



Pennsylvania Electric Company

Waverly, New York

Default Service

11-29-11

Agenda

- **Background**
- **Overview of proposed Price to Compare Default Service Riders, Default Service Support Rider and NUG Rider for moving Waverly Electric generation rates to market rates**
- **Discuss phase-in of rate increase required to go to market based rates at Waverly**
- **Non-Utility Generation (“NUG”) cost recovery**
- **Tariff updates**

Background

- TIOGA COUNTY

Village of Waverly

Town of Barton (western portion)

- Currently has generation and transmission component that has been fixed since they were unbundled in 2001

The Numbers...

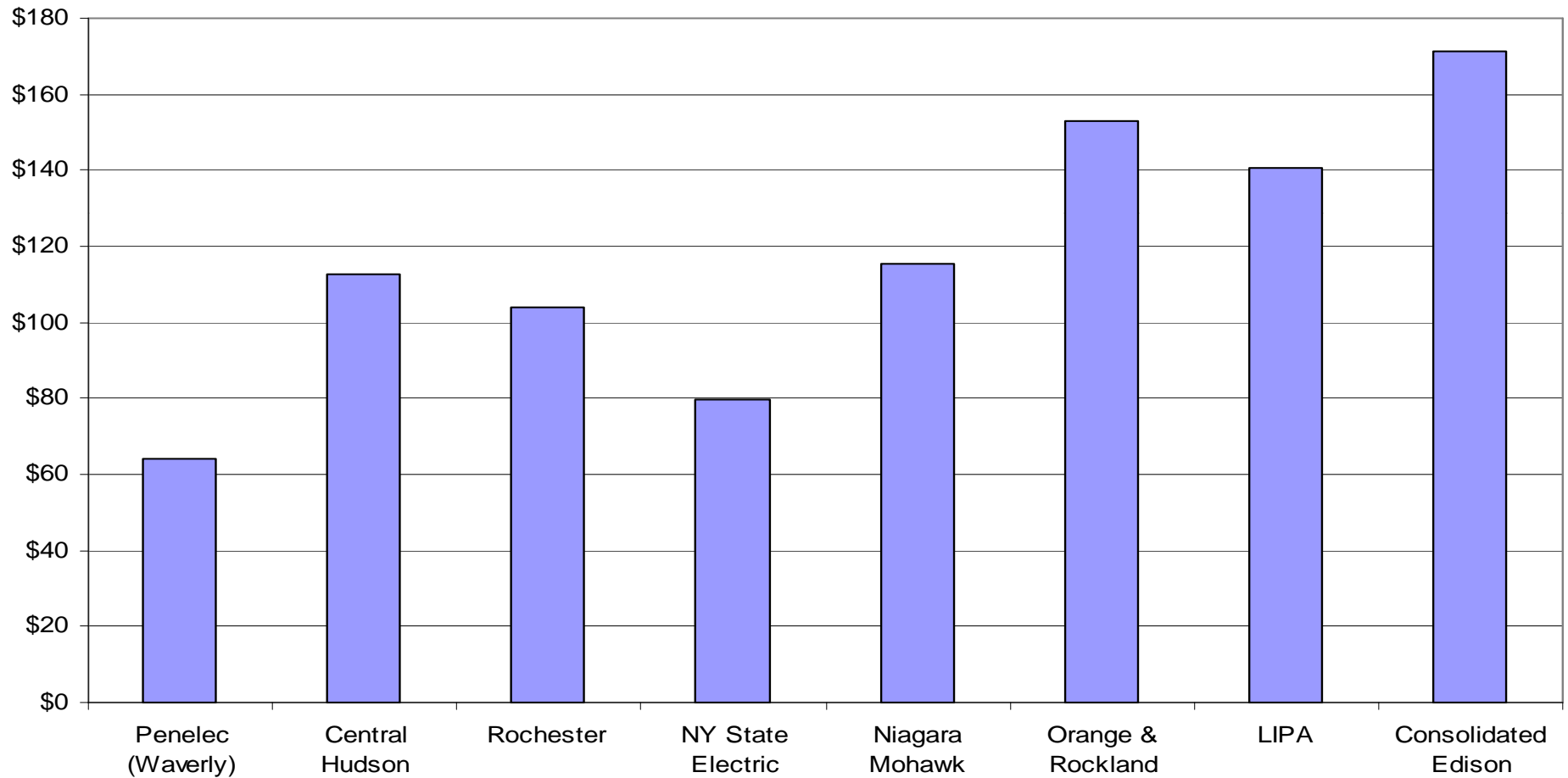
	Number of Customers	kWh	kW	kVAR
RS	3,067	28,310,054		
RT	248	4,006,070		
GS-1 (under 5 kW)	364	3,807,235	6,049	
GS-1 (over 5 kW)	4	155,758	298	
GS-3 (under 5 kW)	86	11,106,802	30,367	8,455
GS-3 (over 5 kW)	6	7,218,117	16,741	15,261
GP	1	3,663,307	7,995	6,770

