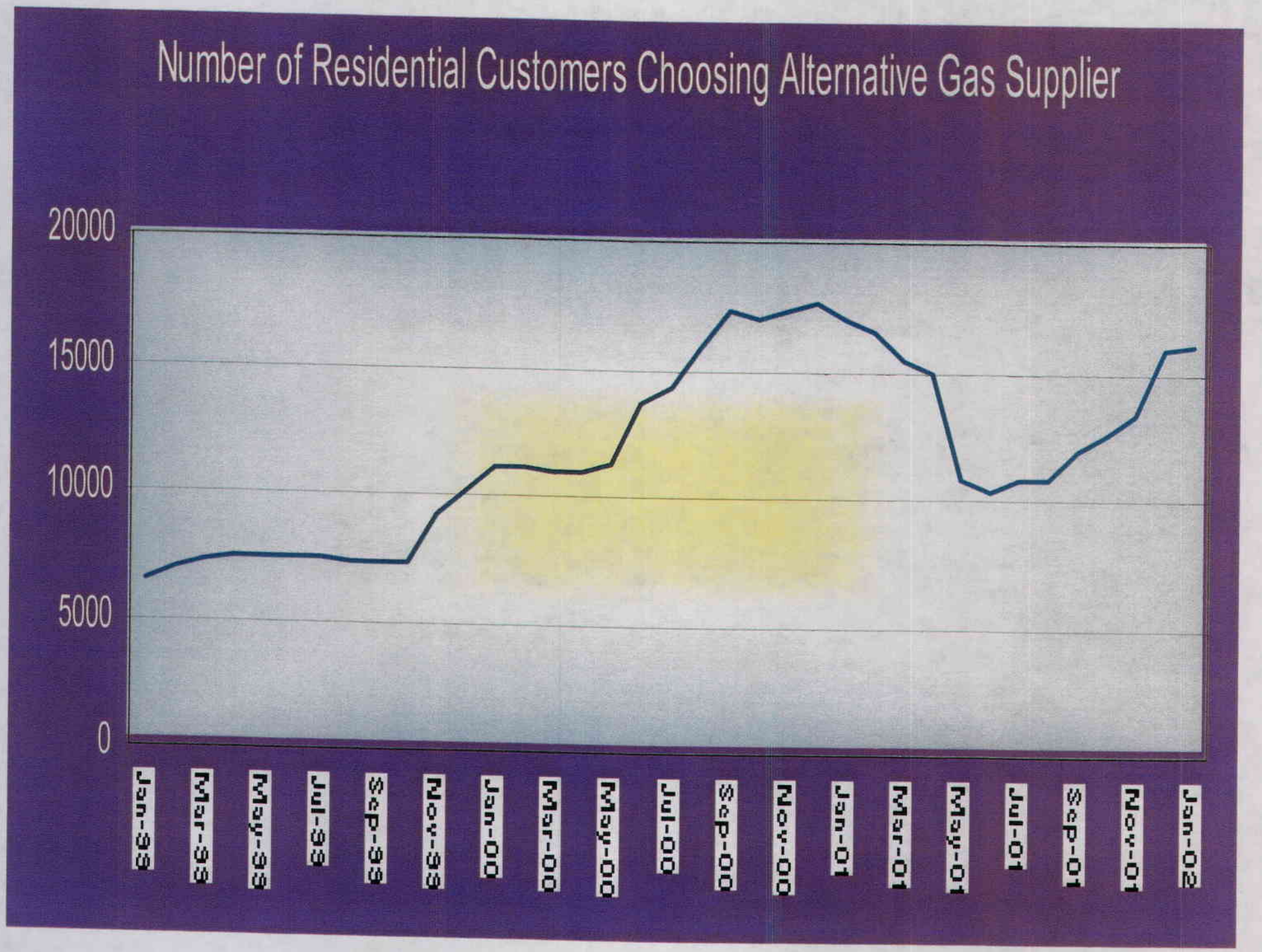
Washington Gas' distribution rates in the District are relatively high compared with neighboring jurisdictions. The Commission has initiated a **Gas Rate Case**, beginning with the filing of testimony by Washington Gas on June 19, 2001. Washington Gas filed supplemental testimony on January 11, 2002. See Order Nos. 12274 and 12280.

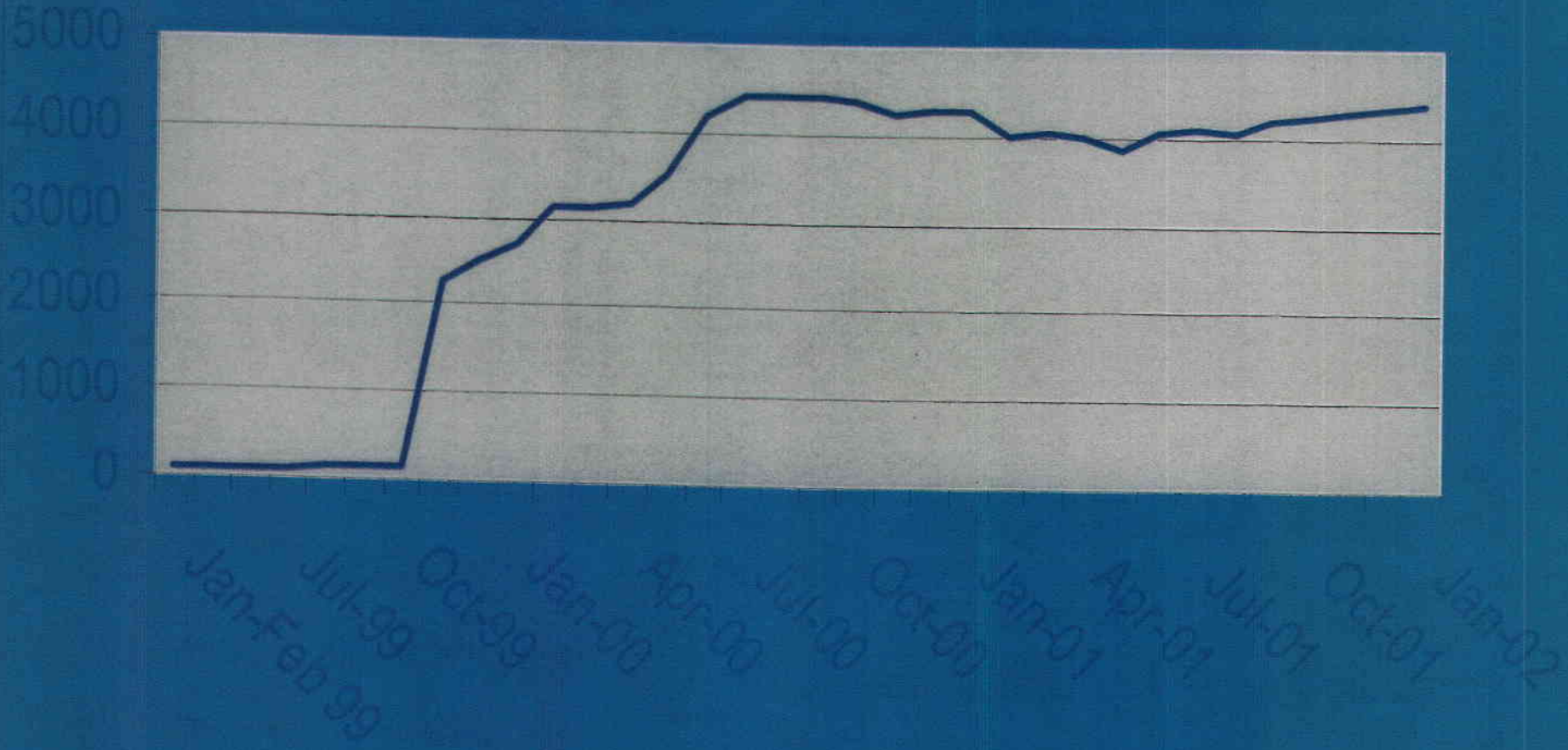
Commodity Gas Competition

There are four (4) Customer Choice programs, covering all residential and commercial customers. The residential program was made permanent in February, 2001.

Current Status of Commodity Gas Competition

As of **January 1, 2001**, there were 3 alternative gas suppliers serving 16,057 participants in the residential program, accounting for **12%** of all residential gas customers and **12** alternative gas suppliers serving 4,384 commercial participants or **32%** of all commercial accounts.


