

Chapter Three

“To what extent retail rates have been unbundled in Nebraska”

1.0 Purpose

Technical Group #3, has been tasked with determining “To what extent retail rates have been unbundled in Nebraska.” Although the group’s purpose is to determine to what extent retail rates have been unbundled in Nebraska, it is also important to provide background and some insight into the possible impacts of the process on the consumers, utilities and other businesses in Nebraska.

The purpose of this document is not to debate the merits or problems with deregulation, but to identify the current status of unbundling in Nebraska and to give the reader a better understanding of the complexity and cost for the current infrastructure to unbundle. It is important to note that all the effects of retail competition are very hard to predict as each state that has moved to competition has different issues and concerns. The overall impact on Nebraska is also hard to predict, as it is the only state that has 100% consumer-owned electric utilities.

2.0 Team Members

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3.0 Introduction

3.1 What is Unbundling and Why Would Anyone Do It?

LB901 defines unbundling as “the separation of utility bills into the individual price components for which an electric supplier charges its retail customers, including, but not limited to, the separate charges for generation, transmission, and distribution of electricity.”¹

There are various reasons why utilities may unbundle electrical service. The most compelling and the main reason that a utility unbundles is due to state statute or regulatory rule as part of a comprehensive deregulation plan. “The unbundling of retail electricity related services is a means to achieve direct access between consumers and competitive electricity supply. The overall objective of direct access is to reduce the total cost of electricity to society. Unbundling is therefore a means to develop a framework to facilitate consumer choice such that the overall costs of electricity to society is reduced.”²

Another reason that some utilities unbundle, which may not have been required to unbundle, is due to the need for better information on the costs of serving customers. In some states where deregulation has been instituted, municipal and public power entities have had the ability to opt out of deregulation, but have chosen to unbundle as a result of customer demand. Even in Nebraska one utility has chosen to unbundle and others are willing to consider it if their customers request it. Nebraska is in an enviable position of having low rates, so consumers are not pushing for deregulation. However, some consumers are requesting unbundled billing information to compare the costs of individual components of their energy bill with those costs in their facilities in other states. This process on its own may cause other utilities in Nebraska to have to unbundle as customers may begin to ask for comparisons at the same level that they are receiving in other states.

4.0 How Electricity Related Services Could Be Unbundled

An excellent description of “How Electricity Related Services Could Be Unbundled” was included in a paper written by Dr. Artie Powell, a Utah Division of Public Utilities Economist, in May of 1998.

¹ State of Nebraska, Legislature of Nebraska, Legislative Bill 901, (Lincoln, Nebraska, 2000) p.3.

² Dr. Artie Powell, Utah Division of Public Utilities position paper presented to Utah Public Service Commission, Unbundling Electricity-Related Services (Utah: 1998) p.1.

“In the states that have unbundled retail electricity services or are in the process of unbundling retail electricity services, the following process generally occurs.

By statute or regulatory rule, electricity customers are permitted to choose their electricity supplier by a specified date. Prior to that date, a process is initiated to identify distinct components of electric service. Following public comment and an order or rule identifying distinct components of electric service, the affected utility companies are then ordered to file the separate, unbundled costs associated with each service component as well as appropriate cost allocation methods. Following a formal hearing process, an order is then issued establishing tariffs for each distinct component of electric service. Generally, the resulting tariffs enable electric service providers, other than the incumbent provider, and consumers to engage in transactions for electric service.

For many of these distinct electric services, the separate, stand-alone cost for providing the service has not previously been identified in the electric industry. Hence, the need for a technical hearing on direct cost and allocation of indirect cost to that service.

This formal procedure, i.e., initial order or statute, industry filing, public comment, formal hearing, final order on tariffs, etc., was also used by the Federal Energy Regulatory Commission in establishing unbundled tariffs for wholesale and transmission electric services.