Background

- **Waverly Electric is a wholly owned subsidiary of Penelec**
- **Waverly Electric is included in the Penelec Zone of PJM and is not interconnected in any way to the New York ISO**
- **Neither Waverly Electric or Penelec own or control any generation resources – other than NUGs**
 - *NUGs are not being used to serve load, as they are sold into the PJM administered markets*
- **Waverly Generation has been secured through allocations of Penelec's Generation supply**
 - *Through the end of 2010 – through several bi-lateral energy contracts and a partial service contract with FirstEnergy Solutions*
 - *Beginning in January 2011 – secured through PA PUC approved competitively sourced forward contracts or PJM administered markets*

EEI Rate Comparison – January 2011

Residential 750 kWh
Rates in effect as of January 1, 2011



Price to Compare Default Service Rider

- **Filed Price to Compare Default Service Riders for Waverly at NY-PSC on October 25, 2011 to transition default service customers to market-based generation supply**
- **Using experience gained from prior Penelec Default Service Plans in Pennsylvania**
- **Rates to be effective June 1, 2012, and change annually**
- **Separate rates for Residential class (*RS & RT*), Commercial class (*GS - Secondary, Private Outdoor Lighting, Street Lighting*), and Industrial class (*GS - Primary & Large Primary*)**
- **Riders would recover the cost of generation and transmission acquired through**
 - PJM administered markets
 - Forward contracts for energy or full requirements contracts that have been approved by the PA Commission as part of a PA Commission approved default service plan

Price to Compare Default Service Rider

- **Reconciled Annually - with new rates effective June 1 of each subsequent year**
- **Residential**
 - Expected Rate based on current Market conditions = \$0.07200 cents per kwh
 - Components of Rate:
 - Projected Weighted average cost of supply – adjusted for losses
 - Incremental uncollectible expense associated with default service supply
 - Administration fee (costs of auctions, etc)
 - NITS (Network Integration Transmission Service acquired by the Company)
 - Reconciliation of prior periods expenses and revenues
- **Commercial**
 - Expected Rate based on current market conditions = \$0.07267 cents per kwh
 - Include default service related uncollectible expense
 - Components of Rate:
 - Projected Weighted average cost of supply – adjusted for losses
 - Incremental uncollectible expense associated with default service supply
 - Administration fee (costs of auctions, etc)
 - NITS
 - Reconciliation of prior periods expenses and revenues

Price to Compare Default Service Rider

- **Industrial**
- Hourly Components of Rate:
 - Ancillary Charges
 - Capacity Charge
 - Administrative Charges
 - NITS Charge
 - Reconciliation Charge

