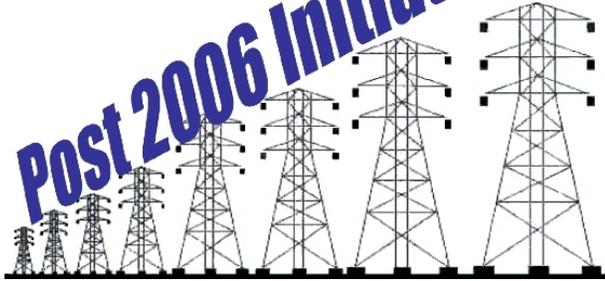


*Post 2006 Initiative*



# Rates Working Group

## Summary of Report to the Illinois Commerce Commission

Electric Policy Committee Meeting  
October 15, 2004

# Participation & Group Activity

- Participants & stakeholder interests
  - 90+ participants from ~50 parties
  - Comprehensive range of interests
    - Customers & consumer groups
    - Utilities
    - Current and potential RESs
    - Suppliers, physical and financial
    - State & local governmental units
- Meetings: 14, with 3 joint forums

# RWG Approach

- Issues organized into substantive “buckets”
- Open discussion; Strict compliance
- Goal: to reach specific consensus or to develop alternative consensus items
- Substantive progress reports developed and circulated on an ongoing basis
- Review by Group of all reported items
- Consensus items resolved many potentially contentious issues

# Review of Key Consensus Items

- Unbundling of prices
  - Unbundle delivery/commodity and delivery services prices for competitive metering services
  - Move to synchronize DST charges and delivery services costs included in other rates
  - Move to synchronize DST classes and other rate classes
- Recovery of commodity costs
  - Principally addressed by PWG
  - Competitive procurement scenarios allow for pass-through of supplier charges, without mark-up
  - Other scenarios allow for recovery of procurement costs through inclusion in rate components, in some cases with return on assets

# Review of Key Consensus Items

- Hedging of commodity costs
  - Utilities should at least partially hedge
    - Hedging can occur at the utility or supplier level
  - Commodity costs, including hedging costs, should be borne by commodity customers
  - Residential customers should be offered a stably-priced commodity service
- Commodity costs of customer switching
  - Switching customers bear actual costs of switch
  - Some procurement scenarios internalize this cost
  - No consensus on option costs
  - Can be affected by switching rules and can affect the cost of hedging

# Review of Key Consensus Items

- Prudence should be assessed consistently with the procurement Scenario, as agreed
- Commodity rate components should be based on commodity costs, including appropriate hedging
  - Other special rates are not mandatory
- Efficiency and demand response
  - Appropriate demand management programs can promote efficiency and system optimization
  - Hourly pricing rates in certain cases can promote efficiency
    - No consensus on mandatory RTP or utility efficiency programs
    - No consensus on a specific rate design
  - Recovery of net program costs

# Review of Key Consensus Items

- Renewables
  - All Scenarios allow for compatible rates
  - Any RPS should:
    - Facilitate cost-effective acquisition
    - Be competitively neutral (as per CIWG)
    - Provide cost recovery and address rate impacts
    - Include broad range of resources, as agreed
  - Two views on ultimate RPS policy
- Implementation
  - Most RWG items can be implemented in rate proceedings
  - The ICC need not initiate rate proceedings by '07; utilities should initiate required proceedings on a schedule that allows for orderly implementation

# Summary

- Resolved many contested issues
- Streamlined implementation
- Provided forum for parties to work together

