STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

At a session of the Public Service Commission held in the City of Albany on February 9, 2005

COMMISSIONERS PRESENT:

William M. Flynn, Chairman
Thomas J. Dunleavy
Leonard A. Weiss
Neal N. Galvin

CASE 00-M-0504 - Proceeding on Motion of the Commission Regarding Provider of Last Resort Responsibilities, the Role of Utilities in Competitive Energy Markets and Fostering Development of Retail Competitive Opportunities - Unbundling Track.

ORDER DIRECTING SUBMISSION OF UNBUNDLED BILL FORMATS

(Issued and Effective February 18, 2005)

BY THE COMMISSION:

INTRODUCTION

This proceeding was instituted on March 21, 2000 to identify and remove obstacles to the development of competitive retail energy markets.[1] We later concluded that the establishment of unbundled charges for competitive or potentially competitive functions would promote this objective[2] and investigated methods to identify and establish these unbundled charges. As a result of this investigation, we recently directed Consolidated Edison Company of New York, Inc. (Con Edison) to

[1] Case 00-M-0504, supra, Order Instituting Proceeding (issued March 21, 2000), p.2.

[2] Case 00-M-0504, supra, Order Directing Expedited Consideration of Rate Unbundling (issued March 29, 2001) (March 29, 2001 Order).

file proposed tariffs for rates for competitive services in its pending rate case;[3] and, we also directed the other major gas and electric utilities to file proposed competitive service rates based on embedded cost studies with future major rate applications or requests for rate plan extensions.[4]

In order to determine the best method for conveying information on competitive functions to consumers, we directed the Department of Public Service Staff to develop a new standardized uniform format and content for bills to separately state charges for competitive services on unbundled utility bills issued to full service customers.[5] Our Order stated that "providing this information to all consumers in a user-friendly way is critical to the success of our competitive agenda."[6]

The Staff conducted interviews and research to determine consumers' interests, concerns, and preferences related to statement of competitive charges on bills. The Staff proposal for new bill format and content for unbundled bills for full service customers is attached as Appendix A.

In this Order, we adopt Staff's recommendations for presenting charges relating to competitive services on utility bills and direct each major gas and electric utility to submit unbundled bill formats that accomplish this objective, consistent with the Staff proposed bill format. The timing for submission of the unbundled bill formats will depend on the status of each utility's rate plan. We will require the gas and electric corporations involved in pending major rate proceedings that

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[3] Case 04-E-0572, Consolidated Edison Company of New York, Inc. – Rates for Electric Service.

[4] Case 00-M-0504, supra, Statement of Policy on Unbundling and Order Directing Tariff Filings (issued August 25, 2004).

[5] Case 00-M-0504, supra, Order Establishing Parameters for Lost Revenue Recovery and Incremental Cost Studies (issued March 21, 2002).

[6] Id., p. 29.

include filing of competitive service charges to arrange for development and submission of the new billing format during those proceedings. Other gas and electric corporations operating under rate plans that expire in the future will be directed to submit unbundled bill formats with applications for new rates or rate plan extensions, or major revisions to billing systems involving bill content and format, whichever occurs at the earliest date. The availability of information on specific competitive charges included in unbundled bills for full service customers presented in an effective format will enable utility customers who have not chosen a competitive gas or electricity provider to understand the pricing of utility services and opportunities available in the competitive markets. Utility pricing information displayed in a clear manner will minimize customer confusion and assist the development of the competitive gas and electric retail markets.

STAFF PROPOSAL

The Staff proposal recommends the display on bills for utility full service customers of charges for specific unbundled services identified as competitive services. In addition to charges for delivery service, the bills would include specific charges for commodity supply service, billing, and metering. In addition, Staff proposes identification on bills of the cost of specific components of each of these charges and printing any needed definitions on the backs of bill pages.

COMMENTS ON THE STAFF PROPOSAL

On December 5, 2003, a proposed standardized bill format was issued for comment.[7] Pursuant to State Administrative Procedure Act §201(1), a Notice of Proposed Rulemaking regarding the proposed bill format was published in the State Register November 5, 2003. The SAPA comment period expired on December

[7] Case 00-M-0504, supra, Notice Soliciting Comments (issued December 5, 2003).

22, 2003. Comments were received from the Consumer Protection Board (CPB), Joint Utilities,[8] Multiple Intervenors (MI), National Energy Marketers Association (NEM), Small Customer Marketer Coalition (SCMC), and Public Utility Law Project (PULP). Central Hudson, Con Edison and O&R (filing jointly), NYSEG and RG&E (filing jointly), and Niagara Mohawk filed supplemental comments to the ones filed on their behalf by Joint Utilities.[9]

SUMMARY OF COMMENTS AND DISCUSSION

The parties that commented on the Staff proposal submitted comments in several general areas. These include the timing of the implementation of the proposed new bill format, use of alternative methods to provide the information, potential customer reaction to the proposed bill format, and costs of implementation. Other comments related to the need to provide charges for metering services on bills for customers ineligible for competitive metering, and suggested improvements to the proposed bill content and format.

Adoption of Bill Format

Joint Utilities recommend against adoption of the Staff proposal for a uniform bill format at this time and propose further consideration of the Staff proposal by the parties in this proceeding. As an alternative process, they recommend that the Commission refer Staff's proposal to a collaborative proceeding for discussion among the parties.