Default Service Support Rider

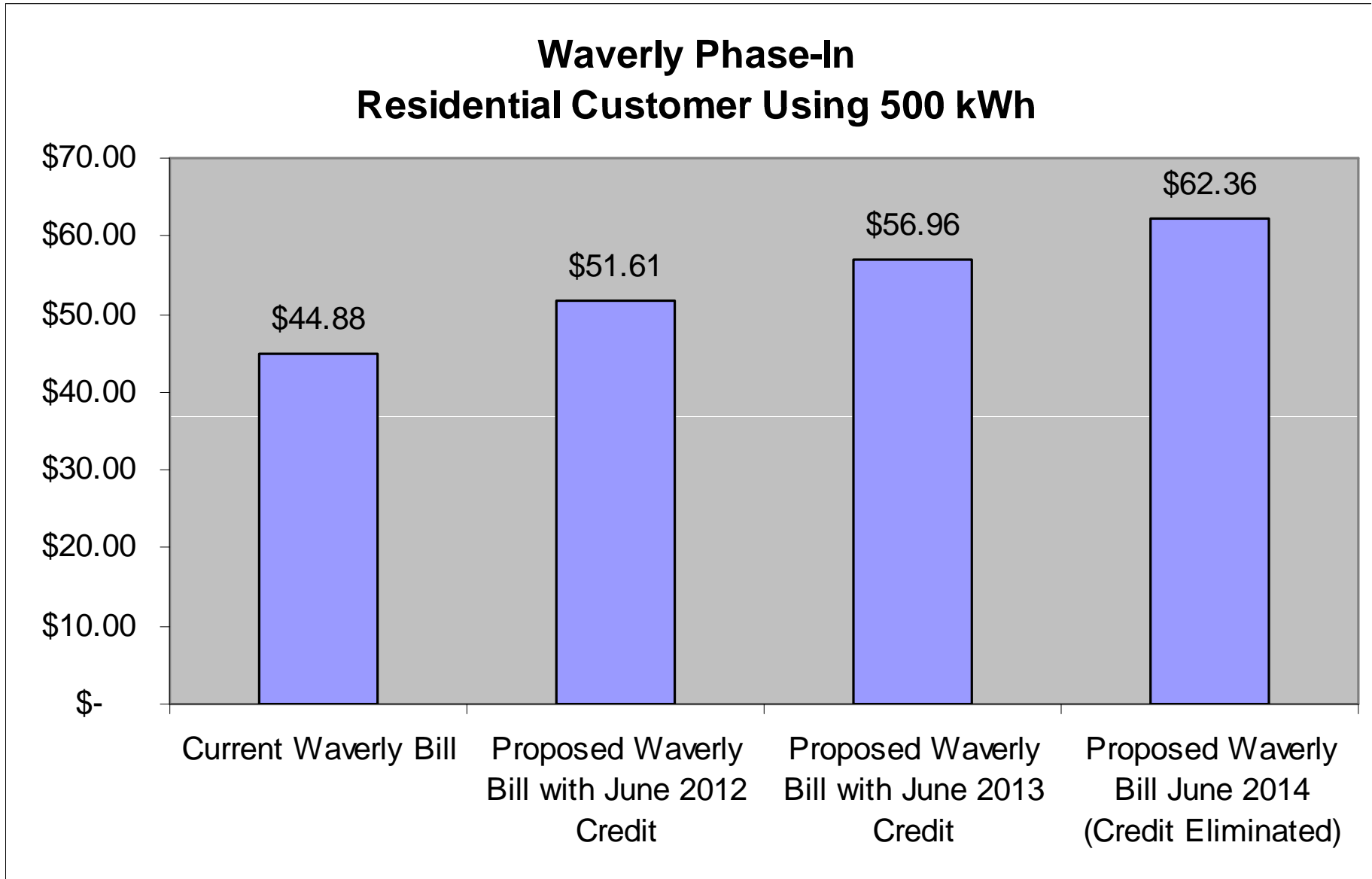
■ **Non-bypassable Rider**

- No impact on shopping during either the deferral period or the recovery period

■ **Phase-in of Rate increase through Default Service Support Rider – through credit**