This approach has also been used in the telecommunications industry. The federal telecommunications act ordered local telephone competition and delegated to the Federal Communication Commission the task of identifying "unbundled network elements" and establishing general pricing guidelines. It has then been the task of the state public service commissions to approve rates for unbundled network elements.

In the gas industry, the retail unbundling process has generally been initiated by the regulated utilities, which file for approval of unbundled tariffs before the appropriate state regulatory body. This filing initiates a formal proceeding to identify service components and set rates.

Utilities which are not subject to state regulation, are generally exempted from restructuring and unbundling requirements, at least initially. However, if they choose to participate in a competitive retail electricity market, then the restructuring and unbundling process is required.

One common theme in state proceedings to date is the notion that unbundling is an evolutionary process that may not be resolved in the first go around. The issues are complicated, controversial and cost assignment to services governed by joint production decisions is difficult. Many states begin by identifying the principles and objectives of unbundling. Ultimately, accounting, cost-allocation, economics, and engineering details must be addressed and legal discussion ensues to define requirements for default service and obligation to serve.³

Utilities that have unbundled have grouped costs in a number of categories. The most basic are distribution, generation, and transmission. These are the distinct components that are then separated out on the customer's bill, and the cost associated with each particular component is shown. These and other unbundled categories used around the country are listed here:

- Distribution Charge
- Generation Charge
- Transmission Charge
- Customer Charge
- Competitive Transition Charge
- Meter Charge
- Public Purpose Programs

³ Dr. Artie Powell, Utah Division of Public Utilities position paper presented to Utah Public Service Commission, Unbundling Electricity-Related Services (Utah: 1998) p.1.

Nuclear Decommissioning
Trust Transfer Amount
City Tax
State Tax
Franchise Fee
Stranded Cost
Delivery Charge

5.0 Consumer Information And Education

The unbundling process makes electricity bills more complex. To deal with the complexity the consumers need to be educated. Consumer information and education is critical in rolling out rate unbundling, or for that matter, any other precursor to retail competition. After all, if the end goal is to provide better service at lower costs to consumers, then it is imperative that consumers be knowledgeable in the choices they make in order to achieve that goal.

Most states have adopted provisions to inform electric consumers of the market changes and the options that will be available to them. In states already operating in some sort of deregulated environment, special emphasis was placed on residential and small business consumers with the idea they were the least knowledgeable about the components of their electric bills. If these classes of consumers are already the least knowledgeable about their electric bills in their current state, the risk is that they may be confused, or misled, by unbundled electric billing. Clearly, a well thought out consumer education effort will be necessary for any such unbundling effort to be successful.

Even though Nebraska may be able to learn from, or even copy, the processes and content of consumer education programs in states which have already undergone some sort of deregulation or restructuring, the cost of rate unbundling consumer education will still be substantial. Decisions on who will be responsible for this communication will need to be made, i.e., a state agency to provide consistent, impartial information; or mandate utilities to provide required content. Whichever path is chosen, the cost of consumer education regarding retail competition has been allowed to be recovered through transition charges.

6.0 Consumer Choices

As described above the overall purpose of unbundling is to allow the consumer to have the information necessary to choose which energy price is better for the consumer. The mere unbundling of utility bills is complex enough, but then add the complexity of marketing choices that competition often brings and the complexity reaches a new level. As the consumer compares offers from multiple energy service providers it may become apparent that the energy service providers have different offers based on what it costs them to serve the customer and the return that the company requires to stay in business. The consumer may wonder why this is and why the offers are different as they are both providing the same commodity.

A good example of this is the variety of pricing options that the long-distance phone companies have started to offer. One phone company may offer \$0.10 per minute charges, but have a \$5.00 minimum. Another company offers \$0.14 per minute, but gives the consumer a check for \$100.00. Yet another may offer free Internet service if you sign up for their plan of \$0.20 per minute. Indeed the choices resulting from competition did not get easier, but there is more variety than there was before. Long distance service is one portion of this, as the consumer still has to pay for local phone service. This local service is usually offered by one company and the billing for this service has become more complex in its own right as there are various new charges on the bill that are broken out to inform the consumer.