Number of Residential Customers Choosing Alternative Gas Supplier
20000
15000
10000
5000
0
Jan-98
Mar-98
May-98
Jul-98
Sep-98
Nov-98
Jan-00
Mar-00
May-00
Jul-00
Sep-00
Nov-00
Jan-01
Mar-01
May-01
Jul-01
Sep-01
Nov-01
Jan-02


5000
4000
3000
2000
1000
0
Jan-Feb 99
Jul-99
Oct-99
Jan-00
Apr-00
Jul-00
Oct-00
Jan-01
Apr-01
Jul-01
Oct-01
Jan-02

GAS RATE UNBUNDLING
(Look at bills)

- Before unbundling (pre June, 1999)
  - Gas Charge (per Therm)
  - Purchase Gas Adjustment (PGA) (per Therm)

- With unbundling (June, 1999 and after)
  - Distribution Charge (Per Therm)
  - Purchase Gas Charge (PGC) (Per Therm)

PRE-JUNE 1999 BILL

ACCOUNT NUMBER

RATE CLASS
RESIDENTIAL
HEAT/COOL
NEXT METER READING DATE
06/18/99
DAYS IN THIS BILLING PERIOD
28

	Date	Method	Reading
Current Reading	05/20/99	READ BY CO.	7399
Previous Reading	04/22/99	READ BY CO.	- 7363
CCF of Gas Used			36
Unmetered Gas Light (CCF)			+
Total CCF of Gas Used			36
Conversion Factor			x 1.024
Total Therms Used			36.9

PAYMENTS RECEIVED ON 05/05/99 55.87
PAYMENTS RECEIVED ON 04/21/99 251.11
CHARGES THIS PERIOD :
GAS USAGE 35.75

TOTAL CHARGES THIS PERIOD 35.75

TOTAL AMOUNT DUE 06/14/99 $ 35.75

GET CLEANER, FRESHER AIR - PERMANENTLY WITH AN A+2000 PERMANENT AIR FILTER. SEE THE ENCLOSED INSERT FOR DETAILS & ORDER TODAY!

If payment is received after the due date, your next bill will include a late payment fee of $ 0.36

Your Gas Use Profile

Period	Estimated Reading	Total Therms	Days	Therm/ Day	Avg Temp °F
0599	NO	36	28	1	
0598	NO	41	28	1	

Budget Plan Information

Monthly Installment	Used to Date
$	$
Installments Billed To Date	Paid to Date
	$

GAS USAGE DETAIL

TOTAL THERMS (TH) USED	36.9
GAS CHARGE:	
36.9 TH @$ .7049	26.01
PGA @$-.0270 PER TH	-1.00
CUSTOMER CHARGE	7.49
DC GROSS RECPTS TAX	3.25
TOTAL GAS CHARGES	$35.75

IMPORTANT CUSTOMER INFORMATION IS ON THE BACK OF THE BILL

CURRENT BILL FORMAT

ADDRESS
T NUMBER

ASS
DENTIAL
/COOL
TER READING DATE
/18/00
THIS BILLING PERIOD
30

MAILED 11/17/00

	Date	Method	Reading
Current Reading	11/15/00	READ BY CO.	8537
Previous Reading	10/16/00	READ BY CO.	- 8458
CCF of Gas Used			79
Unmetered Gas Light (CCF)			+
Total CCF of Gas Used			79
Conversion Factor			x 1.018
Total Therms Used			80.4

ENTS RECEIVED ON 10/30/00 70.70
GES THIS PERIOD :
S USAGE 101.43
L CHARGES THIS PERIOD 101.43
L AMOUNT DUE 12/08/00 $ 101.43

703-750-7966 OR 1-800-922-6570 TO TAKE ADVANTAGE OF OUR
IAL SERVICES -- BUDGET PLAN ENROLLMENT, PHONE NUMBER
TE OR AUTOMATIC NAME CHANGE INFORMATION.
703-941-LOGS FOR A FREE FIREPLACE BUYER'S GUIDE

nt is received after the due date, your next bill will include a late payment fee of $ 1.01

Your Gas Use Profile

stimated Reading	Total Therms	Days	Therm Day	Avg Temp °F
NO	80	30	2	57
NO	88	32	2	56

Budget Plan Information

stallment	Used to Date
-	$
ts Billed	Paid to Date
	$

GAS USAGE DETAIL

TOTAL THERMS (TH) USED	80.4
DISTRIBUTION CHARGE:	
80.4 TH @$.3879	31.19
CUSTOMER CHARGE	7.49
PGC @$.6400	51.46
DC RIGHTS-OF-WAY FEE	2.07
DC GROSS RECPTS TAX (GRT)	9.22
TOTAL GAS CHARGES	$101.43

IPORTANT CUSTOMER INFORMATION IS ON THE BACK OF THE BILL

Last Winter vs. This Winter

	Last Winter	This Winter
Economy	Strong	Weak - Recession
Weather	Cold	Warm
Demand	Strong	Weak
Supply	Low	High
Wholesale Prices	High	Low
Retail Prices	High	Lower than last year

Physical Flow of Natural Gas

[Producers]

[3 Pipelines]

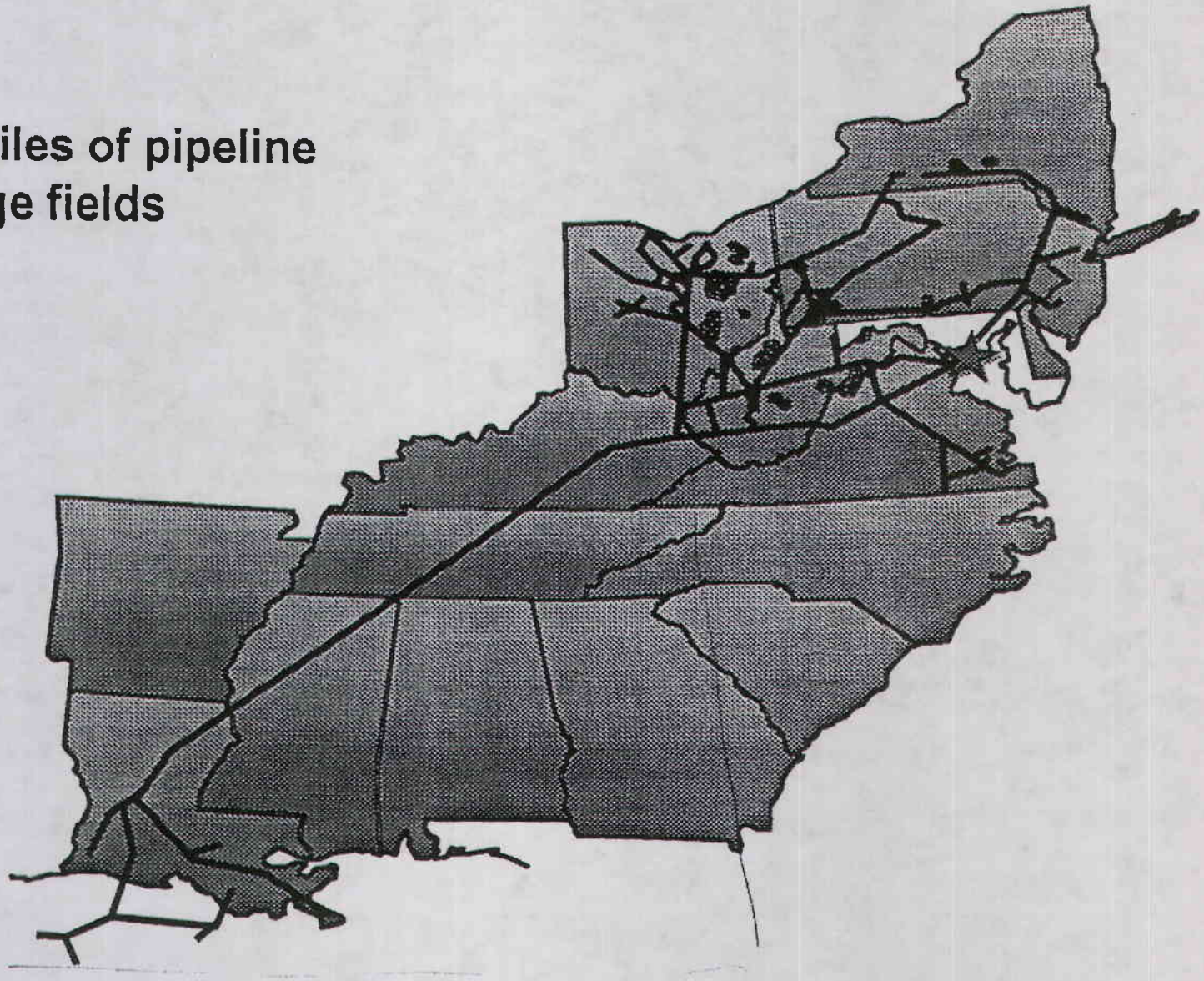
[Washington Gas]