- Phase-in, kwh credit designed to keep June 2012 increase to 15% for 500 kwh per month residential customer (estimate = -\$0.0209 per kwh)
- Reduce credit by 50% in June 2013
- Eliminate credit in June 2014
- Recover deferred balance plus interest over 5 years beginning in June 2015 (Default Service Support Rider becomes positive charge)
- Deferred balance to earn a 11.43% return

■ **Rates to be effective on June 1, 2012 and to change annually to implement the phase-in plan**



Rate Calculations/Customer Impact without Phase-In for Residential Customers Using 500 kWh

WAVERLY RATES - Current

Distribution		
Customer Charge @ \$6.36	\$	6.36
All kWh @ 2.876 ¢/kWh	\$	14.38
Sub-Total	\$	20.74
Generation		
All kWh @ 4.548 ¢/kWh	\$	22.74
Transmission		
All kWh @ 0.120 ¢/kWh	\$	0.60
NUG		
All kWh @ (0.001) ¢/kWh	\$	(0.01)
T&D Sub Total	\$	21.34
T&D Tax @ 2.8853 %	\$	0.62
Commodity Sub Total	\$	22.73
Commodity Tax @ 0.8276 %	\$	0.19
Total Bill	\$	44.88

WAVERLY RATES - Estimate (without Phase-In/ Credit)

Distribution		
Customer Charge @ \$6.36	\$	6.36
All kWh @ 0.02876 ¢/kWh	\$	14.38
Sub-Total	\$	20.74
PTC		
All kWh @ 0.07200 ¢/kWh	\$	36.00
NUG		
All kWh @ 0.00376 ¢/kWh	\$	1.88
TSAS		
All kWh @ 0.00550 ¢/kWh	\$	2.75
T&D Sub Total	\$	23.49
T&D Tax @ 2.8853 %	\$	0.68
Commodity Sub Total	\$	37.88
Commodity Tax @ 0.8276 %	\$	0.31
Total Bill	\$	62.36
% Increase		39.95 %

Rate Calculations/Customer Impact without Phase-In for Residential Customers Using 500 kWh

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Total Bill	\$	44.88

WAVERLY RATES - Estimate (with June 2012 Credit)

Distribution		
Customer Charge @ \$6.36	\$	6.36
All kWh @ 0.02876 ¢/kWh	\$	14.38
Sub-Total	\$	20.74
PTC		
All kWh @ 0.07200 ¢/kWh	\$	36.00
NUG		
All kWh @ 0.00376 ¢/kWh	\$	1.88
Credit		
All kWh @ (0.0209) ¢/kWh	\$	(10.45)
TSAS		
All kWh @ 0.00550 ¢/kWh	\$	2.75
T&D Sub Total	\$	13.04
T&D Tax @ 2.8853 %	\$	0.38
Commodity Sub Total	\$	37.88
Commodity Tax @ 0.8276 %	\$	0.31
Total Bill	\$	51.61
% Increase		15.00%

Current NUG Costs allocated to Waverly - NCR Rider Non-Utility Generation Cost Adjustment Clause

- Separate NCR charge in tariff for each rate schedule but not shown separately on the bill - in distribution charge
- Defer differences between the NCR revenues collected and the above market NUG costs
- Quarterly reports required to be submitted to the NY-PSC through December 2020
- Penelec required to file with the NY-PSC request for adjustment to the NCR on March 31, 2014 and 2019
- File final request for adjustment within 90 days after expiration of last NUG contract or 2021
- Penelec changed NCR Rates in July 1, 2009 after NY-PSC approval to (0.001) cents per kWh
- Current deferral balance is \$208,000 as of September 2011

Proposed changes to Waverly NCR

- **Change NCR rate change to annual**
 - Introduce NCR Rider on June 1, 2012
 - File with the NYPSC on May 1st each year
 - New NCR rates to be effective on June 1 each year

- **Change to annual reporting requirement to the NY-PSC**

- **Continue in distribution charge on bills**

Tariff Updates

- **Unbundle Private Outdoor Area Lighting Rates**
- **Unbundle Municipal Street Lighting Rates**
- **Temporary State Assessment Surcharge Rider**

Questions