7.0 Local Distribution Companies

Many people hear of deregulation and think that if it occurs their local utility will go away. The local utility may not exist in its current form; however, the lines that serve the consumers will still be the same lines. If Nebraska moves to retail competition there will be companies from outside of Nebraska that may offer electric services in the state. These energy service providers would be allowed to compete to sell energy as in most states that go to deregulation. The local distribution company that delivers electricity to your house would more than likely remain the same, as this is not a service that lends itself to competition. This is similar to your local telephone company to which you

pay a monthly bill for local phone service. Because this service can not be economically offered by others (e.g. it doesn't make sense to have two or three separate companies running wires down the road to serve the same customers) a governing board often regulates what these companies can charge the consumer, as there is no competition.

8.0 Cost Allocation And Comparison

Unbundling exposes costs for each and every service the utility provides. Assuming that the costs are being generated for the reason of providing some type of service to the consumer, one could say the functional pieces of the utility that provide various services to the consumer are exposed. The transparency required for unbundling costs and services are really a double-edged sword. Although it will give more information, this information will not come for free. The information to functionally unbundle is often more detailed than most utilities are required to keep in the current environment.

There are 162 entities in Nebraska which own one or all of the three functional parts of the electric business: generation, transmission, and distribution systems. Although a majority of these entities operate distribution systems only, they bill generation, transmission, and distribution functions as one combined charge. While utilities generally classify expenses in a way that allows them to separate core functions, there are other parts of the business, such as support divisions of the company, that do not provide a direct service to the consumer, but support the other parts of the company. These costs will have to be allocated and reflected in each part of the unbundled rate to make sure that the entities recover all the costs of doing business.

Municipal power suppliers may encounter even more complexity than other types of utilities. There are 122 municipal electric utilities in Nebraska. Most of them are quite small, and provide a number of municipal services in addition to electricity. In many cases, water, sanitary sewer, solid waste collection, and natural gas service are billed along with electricity service. This creates billing congestion. It also places a burden on small communities' computer hardware, software, and accounting resources. There is only so much accounting and billing service a small community utility can affordably provide to its customers. In many cases throughout Nebraska, required unbundling of electric bills would place a heavy burden on many communities who have chosen to keep their billing methods simple and inexpensive.

8.1 Reallocation Of Costs Among Classes

Once costs are unbundled, costs between rate classes will be compared at a lower level than they are currently. This cost comparison may lead to challenges by customers in various classes. The process of unbundling, coupled with a competitive environment, will prompt utilities to reallocate some costs to different customer classes to accurately reflect the cost of service and eliminate cross subsidization.

9.0 Explicit And Implicit Costs

9.1 Transition Costs

There is no doubt that if deregulation is instituted in Nebraska, many utilities will incur significant expense to meet the requirement of unbundling. Utilities may be required to hire more personnel to maintain cost records; consumers will have more questions that will require more people to answer calls; and current billing systems will need to be changed to allow new billing formats. The cost for this process will have to be passed on to the consumer in some way as the current funding for these activities comes from the ratepayers.

9.2 Stranded Costs

Stranded costs represent investments made and obligations incurred by a utility in a fully regulated environment that will not be recoverable in a fully competitive environment. Stranded costs include stranded assets, stranded liabilities, and stranded benefits. At the current time, Nebraska still maintains low wholesale pricing, indicating a low likelihood of net stranded cost on a statewide basis. However, this is subject to change, as the amount of stranded costs depends on a variety of variable conditions such as wholesale power market price and the value of potential stranded assets. If stranded costs exist at the point where deregulation occurs, these costs will have to be addressed and applied in some reasonable manner to the consumer's bills as a separate line item or absorbed by the utility that incurred them (see Section 4.0).