[Homes & Businesses]

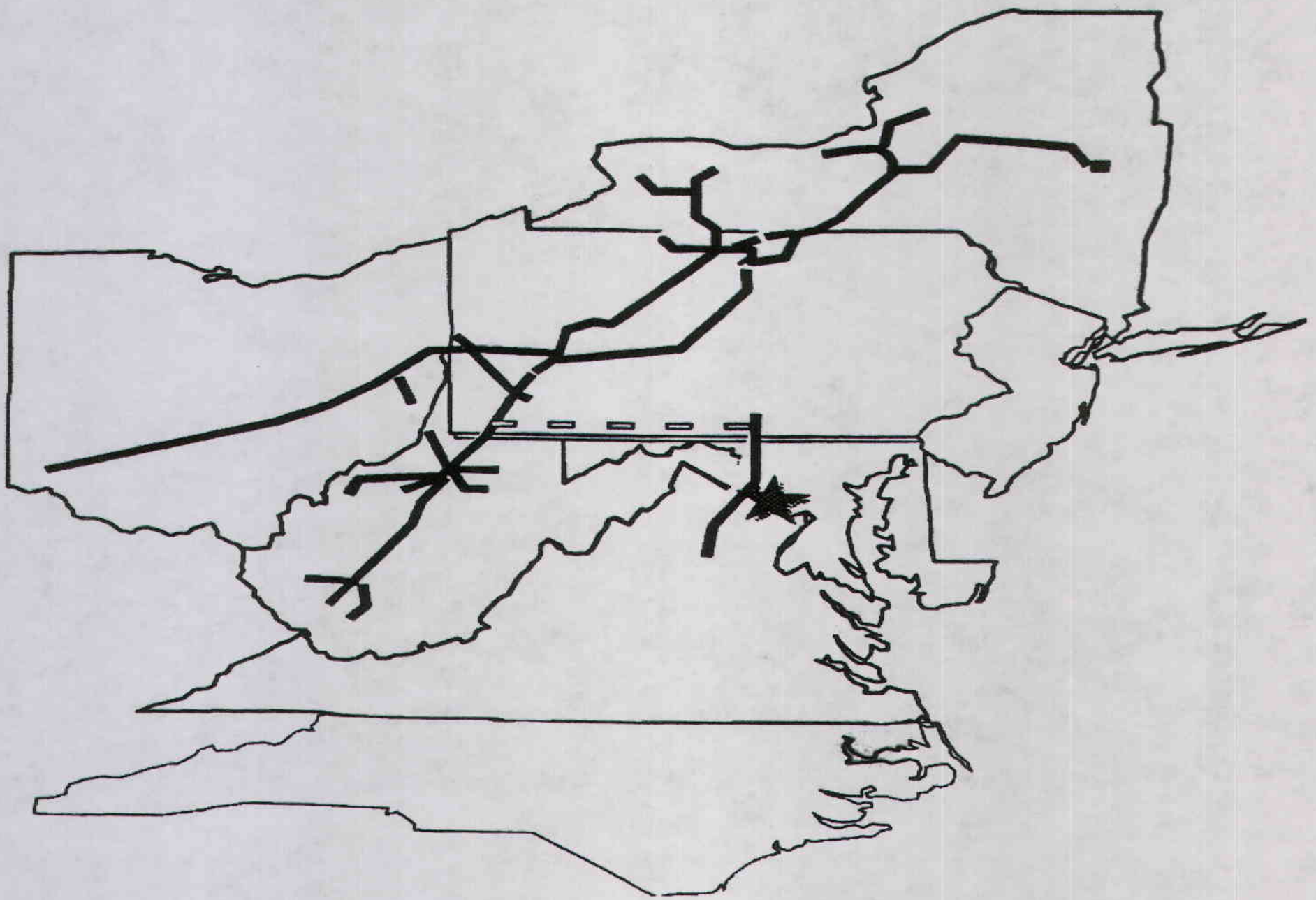
More Market Participants Involved in Financial Transactions

Columbia Transmission and Gulf

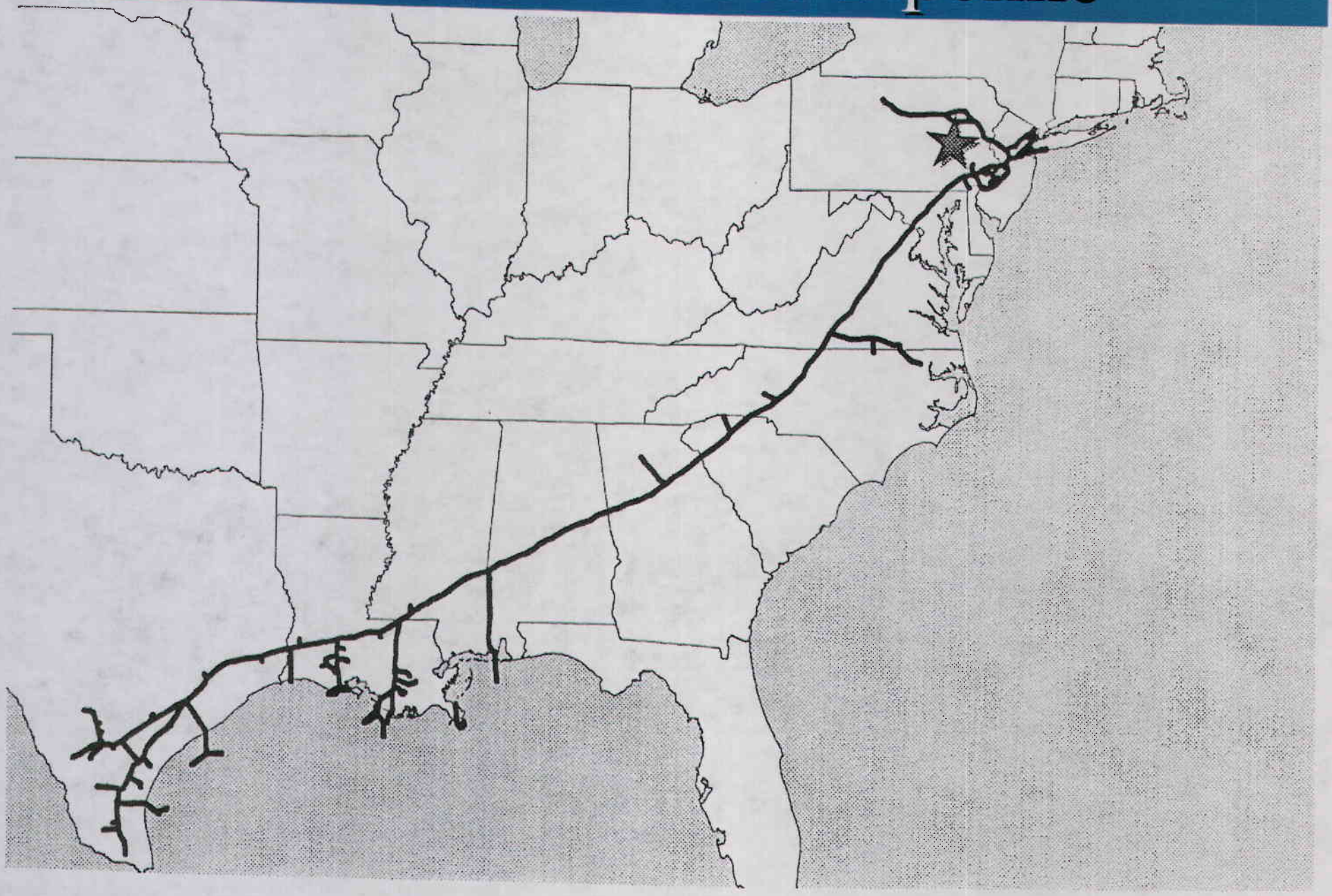
16,700 miles of pipeline
44 storage fields