[8] On behalf of Central Hudson Gas and Electric Corporation (Central Hudson), Con Edison, KeySpan Energy Delivery New York, KeySpan Energy Delivery Long Island, National Fuel Gas Distribution Corporation (NFG), New York State Electric and Gas Corporation (NYSEG), Niagara Mohawk Power Corporation (Niagara Mohawk), Orange and Rockland Utilities, Inc. (O&R), and Rochester Gas and Electric Corporation (RG&E).

[9] Due to the number of parties and the similarity of many of the arguments submitted, we will not attempt to repeat every argument raised, but all arguments and all comments submitted by every party have been carefully considered in rendering this Order.

Joint Utilities state that rate plans of some utilities include provisions that pertain to posting of unbundled rates for competitive services on bills for full service customers. They suggest consideration of the feasibility and timing of the introduction of unbundled bills in the context of these rate plans. They assert that this will allow recognition of resource constraints and need for phasing in display of unbundled rate information on bills for full service customers.

SCMC maintains that the Staff proposal enhances the ability of consumers to understand the elements of energy bills provided by local distribution companies and the specific services provided by energy service companies (ESCOs). NEM states that bills which provide the amount of each competitive service on gas and electric bills are essential to fostering competition in energy market because they expose consumers to price signals that permit comparison of competitive options.

CPB says that the bill format proposed by Staff includes the minimum information that a local distribution company should include on billing statements and its format presents the information in a logical and consumer friendly manner. CPB compares the sample bill favorably to the telecommunications bills with which consumers are already familiar.

Discussion

Providing information to customers regarding the services they purchase from the utilities that can also be acquired from ESCOs is important to the success of retail energy markets. Customers must know the utility charges for any services the utility provides, or more explicitly, the charges a utility will continue to impose unless commodity and other competitive services are purchased from other suppliers. Staff conducted research and proposed a bill content and format that, as CPB put it, is "both logical and consumer friendly," noting that the proposed unbundled bill format resembles that already familiar to consumers from their telecommunications bills. Accordingly, we will require that the utilities submit sample bill formats, consistent with the prototype developed by Staff that state unbundled prices for delivery, gas or electric supplies, billing, and, where competitive alternatives are available, metering. A collaborative proceeding is not necessary as the parties will have ample opportunity to comment on issues relating to the bill format submissions made by the utilities during rate proceedings or in connection with bill format submissions as part of major billing system revisions.

Need for New Rate Design Based on Utility Costs for Competitive Functions

Joint Utilities state that no utility has determined, and unbundled, its charges for competitive functions for all customer service classes. They maintain that unbundling of bill charges requires substantial redesign of rates to establish the utility costs associated with each of the charges, recover the identified costs, and reallocate revenue recovery among customer classes. It asserts that the Commission recognized these issues in its March 29, 2001 Order, when it stated that rate design changes in company specific rate proceedings may be necessary. Further, Joint Utilities state that the utilities have not yet disaggregated charges to establish unbundled rates for utility functions.

Con Edison and O&R assert that reprogramming for an unbundled bill format is not required until rates for competitive services and rates for bundled services are stated on the same basis, which requires extensive rate redesign. NYSEG/RG&E states that development of cost estimates, schedules and resolution of several policy and design issues are required before changes to utility bill formats are completed.

Discussion

The August 25, 2004 Order in this proceeding directed Con Edison to file proposed tariffs for competitive rates in its pending rate case and the other major gas and electric utilities to file proposed competitive service rates based on embedded cost studies with future major rate applications or requests for rate plan extensions. In this Order, we require the gas and electric utilities involved in pending major rate proceedings that include filing of competitive service charges to arrange for development and submission of the new billing formats during the proceedings to display these charges on bills. Rate redesign, where necessary, would be appropriately addressed in these proceedings.

Other gas and electric utilities operating under rate plans that expire in the future are directed to file unbundled bill formats with their next applications for new rates or rate plan extensions. Further, where utilities are proposing billing system upgrades and changes, or where current rate plans call for such, they should include unbundled bill formats. Utilities that have not unbundled their charges in the unbundling track of this proceeding would use back-out credits as proxies for unbundled charges in lieu of calculated charges for competitive services. Utilities shall also file draft tariffs addressing all changes made necessary by the implementation of unbundled bill formats.

Alternative Methods

Joint Utilities recommend that the Commission consider alternative methods of providing the information to consumers, including bill inserts and bill messages. They state that information on competitive services and credits is available in many other forms, such as utility tariffs, Web sites, customer outreach and education, and ESCO promotions. They conclude that these alternative methods would provide the information to customers without adding complexity to bills, causing additional customer confusion, and increasing costs.

Con Edison and O&R request that the Commission require utilities to provide the information in a manner that takes into account their existing rates and the capabilities of their billing systems. They state that the use of bill messages and inserts would convey the information to a broader array of customers, specifically retail access customers who purchase commodity supplies from alternate providers and who may be interested in the information.

Central Hudson notes that ESCOs have requested removal of the company's estimate of its commodity price (the price an ESCO customer would have paid if commodity was purchased from Central Hudson) from retail access customers' consolidated bills. SCMC opposes displaying price-to-beat information in the proposed billing format in any way that facilitates "a shadow billing mechanism that some utilities have used in the past whereby they make representations to the consumers of what their bills would have been had they remained with the utility."

Con Edison and O&R assert that their older computer systems do not have the flexibility for extensive reprogramming; and, that the information could be provided through the use of bill inserts or bill messages.

Discussion

Using bill messages and bill inserts to provide specific information on charges for competitive services would not communicate the information as effectively as a direct statement on bills. Bill messages reflect rates and credits and do not provide a breakdown of the actual charges on the customer's bill. Thus, these messages require the customer to calculate the portion of the bill related to competitive service. A listing of the charges for the specific competitive services as part of the utility bill is necessary to provide direct information to consumers and encourage the development of the retail access market.