10.0 Consumer Issues

10.1 Public Vs. Private

Locally rate-regulated public power utilities in Nebraska are governed by certain “sunshine” laws that make their operation and governance unique in the energy industry. Public power utilities are required to conduct their policy-making meetings in public. In Nebraska, city councils, boards of directors, or boards of public works are the norm, with all records open to the public. In a competitive environment the ability of competing energy service providers to access such information may provide them with a competitive advantage.

10.2 Consumer Information

There is some discussion whether or not public power utility customer records are indeed “public records.” At issue is the question whether public record laws “trump” customers’ right to privacy. In at least one recent major case, a state supreme court effectively ruled that the right to privacy of customers of public power utilities was less-important than the utilities’ obligation to make known their names, addresses and telephone numbers.

“The Supreme Court of Tennessee ruled that the municipal electric utility in Nashville must provide the local newspaper with a computerized list showing the names, addresses and telephone numbers of all its customers...In its November 16, 1998 ruling, the Supreme Court said the information constitutes a public record and must be provided to the newspaper, even if the utility has to write a special computer program to do this.”⁴

If public power utilities, as a result of deregulation, were forced to share customer account databases with other energy service providers, this sharing may give competing energy service providers an unfair advantage in any future competitive environment, unless the other energy service providers were also required share their customer information. Moreover, such “public records,” combined with unbundled billing data would enable “cherry-picking” -- selectively marketing to customers with certain attractive load characteristics. The incumbent utility would have little competitive advantage other than incumbency.

11.0 Uniform Business Practices

If deregulation were to occur in Nebraska many decisions will need to be addressed. Many of these issues are related to unbundling, but not in our direct area of focus for this report, “To what extent retail rates have been unbundled in Nebraska.” As states have begun to move to deregulation many of these states have developed their own rules to govern business transactions. Nebraska would likely go through a similar process. In September, 1999, the Edison Electric Institute (EEI), Coalition for Uniform Business Rules (CUBR), National Energy Marketers Association (NEMA) and the Electric Power Supply Association (EPSA) announced a partnership to develop a “consensus driven set of uniform business practices (UBP) for competitive electricity markets.”⁵ The group released a two-volume set on uniform business practices in December 2000. Volume I offers “recommended guidelines” on a number of issues that arise in newly competitive retail energy markets. In particular, “Volume I addresses the issues of customer information, customer enrollment & switching, billing & payment processing, load profiling, supplier licensing, market participant interaction, disputes between the utility and the supplier, and customer inquiries.”⁶ Volume II addresses unbundled electricity metering. The main reason that this effort was undertaken is best stated in the December 7, 2000 news release from the Edison Electric Institute. According to Mike McGrath, Group Director of Customer and Energy Service for the Edison Electric Institute, “Uniform business transactions may help lower barriers to market entry, encourage new product lines, reduce utility distribution company system costs to accommodate retail access, and give customers more price and product benefits.”⁷ McGrath goes on to state

⁴ Public Power Weekly, 7 December 1998: No. 98-49

⁵ “Energy Groups Join Forces to Develop Uniform Business Practices,” Edison Electric Institute News Release, 29 September 1999: p.1.

⁶ “Business Group Releases Final Report on Retail Energy Markets,” Edison Electric Institute News Release, 7 December 2000: p.1.

⁷ Ibid.

that, “The ultimate audience for this effort is the regulatory community that is working to develop market rules in their respective states.”⁸ “Regulators in New York, Virginia and several other states have already begun to consider the UBP report in their deliberations. By offering the views of the collaborative group on many difficult issues - including areas where the parties reach consensus - the UBP group hopes the report will facilitate the regulators’ considerations of the issues.”⁹ As mentioned above, some of these issues are out of our preview and many of the issues that have been touched upon in this report are related to such business practices. These business practices will have a significant impact upon all participants if deregulation occurs and should be weighed in any deregulation effort.