Dominion Transmission



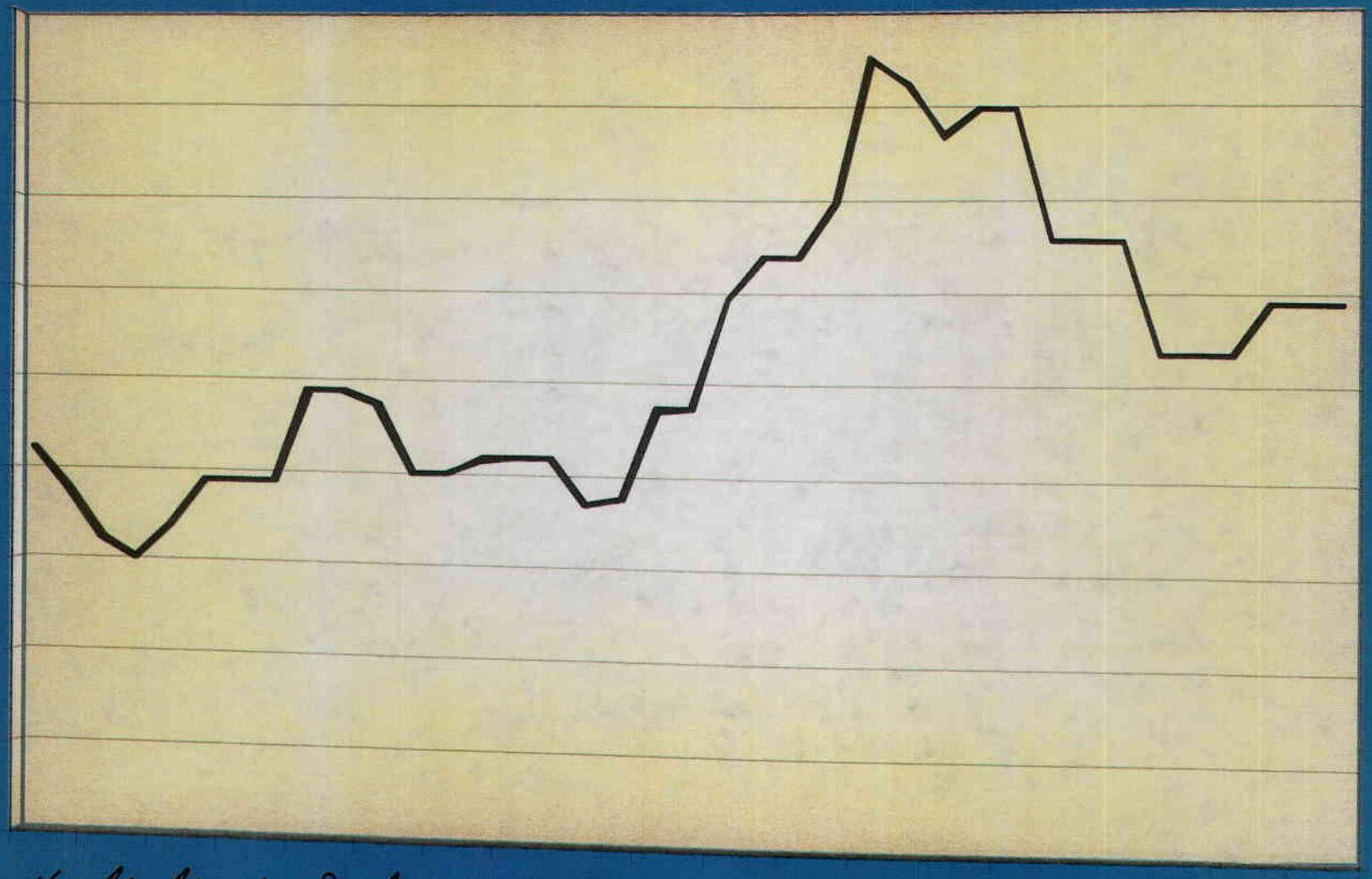
Williams Transco Pipeline



Washington Gas' Gas Procurement Sources

- Storage Gas (Purchased between April and October)
- Long-term Contracts (Executed in early 1990s; guarantees supplies, but not prices)
- Monthly Contracts
- Daily Contracts (Gas purchased the day before)
- Spot Market Prices (Gas purchased on the same day)

TRENDS IN PGC JAN '99 THROUGH FEB '02
(Cents/Therm)



HOW THE COMMISSION TRIED TO MITIGATE THE IMPACTS OF THE HIGH GAS BILLS ON CONSUMERS

- Allowed 3.75 cents per therm reduction (10% reduction) in distribution charge (effective in December bills).
- Approved 4.24 cents per therm reduction in PGC (effective with December bills).
- Refunded $11.1 million to firm sales and delivery to gas customers and approved up to $50 rebate in February bills. (Actual amount depended on usage).
- Established Gas Customer Choice Programs where additional savings were possible (not guaranteed).

How the Commission has further tried to protect gas consumers

Over 6,000 participants in the Gas Residential Customer Choice program were shielded from the price increases, saving as much as over $200 in the three-month period, November 2000 through January 2001.

Commission staff audited the PGC costs (where the market-based gas price increases were reflected) for the period June 2000 through May 2001.

The Commission held a hearing on June 27, 2001 regarding Washington Gas' procurement practices both for this past winter heating season and for the upcoming season.

The Commission has approved a hedging program for Washington Gas.

Other Commission Actions to Mitigate High Gas Prices

2000-2001 winter natural gas price volatility a major factor in large bill increases for residential consumers.

What Can be Done About this Problem?

WGL and alternate gas suppliers all face national gas market so they are price takers, and we cannot change that.

A direct way to mitigate a large price impact on gas procurement is through some type of Hedging of the gas supply.

By hedging we mean either securing physical supply in advance for future use or forward contracting with financial instruments.

WGL has historically hedged 40% of its supply through storage operations.

With Order No. 12201, WGL now has authority to establish a pilot program to engage in forward contracting with financial instruments to attempt to obtain a reasonable forward price for winter delivery of up to 10% of its total sales volumes.

Winter 2001-2002 Natural Gas Price Assessment

Energy Information Administration's (EIA) Winter Fuels Outlook

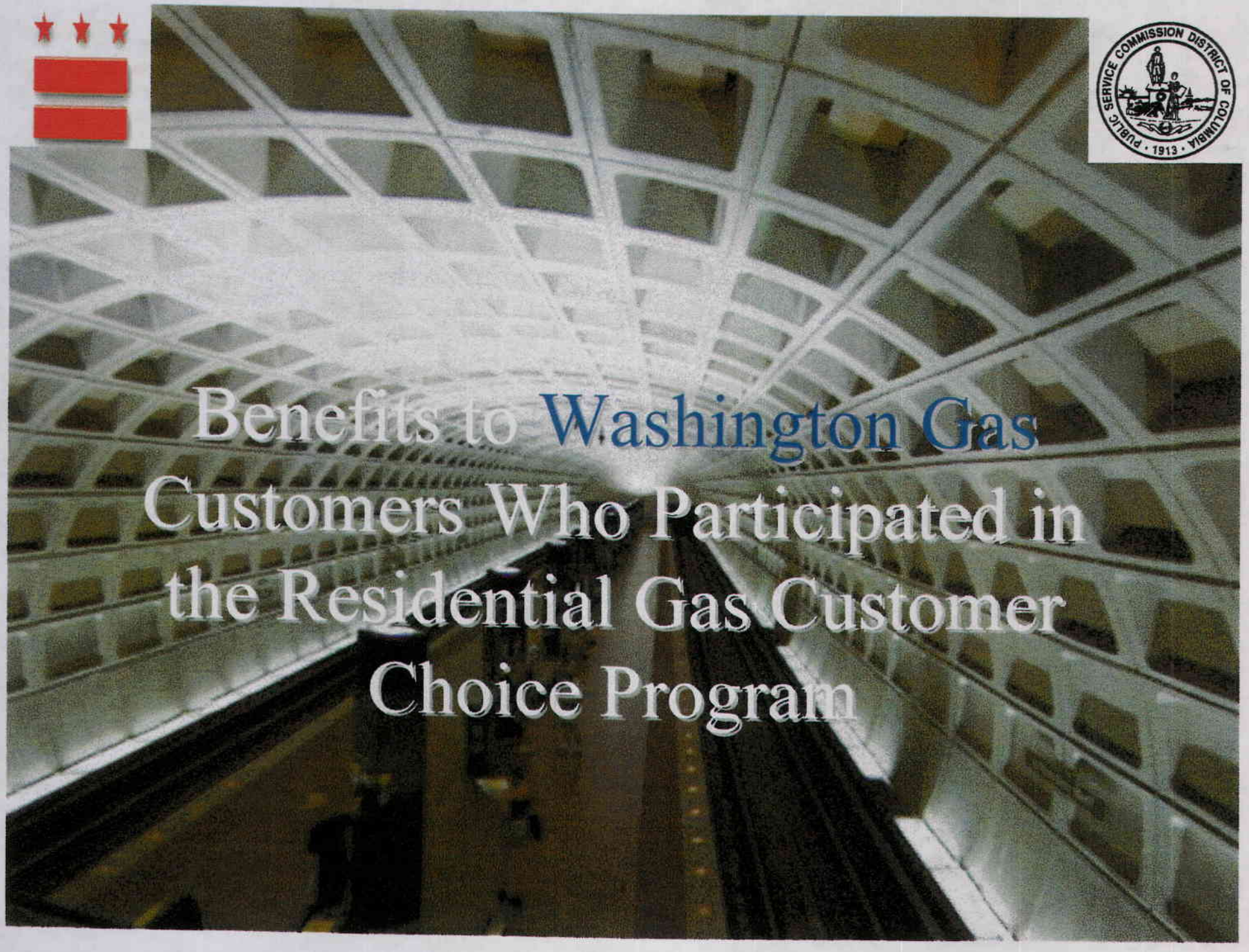
EIA expects the natural gas wellhead price to average $2.21/mcf, which translates into approximately a 32 cents/therm retail price.