With regard to Con Edison/O&R's observation that posting utility price information in bill messages and inserts could be of interest to retail access customers, the design of utility bills for retail access customers is not the subject of Staff's proposal. The discussion by Central Hudson and SCMC demonstrate the concerns raised by using bill messages and similar methods. While it is not our intention to discuss the format of consolidated bills for retail access customers here, it is appropriate to indicate that it is certainly not our desire that the utility price for a particular service be considered relevant or appropriate information to be expressed on consolidated bills where the customer purchases that service from a competitor.[10]

Customer Reaction

Joint Utilities state that the proposed new bill format may result in customer confusion and increased calls and complaints, despite outreach and education efforts.[11] Con Edison states that it would seek to obtain customer and regulatory advice on any proposed format because of concerns that customer confusion would lead to increased call center traffic. NFG's experience, according to Joint Utilities, shows that its

[10] Such information is more appropriately confined to Web sites that provide price comparison services to consumers.

[11] Joint Utilities request Commission waiver of payments due to increased customer complaints under service quality programs with benchmarks tied to customer calls and complaints. The utilities may request consideration of unusual circumstances leading to increased complaints at the time payments are considered.

customers frequently interpret unbundled rate components as additional charges. Niagara Mohawk opines that the statement of meter reading fees may encourage customers to seek opportunities to avoid the charge, through requests for an estimated bill or use of customer readings. Joint Utilities request an opportunity to participate with Staff in the conduct of consumer research and use of focus groups or to review Staff's research.

NYSEG and RG&E conducted focus groups to test customer reaction to the proposed bill unbundling and urge the Commission to consider these customer comments in its evaluation of the Staff proposal. The companies report that customers indicated satisfaction with the clarity and simplicity of current bills, found the information on the proposed bill format difficult to find and interpret, and stated that the bill appeared to impose new charges and taxes. They reported that their elderly customers had particular difficulty understanding the bill.

Discussion

While it is possible that some consumers will find the new breakdown of charges initially confusing, having these charges individually shown, coupled with appropriate consumer outreach and education, provides valuable information to customers regarding the utility price for services available elsewhere. Further, evaluating competitive opportunities without the utility price with which to compare is far more confusing. In order to assist customers in understanding the purpose and design of unbundled bill formats, we direct the utilities to submit with their unbundled bill formats an outreach and education plan to explain the unbundled bill format to customers.

Where possible, utilities, ESCOs and Department of Public Service Staff should work collaboratively to provide the education and outreach necessary to assist customers in appreciating the unbundled bill format and its importance in assisting the development of competitive markets.

Implementation Schedule

Joint Utilities state that significant programming changes are required to implement the proposed bill format, at considerable time and expense. They assert that these changes include separation of charges for competitive functions in each of the billing system rate codes, adjustment of the bill print size, development of new sales tax and gross receipts tax calculations, and modifications to allow consumer service representatives to view unbundled charges on computer monitors when responding to customer inquiries. They state that the flexibility of the billing systems of the utilities varies greatly in the ability to accommodate the proposed billing changes. Central Hudson, Con Edison and O&R point out that the design of their billing systems do not provide the capacity for identifying monthly billing and meter charges for full service customer bills. Joint Utilities and NYSEG/RG&E assert that they are in the process of implementing other billing system changes to comply with rate plans, Commission orders, and new statutory requirements. These include changes related to consolidated billing and pro-ration, Uniform Business Practices (UBP), electronic data interchange (EDI), and Home Energy Fair Practices Act amendments (HEFPA) (Public Service Law Article 2). Joint Utilities and Central Hudson point out that multiple system modifications are done sequentially, and thus, any unbundling bill changes would require additional time or redirection of resources from these other initiatives.

Discussion

We recognize that utility resources used for developing unbundled bill formats will have to be coordinated with projects related to modifications to the UBP, EDI, and HEFPA. However, the clear display of billing information relating to competitive services on customers' bills is necessary to facilitate competitive markets for those services that are currently obscured by bill designs that do not distinguish the utility prices for these services. It is important to coordinate bill redesign with other utility resource planning efforts; however, the actual timing of unbundled bill formats should not be unduly delayed. It may be possible for the utilities to use their resources more efficiently by scheduling bill format changes in coordination with other projects or for other organizational reasons. The utilities will, therefore, be permitted to propose reasonable timetables in submitting their unbundled bill formats. We expect utility requests for delays in implementation to be the exception, and will require utilities to demonstrate that their timetables are justifiable.

Printing and Mailing Costs

Joint Utilities state that utility bills and bill inserts, surfeited with information, weigh one ounce and that the inclusion of additional pages in the bill envelope will result in increased postal costs. They assert that a bill that exceeds one ounce will require 21 cents additional postage, at a cost to New York utilities estimated at $20 million per year. Central Hudson asserts that use of the proposed bill format would result in excessive bill length, escalation of printing, handling and mailing costs, and undue bill complexity. It states that it needs several more lines for statement of billing data for various customers, due to the complexity of the components of the various competitive charges stated on the bills.

Discussion

We urge the utilities, during the process of designing a sample bill to achieve the objectives of this Order, to economize in every way possible to conserve expenses. More specific cost estimates should become available when each utility develops the specific details of its unbundled bill format. We will consider any issues relating to potential additional printing and mailing costs at the time each utility submits its unbundled bill format and provides more specific estimates of any cost ramifications.