12.0 Status In Nebraska

12.1 Survey Results

As stated in the LB901 text, Technical Group # 3 is to determine “To what extent retail rates have been unbundled in Nebraska.” To accomplish this task the Group assembled a survey and mailed the survey out to 162 entities that retail electricity in Nebraska, according to Department of Energy¹⁰. Our Group received a response rate of 74.1% representing 97.4% of customers and 98.2% of total Mwh sales to ultimate consumers. The study basically found these main points:

- Only one utility has formally unbundled.
- The majority of utilities do not have unbundled cost of service studies.
- Half of the utilities’ billing systems will accommodate unbundling.
- Over half of the utilities believe they have enough information to unbundle.
- 70% of utilities stated that they would not unbundle unless mandated.

The detailed information from the surveys was included in the 2001 LB901Report.

13.0 Cost to Unbundle Electricity Bills in Nebraska

13.1 Introduction

For the 2002 report, Technical Group #3 was requested to estimate the cost that would be incurred if retail electricity bills were to be unbundled in Nebraska. The Group’s main duty was to determine what the total cost for unbundling in Nebraska would be, should the Nebraska electric utility industry open to competition. As previously stated in the report, the costs associated with moving to retail competition are very hard to predict, because each state has a variety of different issues and concerns to be addressed. Because of such issues that are out of this Group’s scope, the Group chose to produce this report to present information regarding the estimated costs for unbundling bills in Nebraska for informational presentation purposes only. It is not intended to estimate the total cost of deregulation.

Separating unbundling from deregulation is very complicated. Deregulation impacts the unbundling process, so when determining the costs to be included in unbundling, which is a small piece of the deregulation process, certain assumptions were made. Various items determined to be unbundling costs were obtained from the entities listed below under Cost Estimation Methodology. The entities completed a spreadsheet with the costs that would be incurred by them. The individual results were then accumulated into categories, and a statewide total cost to unbundle was estimated.

In states that deregulate, a statewide consumer education program is usually needed to communicate to the consumer a new billing process. Costs used in this analysis were determined by calling various states to get the actual costs they incurred. Again each state varied, due to the different issues involved, and the demographics in their particular

⁸ Ibid.

⁹ Ibid.

¹⁰ Energy Information Administration, Department of Energy, “Table 17: Class of Ownership, Number of Ultimate Consumers, Revenue, Sales, and Average Revenue per Kilowatt-hour for All Sectors by State and Utility.” (1999) (<http://www.eia.doe.gov/cneaf/electricity/esr/esrt17p28.html>).

state. The Group determined a per-customer cost of \$1.36 (based on Pennsylvania's actual cost per customer) and applied it to the number of customers in Nebraska. Each public power entity will need to determine whether additional consumer education is needed in their area.

13.2 Cost Estimation Methodology

The cost estimates determined are highly speculative and subject to many assumptions. Because there is no state level rate making authority in Nebraska, most costs were estimated based on the input of OPPD, LES, NPPD, and Rural Public Power Districts. For municipalities, the Group used information from the Nebraska Municipal Power Pool (NMPP).

Assumptions were made when determining the costs for municipalities. The Group assumed three major cost components, which were software, hardware, and rate case analysis/development. The costs were based on information received from NMPP. NMPP currently has a reasonably priced integrated business accounting and utility billing software program that has the ability to create unbundling bills. From NMPP's information, the Group then determined the software cost, and applied it to the total number of municipalities. This cost was based on NMPP's current price to purchase software, train employees, and install this software. The Group then assumed some of the municipalities would need to purchase new hardware before this software could be installed. The cost estimate used for the rate case analysis/development is based on prices received from NMPP for these services.

Once these costs were gathered, the costs were broken down into the various categories listed below.

Set-up Expense: The total one-time cost that would be incurred would be approximately \$7 million for set-up expenses.

- Evaluation and planning of current system hardware and software
- New system hardware and software
- New System set-up and testing
- Program and testing of existing systems
- Cost for rate design
- Training costs

On-going Expense: The total cost incurred would be approximately \$1 million annually.

- Additional bill printing expenses
- Call center questions

Statewide Consumer Education: The total cost to educate the consumers would be approximately \$1 million for the State of Nebraska.