DCPSC OTRA Outlook

Moderate wholesale prices which likely will result in WGL's PGC in the range of 40-50 cents/therm on average

bottom line…

Thus, most forecasts are expecting very moderate prices this year...depending on the weather of course.



Benefits to Washington Gas Customers Who Participated in the Residential Gas Customer Choice Program

Illustrative Savings from Residential Customer Choice Program

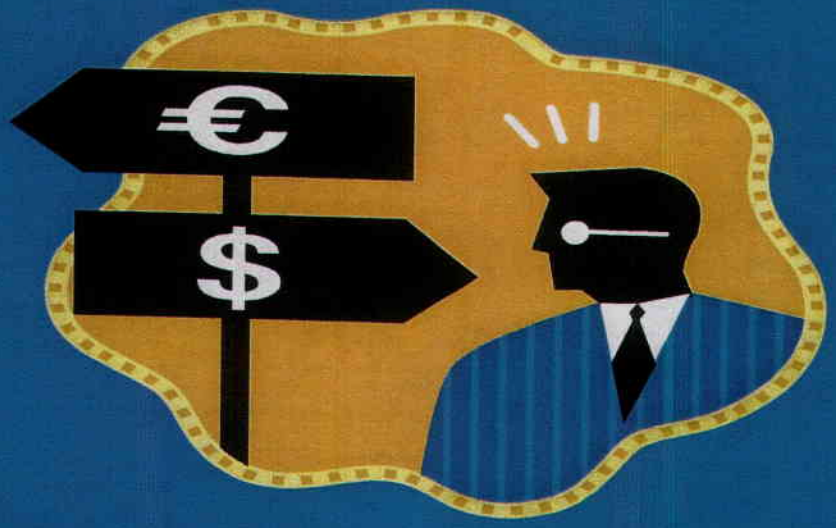
If signed up with Washington Gas Energy Services in 1998

	November 2000	December 2000	January 2001	Total
	80 Therms	*216 Therms*	*254 Therms*	*550 Therms*
Non Participant	$101.43	$262.71	$350.45	$714.59
Participant (WGES Customer)	$76.07	$194.76	$228.01	$498.84
Savings	$25.36	$67.95	$122.44	$215.75

Gas Cost Comparison January 2000 - 2002
0.9
0.8
0.7
0.6
0.5
0.4
0.3
0.2
0.1
0
1/1/2000
4/1/2000
7/1/2000
10/1/2000
1/1/2001
4/1/2001
7/1/2001
10/1/2001
1/1/2002
WG
WGES w/o electric service
WGES w/electric service
Pepco Energy Services
Econ Energy

NG

How to Choose an Alternative Gas Supplier



Questions to Ask Each Supplier

- What is your price?
- Does this price include a "**Balancing Charge**"?
  - If no, how much is the balancing charge?
  - If "**Variable**", what is it based on?
  - If "**Fixed**", for how long?
- Do I have to sign a contract?
- Is there a penalty for switching before the end of the contract? If yes, how much is the fee?
- Is there a minimum charge?

Current Natural Gas Offerings to New Residential Customers (as of January 17, 2002)

Company	Price (Without Balancing Charge)	Price (With Balancing Charge)
EconEnergy **1 (877) 89energy** **www.econnergy.com**	52.00 cents/therm Varies each month No minimum monthly charge	53.45 cents/therm Varies each month No minimum monthly charge
Pepco Energy Services **1 (800)-Energy9** **www.Powerchoice.com**	53.50 cents/therm for 1 year No minimum monthly charge	55.00 cents/ therm for 1 year - No minimum monthly charge
Washington Gas Energy Services **1 (888) 236-9437** **www.wges.com**	49.90 cents/therm for 1 year (without electricity purchase) 48.00 cents/therm for 1 year (with electricity purchase) No minimum monthly charge *Good for 1 year*	**51.35** cents/therm for 1 year (without electricity purchase) **50.35** cents/therm for 1 year (with electricity purchase) No minimum monthly charge *Good for 1 year*

How To Calculate Gas Savings
District of Columbia

Instructions:

1. Enter the gas supplier's name. This is required in order to view the results. You are allowed to enter information for up to four different suppliers. Click here for a list of participating natural gas suppliers.
2. Enter the total gas price offering from each supplier. For example, if the price is 65 cents per therm, enter $0.65.
3. If the rate quote from the supplier does not include the balancing charge, add $0.0145 to the quoted price.
4. Enter your total natural gas usage (therms) for the past 12 months. If you do not have this number, please contact Washington Gas at (703) 750-1000.

The average usage (therms) for residential customers in the District of Columbia is approximately 1000 therms.

Once you have completed these steps for each supplier, click the *Calculate Savings* button.

	Supplier Name	Supplier Total Gas Price Offering	Supplier Monthly Fees
Supplier 1:	Econ Energy	0.5345	0
Supplier 2:	Pepco Energy Srvcs	0.5500	0
Supplier 3:	WGES w/o Eletrc Srvc	0.5135	0
Supplier 4:	WGES w/Eletrc Srvc	0.5035	0

Enter your usage(therms) for the previous 12 months:
1000 **therms**

Calculate Savings | Clear

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Gas Savings

Based on the information that you supplied, the following results were produced:

Annual Gas Usage: 1000 therms

	Total Annual Gas Cost	Annual Gas Cost Savings
Washington Gas	$532.40	-
Econ Energy	$534.50	($2.10)
Pepco Energy Srvcs	$550.00	($17.60)
WGES w/o Eletrc Srvc	$513.50	$18.90
WGES w/Eletrc Srvc	$503.50	$28.90

If the Annual Gas Cost Savings number is positive, the number represents the amount that you would potentially save if you purchased your natural gas from the marketer instead of purchasing it from Washington Gas.

If the Annual Gas Cost Savings number is negative ( ), the number represents the additional amount that you would potentially pay if you purchased your natural gas from the marketer instead of purchasing it from Washington Gas.