Costs Estimates and Scheduling

Con Edison states that, in January 2002, it began work on changing its computer system to allow statement of additional rates and charges on its bills, expecting the process to take about 18 months. In January 2003, this computer system re-design work was temporarily discontinued, pending a Commission decision relating to unbundling utility bill charges. The Company estimates about 18 months for implementation of the proposed bill format, at a projected cost $4.8 million. It emphasizes that the initiation of this effort is not possible until development of consistently-designed unbundled rates for display. It estimates the cost of the rate redesign process at $1 million, with a timeframe of 12 months.

O&R states that unbundling of its rates is scheduled to occur sometime after the expiration of its gas and electric three-year rate plans in October 2006.[12] It states completion of an unbundled rate design proceeding to develop the competitive rates and charges is necessary for implementation of unbundled bill formats and the projected cost of rate redesign is estimated at $2 million over a 12 month period. O&R notes the need for system changes if the billing format requires the commodity price to include applicable taxes. This is so because

[12] Case 02-G-1553, Orange and Rockland Utilities, Inc. – Rates for Gas Service, Order Adopting the Terms of a Joint Proposal and Clarifying a Provision (issued October 23, 2003); Case 03-E-0797, Orange and Rockland Utilities, Inc. - Extension of an Existing Electric Rate Plan, Order Adopting the Terms of a Joint Proposal (October 23, 2003).

O&R states taxes on commodity prices on a separate governmental surcharge line. It provides a general estimate of implementing the system modifications to change its bill format at approximately $1.5 to $2.5 million over an approximately 8 to 12 months.

Niagara Mohawk provided an estimate of its cost and schedule for implementation of the proposed bill formats based on several assumptions. These assumptions involve the limitation of information to the specific charges stated on the proposed bill format and display of metering charges only on the bills of customers eligible for competitive metering, specifically, customers with a demand of 50kW or more. Based on these assumptions and the initiation of the changes necessary for unbundled bill formats after its gas and electric rate unbundling cases are completed, Niagara Mohawk estimates that implementing the proposed bill format would take 3 to 4 months at an estimated cost of $75,000 to $100,000. This estimate excludes costs associated with development of unbundled prices, and, if the weight of the bill increases substantially, incremental postal expenses.

Central Hudson estimates that proposed bill changes would require two years to implement from the date the final unbundled rates and bill formats are established. This estimate is based upon use of a system designed to requirements established several years ago, impact of bill unbundling on the customer information system that requires changes in numerous programs, need to build a matrix to establish the components of flat charges imposed by the company, a redesign to develop a flat monthly basic gas service charge, and development of a business arrangement to outsource the work. In view of these uncertainties, Central Hudson stated that it could only identify the potential cost drivers implicated in adoption of the proposed bill format. These include programmer labor costs, additional printing costs for a second page of pre-printed definitions, additional paper and ink to accommodate more line items, weight related postage increases, computer operation and maintenance to prepare bill ready format files, revision of customer electronic bill processing, EDI revisions, contract revisions, training, customer service representative costs, and increased costs of bill imaging services.

NYSEG and RG&E state that they are in the process of identifying numerous system and business process modifications necessary to change their billing formats and have not completed their cost estimates or implementation schedules.

Joint Utilities request that the Commission permit recovery of costs associated with implementation of bill unbundling. They state that the costs should include additional postage.

MI states its concern that adoption of the proposal could lead to higher energy rates; it urges its rejection, absent a demonstration of substantial benefits and unless the cost impact to consumers is de minimis; it advocates caution and restraint when implementing discretionary proposals that would result in increased costs to consumers. MI asserts that the utilities may reduce implementation costs of the proposal by assigning the work to its existing employees, using outreach and education funds, or triggering provisions in rate plans that provide funds for a certain level of compliance with regulatory mandates before deferring expenses for recovery. MI proposes that the proposal, if it is adopted, should be implemented on a utility-by-utility basis in a flexible manner and with any modifications necessary to minimize costs.

Discussion

We have previously stated in our March 29, 2001 Order that the establishment of fully unbundled, cost-based rates for electricity and gas service are a prerequisite to developing competitive retail energy markets. Moreover, the design of unbundled rates is of little value to customers if the bill design does not reveal the information obtained from unbundling. Therefore, we also have determined that the display of unbundled utility rates on customers' bills is important to the success of competition.[13]

The adoption of the proposed bill format and content will provide additional information to consumers, allow comparison of prices for competitive supplies, and encourage development of competitive markets.[14] Although utilities may conceivably incur additional, incremental costs to implement the proposed bill format, we would expect, as MI suggests, that they contain and minimize them in any way possible. The flexibility we have allowed here in implementation and scheduling will act to ameliorate any such additional costs. The utilities may only petition for recovery of any incremental costs on a showing that those costs are prudently incurred and properly mitigated and that they relate solely to implementation of the unbundled bill format.

Bill Content and Format

Retention of Conventional Information on Utility Bills

Central Hudson requests clarification on the intent of the Staff proposal to delete information that is currently stated on customer bills.

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[13] Case 00-M-0504, supra, Order Establishing Parameters for Lost Revenue Recovery and Incremental Cost Studies (issued March 21, 2002).

[14] Id, p. 29.

Discussion

As stated in the Staff proposal, the purpose of the recommendations is to provide additional information on bills for utility full service customers. The Staff proposal does not recommend deletion of current information listed on utility bills.

Billing for Retail Access Customers

Central Hudson states a concern relating to the additional complexity resulting from statement of unbundled rate elements, when a customer purchases services from a competitive supplier. The company interprets the Staff proposal to require statements of the utility price for each competitive service on bills for customers who purchase competitive services from other providers. It also raises this issue with respect to utility bills for retail access customers who have dual billing, that is, separate bills from the utility and a competitive supplier.

Discussion

The Staff proposal applies solely to bills for full service customers of a utility. A retail access customer purchasing services from a competitive supplier receives either a consolidated bill, in most cases from the utility, or dual bills. In either case, the Staff proposal would not apply because the customer does not obtain full service from the utility.

Need for Further Breakdown of Utility Bill Components

NEM proposes dividing competitive electric functions into five components, each of which would include further subcomponents: (1) supply (procurement, including risk management, purchased power (energy and capacity)), ancillary services and additional New York Independent System Operator charges, and production (capital, operation and maintenance);

(2) meter service providers (installation, maintenance, testing, and removal); (3) meter data service provider (meter reading, meter data transition, and customer association, validation, editing and estimation); (4) meter ownership; and,(5) billing and payment processing (printing and mailing bills, receiving, and recording payments). It proposes the following breakdown for competitive gas functions: supply (procurement including risk management), purchased gas (commodity and capacity), production, (capital, operation, and maintenance); storage (capital, return on gas storage inventory, including risk management, operation, and maintenance); and, billing and payment processing (printing and mailing bills, receiving and recording payments).

Central Hudson states that its bills require listing of charges for additional competitive functions (supply procurement and competitive energy services), sub-components of electric delivery charges, electric energy supply charges, and gas supply (capacity release, storage service, and storage peaking service). It maintains that their omission tends to oversimplify the format of a customer's bill that includes fully unbundled rates for every competitive utility service. If the Staff proposal is adopted, MI recommends that the bill indicate charges for cost components of electric supply, that is, energy, capacity, and ancillary services. It states that the information would better educate consumers and assist them in evaluating market opportunities offered by competitive electric suppliers.

Discussion

NEM's suggestion that all components of a customer's bill be broken down into service subcomponents is only applicable to some customers at this time. It is important to realize that different customer classes will have different options available to them and different requirements for detailed information on their bills. For example, customers who are ineligible for competitive metering, that is, electric customers with demands under 50kW and all natural gas customers, do not require unbundled meter charges on their bills. Such information would prove confusing with no competitive benefit.

Where larger customers have the ability to obtain services such as electric ancillary services from competitive suppliers, the utility shall provide information relating to those services on their bills. For customers who do not have this ability, it is reasonable that the statement of the charge for commodity supply include these costs, instead of requiring a separate statement. The purpose of the proposed bill format is to state the level of charges imposed by a utility for services that may be obtained from a competitive supplier. If a customer class is able to obtain these separate service subcomponents in the competitive markets, the utilities shall include a separate charge for them on their unbundled bill formats. If a customer class does not currently have this ability, the charge should not be stated separately.

Price-to-Beat

NEM submits that the utility price-to-beat (PTB) is hidden on the bill; it proposes highlighting the PTB, so that the price differentials between the utility price and a competitive supplier's price are clear to customers. NEM also states that the PTB is not necessarily reflective of current market conditions because it may be the product of a long-term utility contract and that a true-up may occur to include any increases in utility commodity rates. It suggests adding a disclaimer to this effect. SCMC cautions that the information on the Staff's bill prototype is not a statement of the utility's PTB. This is so, it argues, because a retail access customer may obtain additional savings as a result of a fixed or capped pricing option or value added services, such as appliance repair.

Discussion

The purpose of the Staff proposal is to separate and distinguish the utility price for services that are available from a competitive supplier. Although enhancements to ESCO services may provide added value to the customer beyond the specific utility charge for the service, as SCMC and NEM suggest, the responsibility for informing the customers of the added value belongs with the ESCOs. At this time, we will not require further descriptions and qualifications of the utility charges listed on bills.

Sales Tax

SCMC asserts that inclusion of the sales tax savings on delivery charges provided to retail access customers in the retail access credit would improve the proposed bill format.

Discussion

This sales tax savings results from the State's elimination of the sales tax on the delivery portion of the utility bill for customers, who would otherwise be subject to the sales tax, who purchase their energy supply from an ESCO. While this tax is part of the delivery service charge, incorporating it in the bill's delivery charge section would understate the amount the customer would no longer pay to the utility if a switch was made to an ESCO for commodity service. Therefore, while it may seem unusual to require inclusion of a delivery cost in the commodity section of a utility bill, we believe that this is the best arrangement to promote the objective of clearly depicting the total comparison cost of commodity on a utility full sales service bill. While the tax may be calculated based upon utility delivery charges, it is only paid when the commodity is purchased from the utility, thus, it is appropriate to include it within the utility commodity charge.

Retail Access Credits

SCMC requests inclusion of the retail access credit, or merchant function charge for gas, in the proposed bill format as a component of the delivery charge. It argues that a number of utilities list this credit on their bills and the separate listing would provide a customer with a clear statement of retail access financial benefits.

Discussion

SCMC's recommendation that the commodity back-out credit/retail access credit be separately identified on the bill is unnecessary, since customers cannot separately shop for the credit. Adding an additional line on a customer's bill for this element might increase confusion. Further, as unbundling proceeds, supply-related back-out credits, retail access credits, and merchant function charges will become restated as unbundled rates for commodity supply.

Delivery and Commodity Charge Language

PULP proposes substitution of more descriptive phrases, such as "fixed or basic delivery charge" for "basic service charge" and "variable delivery charge" for "delivery charge." It supports the level of detail proposed for the sub-components of the delivery charge, stating that some utilities, such as Niagara Mohawk, provide too much detail.