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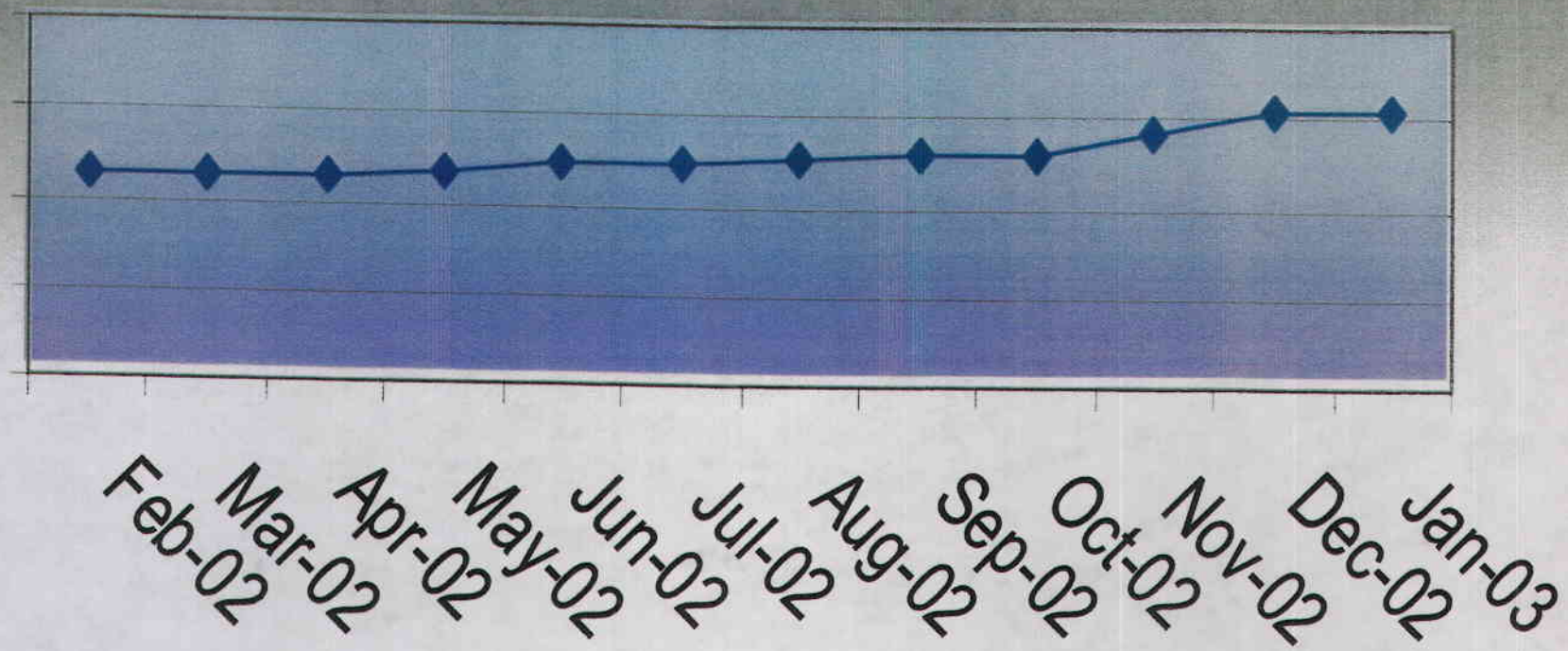
NYMEX Futures Wholesale Prices

($ / MMBTUs)

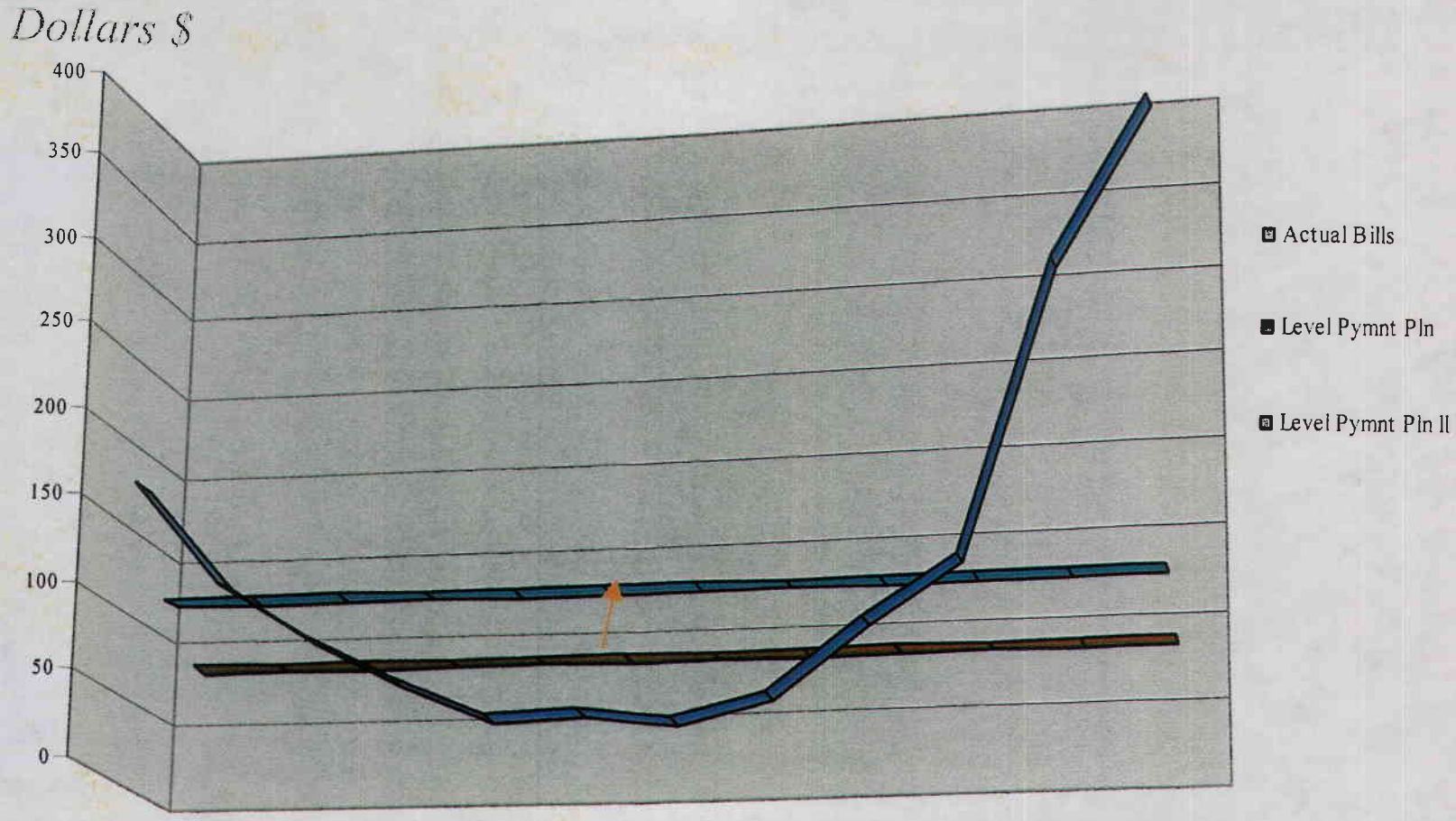
(Wall Street Journal January 4, 2002)



WHAT YOU SHOULD DO IF YOU CAN'T PAY YOUR GAS BILL(S)

- Consider joining Washington Gas **level payment plan** (spread costs over 12 months).
- Find ways to conserve energy.
- Contact Washington Gas, OPC, DCEO or the Commission for assistance (e.g. LIHEAP, Washington Area Fuel Fund, etc.).
- Make payment arrangements with Washington Gas.

WASHINGTON GAS LIGHT LEVEL PAYMENT PLAN (February 2000 through January 2001)



	Feb	Mar	Apr	May	June	Jul	Aug	Sep	Oct	Nov	Dec	1-Jan
Actual Bills	158.96	100.78	68.51	44	22.4	24.45	18.36	31.44	70	101.43	262.71	350.45
Level Pymnt Pln	105	105	105	105	105	105	105	105	105	105	105	105
Level Pymnt Pln II	78	78	78	78	78	78	78	78	78	78	78	78

Summary Highlights of Washington Gas' Rate Increase Proposal

Proposed rate increase of $16.3 million

Test year - calendar year 2000 plus adjustments through rate effective period, December 1, 2001-November 30, 2002. Assumes Commission decision by November 30, 2001.

Cost of Capital - 9.73% (Current is 9.72%.)

Return on Equity (ROE) is 12.25%. (Current is 11.5%.) Uses Discounted Cash Flow (DCF) and Risk Premium Approaches.

Rate increase is distributed across the board of customer classes.

Summary Highlights of Washington Gas' Rate Increase Proposal

Incentive Rate Plan – If Return on Equity (ROE) exceeds 13.25%, ½ of excess returned to ratepayers as a credit; if ROE is less than 11.25%, ½ of deficiency is collected from ratepayers; if ROE is between 11.25% and 13.25%, no adjustment to rates.