NEM states that use of the term, "usage," to describe the amount of electric or gas supply a customer uses is confusing. It points out that the sample bill uses three terms (usage, supply and commodity) to describe electric or gas supply used and recommends use of one consistent term, such as "electricity/gas supply consumed." PULP recommends harmonizing the three references to energy, electric usage charges, and usage charge. It proposes use of another term "electricity consumed" or "charge for electricity consumed" in place of the term, "electric usage."

NEM recommends substitution of the phrase "gas/electric supply" for the phrase "usage charge and billing charges" in the sentence: "The usage charge and billing charges may be shopped for." NEM points out that consumers shop for goods and services and then compare the "charges." It recommends substitute language.

Discussion

This Order directs the individual utilities to submit unbundled bill formats for review in future proceedings where opportunities will be provided for consideration of comments, such as those received from NEM and PULP, regarding specific bill language, terms, and organization. In order to minimize the consumer confusion inherent in any change in billing format, wherever possible, attempts should be made to limit changes from existing current bill language to those necessary to implement the new format.

Billing Charges

PULP states that the breakout of the utility's charge for billing is likely to cause confusion because customers will question the reasons for separately stating this small a charge, rather than incorporating it in the fixed delivery charge. It also claims that customers who pay charges over the Internet may question the need for the charge. SCMC and PULP indicate a concern over the descriptive wording regarding the unbundled billing charge. The text states that some suppliers may not do their own billing, and rely on the utility to issue a consolidated bill. SCMC asserts that the statement conflicts with a Commission order allowing a retail access customer to receive a credit for the utility billing charge, regardless of whether a consolidated bill is issued by the ESCO or utility. Given the potential for misunderstanding, SCMC requests elimination of the sentence from the proposed bill format. PULP recommends eliminating the sentence from the bill, or, in the alternative, adding it to a message on page three of the bill.

Discussion

Since the billing charge is for a competitive service and is not charged to retail access customers receiving consolidated bills, from either the utility or the ESCO, it should not be subsumed within delivery. Doing so would obscure an amount that might be saved when service from a competitor is obtained. Incorporating it within commodity supply, however, would also inaccurately characterize charges as all retail access customers are eligible for dual billing, in which case the utility continues to charge for billing on its delivery bill. Regardless of the size of the actual charge, the billing charge shall be displayed separately and not subsumed within either delivery or commodity supply.

Concerns about specific language should be addressed in the context of the individual utility unbundled bill formats. Potential confusion over the appearance of a "new" charge on the bill should be addressed in consumer education and outreach efforts by utilities, ESCOs, and Staff.

Capacity to Display Billing and Metering Charges

Con Edison and O&R state that they do not have the capacity to display billing and metering charges, based upon the costs for these services recovered in rates. Although they apply back out credits for these services to charges imposed upon retail access customers, they point out that the method of designing the credits is incompatible with the methods for recovering costs. Con Edison states that it recovers metering costs from demand-billed customers on a volumetric, not a per meter, basis and that more than one piece of metering equipment is used to measure service to its non-residential customers.

Discussion

Con Edison's issues regarding incompatibilities between current rate design and unbundled costs is not a billing issue, but is related to the unbundling of the rates themselves. Once rates have been properly unbundled, this problem should no longer exist. If the implementation of unbundled bills precedes actual full rate unbundling, for any reason, the utility should raise this concern when it files its unbundled bill formats and work on a mutually agreeable solution with Staff and other interested parties.

Metering Charges

Joint Utilities state that only certain customers are eligible for competitive metering, specifically non-residential electric customers with a 50 kW demand or higher. They recommend against a requirement that the unbundled bill format include metering charges for customers ineligible to obtain competitively provided metering services. NEM suggests a revision to the sample bill that specifies that competitive metering services are available for electric customers with demands equal to or greater than 50 kW. Central Hudson states that the proposed sample bill does not recognize the different metering requirements for various gas and electric customers.

NEM states that the sample bill should provide a place holder for gas metering, so that, upon Commission approval of competitive gas metering, a gas bill will provide the information needed for comparisons among competitive meter providers. Further, this statement of gas metering charges will educate consumers on the services that will become available from competitive sources.

Discussion

Residential and small commercial electric customers and all natural gas customers do not now have the option of taking competitive metering services, and must continue to take that service from the utility. The question then becomes twofold: will competitive metering for natural gas customers and electric customers with demands below 50kW become available in the near future and, if so, is it advisable to break out these costs on customers' bills now or to wait until competitive metering is available to these customers? The decision has cost consequences as well, since undertaking a bill design revision twice, rather than once, is likely to increase costs. On balance, given the current availability of competitive metering, we do not see a significant benefit to competition from a display of competitive metering charges for customers who are not eligible for the service. We will not require that utilities display competitive metering charges for customers who are ineligible for competitive metering service. We will, however, require utilities to include the flexibility necessary in revised billing systems to accommodate the unbundling of metering charges on full commodity sales service bills in the future.

Security Deposits and DPA Information

CPB suggests inclusion of additional information on the bill, specifically, line items stating the amounts of any security deposit levied on the account, any late payments that may result in a request for a security deposit, and any payments under deferred payment agreements (DPAs). CPB recommends including on subsequent pages in the bill explanations of the reasons for the security deposit and the amounts relating to the DPAs.

Discussion

The purpose of the Staff proposal is to include information on utility charges imposed for services that are or may become available from competitive suppliers. CPB's concerns regarding the issues it raises can be addressed during its evaluation of the unbundled bill formats submitted by the utilities in compliance with this Order.