No change in rate design.

Rate Impacts –Heating & Cooling Customers:

a. Residential- Increased Customer Charge from $7.49 to $8.60 Increased Distribution Charge from 39.89 cents/therm to 46.22 cents/therm (actual charges on bill are 5.98 cents per therm less, because of firm customers' portions of margins generated by sales and transportation to interruptible customers) Proposed average monthly bill increase is 7.2%.

Summary Highlights of Washington Gas' Rate Increase Proposal

Rate Impacts – Heating & Cooling Customers

b. Commercial & Industrial – 6.6% - 6.8% Increases

c. Group Metered Apartments – 6.5% - 6.7% Increases

Residential Essential Service (RES) changes- low income discount program

a. Increase credit or discount so there will be no change in rates. (Subsidized by other rate payers)

b. New deferral mechanism – if weather is colder than normal, RES participants can defer payment of ½ of their higher bills.

Summary Highlights of Washington Gas' Rate Increase Proposal

Amend Purchase Gas Charge (PGC) to provide for the accrual of carrying costs on imbalances in collection of gas costs.

Increase maximum amount of customer deposits from $100 to $325.

Increase miscellaneous service charges such as returned check fees.

Update the Watergate rate schedule to reflect WG's pretax rate of return (ROR).

SOURCES OF PROPOSED $16.3 MILLION RATE INCREASE

1. Increase in return on equity.
2. Salary increases – 5% in 2001 and expansion of workforce.
3. Recovery of increased paving and construction costs in DC; replacement of mains at a current cost higher than embedded costs.
4. Recovery of costs associated with customer education in the customer choice program.
5. Expansion and changes to the RES ($100,000).
6. Survey of Budget Plan non-participants to determine best way to advertise the program - $18,000.
7. Conservation adjustment – adjust for declining sales.
8. Upgrade computer system.
9. Remediation costs of East Station.

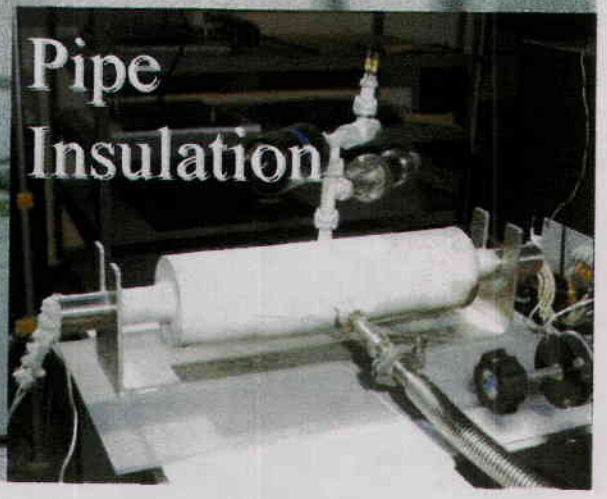
Additional Energy Efficient Ideas

Energy Efficient Bulbs

Alternative Energy Sources

Storm Windows

Pipe Insulation



Day-to-Day Conservation Tips

- Change of clean your furnace filter once a month using your natural gas bill as a reminder.
- Seal leaks around doors, windows, and other openings, such as pipes or ducts, with caulking or weather-stripping.
- Replace broken or cracked glass and consider installing storm windows
- Dress warmly in the home.
- Close vents and doors in unused rooms and close dampers in unused fireplaces.
- Run you washer and dryer with full loads.
- Never use gas stoves/ovens for heating purposes. Continuous burning can lead to carbon monoxide hazard

Watch Your Thermostat

- Set your thermostat at a comfortable setting between 65 and 70 degrees during the day and slightly lower at night.
- When you're away from home for more than a few hours, set your thermostat at 58 degrees.
- Warmer temperatures are recommended for homes with ill or elderly persons or infants.

Long-Term Tips

- **Schedule a furnace check-up.** *Regular maintenance performed by a qualified professional can help ensure the safe, reliable, and efficient operation of your heating system.*

- **Consider purchasing a new, high-efficiency furnace or water heater.** *If your furnace of water heater is nearing the end of its normal life span or has experienced problems in the past, a new high-efficiency unit can save you as much as 20% on your heating bills.*

- **Consider purchasing a programmable thermostat.** *A programmable thermostat automatically reduces temperature settings without sacrificing comfort.*

Electric Retail Competition and Consumer Protection Act of 1999

- Section 105 Licensing Requirements
  - All the suppliers/aggregators need to apply for a license from the Commission.
    - The applicants need to submit proof of financial integrity, proof of compliance with all applicable federal and D.C. environmental laws, proof of technical and managerial competence etc.
    - The Commission shall require an applicant to post a bond or other similar instrument, if the Commission believes such requirement is necessary.

Retail Electric Competition and Consumer Protection Act of 1999

Additional Highlights:

- The Commission is also actively establishing customer education programs including a Commission hosted website to facilitate price comparisons
- Establishing Reliable Energy Trust Fund Programs
- Establishing code of conduct between PEPCO and its affiliates
- Determining fuel mix information disclosure for the consumers

The 1999 Act (Continued)

- Establishing procedural rules for complaints, investigations and dispositional hearings
- Governing market power proceedings in both retail and wholesale markets
- Implementing competitive bidding process to select default service provider prior to July 1, 2004
- New **SOS** provider should start on January 1, 2005.

The 1999 Act (Continued)

- In addition:
  - a) The Act states that the Mayor, in conjunction with the Commission, shall issue regulations governing a municipal aggregation program.
  - b) Net Metering provisions include: Facilitating the development of distributed generation
  - c) Competitive billing shall begin on January 1, 2002.

Implementation of the Act

- Commission has adopted interim supplier/aggregator certification standards
- Specifically, we
  - (a) adopted a case-by-case approach to ensure the financial integrity of an applicant;
  - (b) protect consumers from potentially unscrupulous suppliers, by providing two different bonds, financial integrity bonds and deposit and prepayment bonds.
  - (c) Financial Integrity bond is set at $50,000 for suppliers and $10,000 for brokers and aggregators
- Six suppliers/aggregators were approved.

Section 115 Aggregation Program

- The Mayor may develop and administer a municipal aggregation program or municipal aggregation programs for the purchase of electricity supply by D.C. ratepayers.

- The Mayor, in conjunction with the Commission, shall issue regulations governing a municipal aggregation program.

- The Act requires OPC to provide assistance to any person seeking to implement a customer-based aggregation program.

Section 115 Aggregation Program

- The Commission may adopt any reasonable regulations relating to customer-based aggregation programs.

Benefits of Aggregation (Consumer Leverage)

- Reduction of Costs
  - through greater bargaining power
- Geographic concentration of consumers
- Ability to influence policy-making
- More desirable Load Shape
  - Combining various customer groups will result in usage patterns that are more attractive to suppliers.
- Ability to enter into long-term agreements
  - Municipalities can negotiate favorable terms and conditions for electric service on behalf of their citizens

Benefits of Aggregation

- Opportunities for Multiple Services
  - A. Metering
    - Advanced metering services will be more affordable for consumers
  - B. Other Services
    - Electric suppliers may offer packages (such as telephone, energy efficiency, internet access etc.)
- Provides additional choice and can jumpstart competition
  - A respected and accountable municipal aggregator can foster small-consumer participation in the early days of competition.

Consumer Aggregation

- What is Aggregation?
  - A larger entity shops on behalf of many smaller customers
- Types of Consumer Aggregation
  - Consumer-Owned Electric System
  - Municipal Aggregation
  - Buyer's Association or Organization
  - Private Aggregator

What is Municipal Aggregation?

- Municipality procuring electric power and related services on behalf of the residents of their community. A municipal aggregator need not own physical facilities.

- Two types of Municipal aggregation:
  - Opt-in and Opt-out

Opt-In

- Opt-in requires customers to affirmatively elect to be a part of the aggregation pool at the start of the programs by mailing a consent form back to the municipal aggregator.
- Customers would not become a member of aggregated pool unless a written authorization is received.

Opt-Out

- Opt-out requires residents to provide written notification only if they wish to be excluded from the aggregated group.