Reorganization of the Bill Format

PULP states that the fundamental purpose of a utility bill is to inform the customer of the amount owed. To this end, it recommends that the first page of the bill relate to this information alone and prominently display the total amount due, with explicit direction to pay that amount and instructions for payment. PULP suggests relocating any unrelated information, such as bill summary data, to page two of the bill and providing on page one a textual description of the four components of the bill and statement that a consumer may acquire some of these service components from competitive providers. It proposes consolidation of the categories of unbundled charges on page two of the proposed bill to simplify the presentation and provide explanation of the charges on the same page. It proposes moving the average daily use data to a following page, and, in its place, providing a description of the advantages of using energy efficiency to reduce bills. It suggests including a text message describing the New York Power Authority hydropower, if any, that the customer receives, similar to statements contained on utility bills that are omitted from the Staff's prototype bill and adding text providing assurances that competitive providers offer the same consumer protections received from local distribution companies. PULP also suggests adding information about ESCO provision of customer protections in text providing assurances that reliability is not compromised if a customer purchases electricity from a competitive provider.

Discussion

PULP's suggested changes relate to objectives that are separate from the specific goal of unbundling bills and helping customers understand utility charges for each service subject to competition. The text message PULP would modify was provided for illustrative purposes only and was not intended as a statement that would appear on every bill. Parties will have opportunities to recommend organizational changes, such as the ones proposed by PULP, in comments on the bill formats submitted by specific utilities. It is our intention to address issues of this level of detail and specificity on a case-by-case basis within each utility's bill format submission.

Definitions

Central Hudson questions the possibility of developing a single statewide set of definitions, due to the extent of differences among utility rate elements. It states that it pre-prints definitions on the back of only the first page of a multiple page bill and that it would need a second page to accommodate the proposed additional definitions. It recommends that the Commission convene a working group to develop a number of essential definitions to fit on the back of one page. PULP recommends rephrasing the services to use more descriptive, meaningful terms. Other parties, NYSEG/RG&E, Joint Utilities, SCMC, and NEM recommend detailed changes to the terms and definitions used in the proposed bill or suggest that a working group be formed to address these issues.

Discussion

The parties provided good suggestions regarding development of consistent statewide definitions. When each utility submits an unbundled bill format, including proposed definitions, all interested parties will have the opportunity to comment. Staff will examine the filings for compliance with this Order and will consider comments on the utility proposals. Parties are encouraged to raise their concerns relating to bill definitions during evaluation of bill formats submitted by utilities in compliance with this Order.

CONCLUSION

We adopt the proposed bill format issued for comment with the changes discussed in this Order. We find that the proposed bill format will further our vision of expanding competitive markets where they can provide benefits for New York energy consumers. We require utilities to submit bill formats consistent with this Order and consumer outreach and education plans during the earlier of a pending major rate proceeding that includes filing of competitive service charges, as part of an application for a new major rate proceeding that includes filing of these charges or a request for a rate case extension, or in connection with major billing system revisions, whichever occurs at the earliest date. We also encourage utilities that are currently in multiyear rate agreements to consider voluntarily filing unbundled bill formats consistent with this Order prior to the expiration of those agreements.

In addition, the utilities are directed to review their tariffs and include in their submissions draft tariffs addressing any proposed changes that are necessary to conform their current tariffs to their bill format submissions. The utilities shall also file a timetable indicating when their bill formats would go into effect. Whenever the utility submits its bill formats, we direct that the utility submit the bill formats, timetables, draft tariffs, and consumer outreach and education plans, consistent with this Order, with Staff and all parties to its current or most recent rate proceeding. Staff is directed to review the utility bill format submissions and, if necessary, conduct collaborative meetings to discuss specific proposals.

<u>The Commission orders</u>:

1. Consolidated Edison Company of New York, Inc., Orange and Rockland Utilities, Inc., Central Hudson Gas & Electric Corporation, KeySpan Energy Delivery New York, KeySpan Energy Delivery Long Island, National Fuel Gas Distribution Corporation, Niagara Mohawk Power Corporation, Rochester Gas and Electric Corporation, and New York State Electric & Gas Corporation are directed to develop and submit unbundled bill formats for full-service sales customers consistent with this Order during a pending rate proceeding, with an application for a major rate increase or request for a rate case extension, or

major revision to billing systems involving bill content and format, whichever occurs at the earliest date. These utilities shall also submit timetables for implementation, consumer outreach and education plans to explain the billing format to customers and draft tariff amendments necessary to conform current tariffs to the revised bill formats. Copies of the bill formats, timetables, outreach and education plans, and draft revised tariffs shall be provided to Staff and all parties in the utilities' current or most recent rate proceedings.

2. To the extent that it is consistent with this Order, Department of Public Service Staff's proposed unbundled bill format is adopted as part of this Order.

3. This proceeding is continued.

By the Commission,

(SIGNED) JACLYN A. BRILLING
Secretary

SAMPLE ENERGY BILL

*This is an example of a bill for **electricity**. (Gas bills will indicate usage in units of therms rather than kWhs.)*

Actual usage and charges will vary.

This example is based on a monthly usage of 500 kWh of electricity

Account number:	*Service for:*	*Next reading/est.:*
1234-56789-012-3	Jane Customer	Wed, Aug 27, 2003
Service Class 1 Residential	9876 Lakeview Lane W. Happydale, NY 12345	

Avg Daily Use	kWh	Cost		
This year:	16.7	13.8¢	This meter reading, Jul 28 (actual)........	87654
Last year:	18.9	13.7¢	Last meter reading, Jun 28 (actual).......	- 87154
			Amount of electricity used......kWh.......	500

Questions about this bill? contact us at:
1-800-555-5555
123 Main St, Hometown, NY 12543

To avoid late fee of 1.5%, payment must be received by Aug 22, 2003.

Previous balance:	$72.85
Payments (thru Jul28)	- $72.85
Past due	$ 0.00
Current charges:	+ $68.81
Total amount due:	$68.81

Bill Summary *

Total Electric delivery charge	**$37.24** *(see p. 2.)*
Total Billing charge **	**$.82** *(see p. 2.)*
Total Metering charge	**$4.75** *(see p. 2.)*
Total Electric usage charge **	**$26.00** *(see p. 3.)*
Total Charges	**$68.81**

NOTES:

* **These charges are itemized on subsequent pages.**

** **The usage charge and billing charges may be shopped for among competitive suppliers. Some suppliers may not do their own billing, instead relying on the utility to billing for them.**

Need information about shopping for energy or want a list of suppliers near you? Call us at 1-800-4supply or visit our web site at www.utilitycompany.com/competition/**.**

Page 1 of 3

SAMPLE ENERGY BILL

*This is an example of a bill for **electricity**. (Gas bills will indicate usage in units of therms rather than kWhs.)*

Actual usage and charges will vary.

This example is based on a monthly usage of 500 kWh of electricity

Basic Service Charge	$10.46
Delivery Charge 500 kWh @ 4.99 cents	$24.95
System Benefit Charge 500 kWh @ .08 cents per kWh	$.40
Taxes (e.g. 4%)	$1.43
Total Electric Delivery Charge	**$37.24**

Billing Charge	$.79
Taxes (e.g. 4%)	$.03
Total Billing Charge	**$.82**

Meter Charge	$.95
Meter Service Charge	$1.51
Meter Data Service Charge	$2.21
Taxes (e.g. 4%)	$.18
Total Metering Charges	**$4.75**

SAMPLE ENERGY BILL

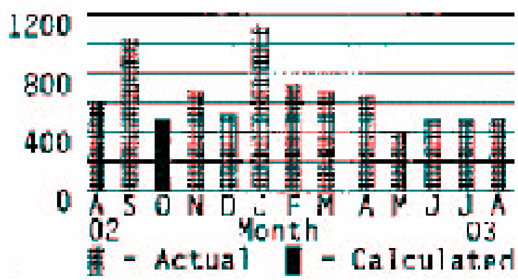
*This is an example of a bill for **electricity**. (Gas bills will indicate usage in units of therms rather than kWhs.)*

Actual usage and charges will vary.

This example is based on a monthly usage of 500 kWh of electricity

Electric Usage	
500 kWh @ 5.0 cents	**$25.00**
Taxes (e.g. 4%)	**$1.00**
Total Electric Usage Charge	**$26.00**

Electric Usage (kwh)



Thank you for your payment. Did you know you can shop for your electric supply? Call us at 1-800-4SUPPLY for a list of energy suppliers marketing in your area. You can also contact us through our web site at www.utilitycompany.com/competition/ . Your energy will continue to be delivered as it is now, with the same reliability you have come to expect, but your commodity can be purchased from any of the companies currently serving in this area. These companies offer a variety of options from which you may choose.

Summer is the time many people go on vacations. Please be sure to turn off any unnecessary appliances before leaving your home to minimize chances of electrical fires.

Want to contribute to a fund to help your less fortunate neighbors pay their heating bills? We match all contributions made to this fund. Just call us at 1-800-555-5555.

NOTES:

This unbundled bill does not reflect some items currently on utility bills, and no conclusion should be drawn that staff intends to delete information currently reflected on customers' bills. The content and format shown on the following pages is the minimum content and format staff recommends as necessary to reveal the utility "price-to-beat" for each of the unbundled services identified and priced out in the Unbundling Track of Case 00-M-0504. We believe that by adopting this minimum content and format, small volume consumers will find it much easier to compare offers from ESCOs with the charges for these services from their local delivery utility.

We also recommend that the backs of the bill pages should contain definitions and explanations of the words and phrases contained in the customer's bill, especially the labels used for charges. To those perhaps already included on customers' bills, we propose that the following be added:

Total Electric (Gas) delivery charge: This is the total charge for bringing electricity (gas) to your home or business.

Total Billing charge: This is the total charge for preparing and mailing your bill and for processing your payment.

Total Metering charge: This is the total charge for your meter, installing and maintaining your meter, reading your meter, and processing that data for use in calculating your bill.

Total Usage charge: This is the total charge for your electric (gas) usage.

Basic Service (Customer or Minimum) Charge: This is the monthly fixed charge to maintain service. (for Gas: Minimum Charge: This is the monthly fixed charge to maintain service, including the delivery of XX therms (CCFs) of natural gas.

Delivery Charge: This is the per kilowatt (therm or CCF) charge for delivering electricity (gas) to your home or office.

Billing Charge: This is the total charge for preparing and mailing your bill and for processing your payment, before adding taxes.

Meter Charge: This charge reflects the cost of providing your meter.

Meter Service Charge: This is the charge for installing and maintaining your meter.

Meter Data Service Charge: This charge reflects the costs related to reading the data from meter, conversion of your meter data for billing purposes, and estimating your usage if a meter reading is not available.

Electric Usage Charge: This is the charge for the electricity (gas) you used.

Some customers' bills will reflect slightly different charges, including time-of-use rate structures, demand billing, etc. The definitions will, by necessity, need to be flexible to reflect these differences.