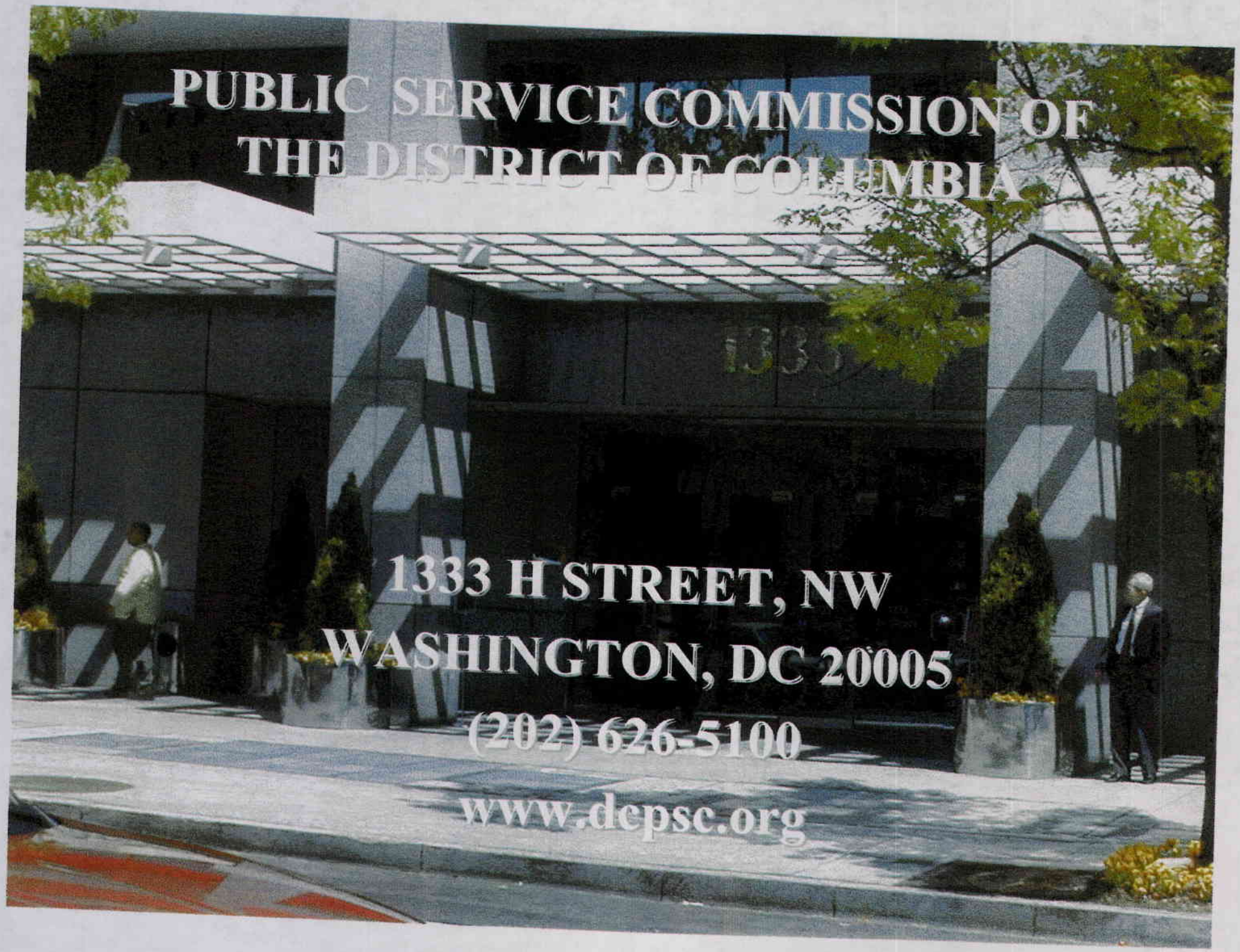
- The Opt-out feature gives consumers the option of not participating in the program by opting out prior to enrollment.

Commission's Actions

- The Commission also:
  - (1) approved a low-income aggregation program recommended by the Working Group (December 29, 2000 Order)
  - (2) adopted the Working Group's interim consumer protection standards in September 18, 2000 Order
  - (3) adopted the Working Group's interim aggregation standards in its February 8, 2001 Order

Commission Actions (Cont.)

- February 8, 2001 Order (Order No. 11913)
  - An aggregator needs to obtain an electric supplier license from the Commission.
  - An aggregator needs to comply with the Commission specified customer protection standards
  - Encourage the Working Group to continue to work towards developing methods for effective aggregation and to submit a recommendation to the Commission regarding aggregation programs for residential and small business customers by June 1, 2001.
- The Commission will further consider these standards through rulemaking process.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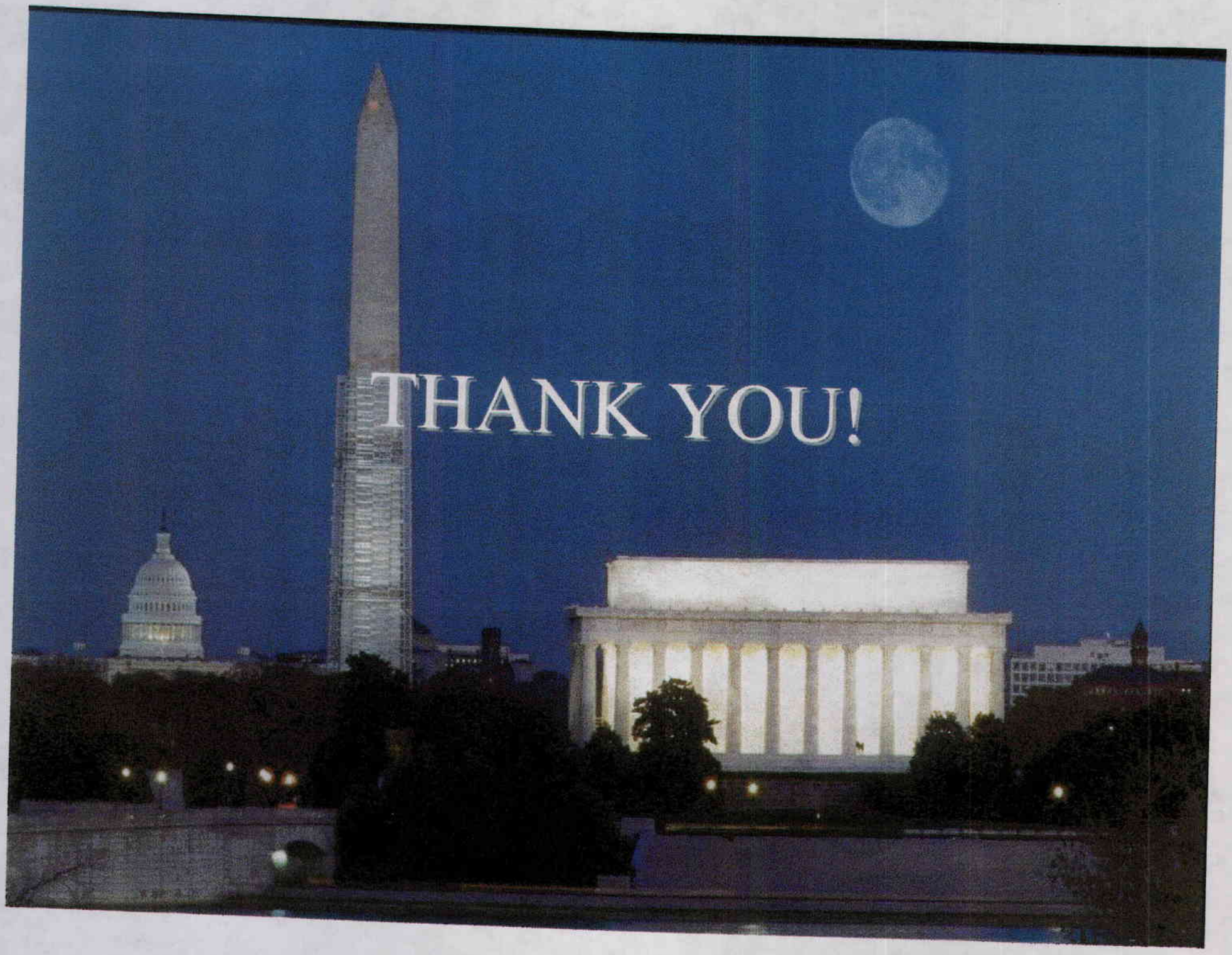
THANK YOU!