- Consumer education was based on the number of customers in Nebraska. The cost used in this analysis would vary considerably, based on the how much education the state of Nebraska would require. Each public power entity would also have to make a determination regarding how much education the entity feels is required to inform its customers about their new unbundled bills in their area.

13.3 Comparison to Other States

The cost to educate consumers can vary in each state. A representative from our Group called several public utility commissions to gather consumer education costs associated with states that have deregulated. Any additional dollars spent by utilities is not included.

The public utility commissions and the costs include: Illinois Commerce Commission - \$1.0 million, Maine PUC – \$1.3 million, Connecticut PUC \$7.5 million, Michigan PUC \$30 million, Texas PUC - \$36 million, Pennsylvania PUC - \$65 million, and California PUC - \$82 million.

Each state varied considerably based on the different issues and concerns in their state. Some of the variables include factors such as a statewide network computer system, education, or stranded costs, while other states do not include these.

As stated, the report shows costs for unbundling only. The unbundling portion is only a small part of the total deregulation costs, evidenced by the magnitude of the costs associated with unbundling and consumer education in each state. The Group is not discrediting the deregulation process, but merely stating the magnitude of the costs associated with it.

States vary regarding how many line items to unbundle on the bill, and what costs should be in each line item. As illustrated in the 2001 report, among the states that have deregulated, there are differences in the bill presentation/level of unbundling. A determination of the level of unbundling for the state of Nebraska has currently not been made. However for purposes of this section, we assumed generation, transmission, distribution, a customer charge, and up to two other items would be included, i.e. probably no more than 5-6 line items.

13.4 Scope Considerations

Unbundling is usually part of a deregulation effort. Unbundling is only a small portion of the total deregulation costs incurred in each state. The statement below was included in the paper written by Dr. Artie Powell in which he explains the unbundling process. This statement was previously included in the report:

“The process regarding unbundling occurs after a formal statute or regulatory rule, and electricity customers are permitted to choose their electricity supplier by a specified date. Prior to that date, a process is initiated to identify distinct components of electric service. Following public comment and an order or rule identifying distinct components of electric service, the affected utility companies are then ordered to file the separate, unbundled costs associated with each service component as well as an appropriate cost allocation method.

One common theme in state proceedings to date is the notion that unbundling is an evolutionary process that may not be resolved in the first go around. The issues are complicated, controversial, and cost assignment to services governed by joint production decision is difficult. Many states begin by identifying the principles and objectives of unbundling. Ultimately, accounting, cost-allocation, economics, and engineering details must be addressed and legal discussion ensues to define requirements for default service and obligation to serve.”¹

There are many factors outside the scope of the Group, some of which would include: (See Section 14.0 for a detailed explanation.)

- Dynamic data exchange
- Qualified suppliers
- Public Utilities Commission vs. Nebraska Power Review Board
- Competitive services
- Provider of last resort
- Universal service

13.5 Conclusion Regarding Unbundling Costs

There are many major issues that are out of the scope of Technical Group #3 and that will need to be addressed in the deregulation process. These issues will impact the final cost to unbundle bills in Nebraska. Resolution of such issues cannot be made by this Group, but are essential to estimating the final overall costs of unbundling.

These unbundling cost estimates are presented for informational purposes only, and further analysis would be needed should deregulation occur. A total deregulation effort would cost much more than the unbundling costs shown here.

¹ Dr. Artie Powell, Utah Division of Public Utilities position paper presented to Utah Public Service Commission, Unbundling Electricity-Related Services (Utah: 1998) p.1

14.0 Scope Consideration Descriptions

14.1 Dynamic Data Exchange

Communication system that allows data to be shared between companies. (example: local telephone carrier allowing billing usage information to be shared with a long distance carrier)

14.2 Qualified Suppliers

Each supplier must be certified by the State before they are allowed to transact business.

14.3 Public Utility Commission vs. Nebraska Power Review Board vs. Local Boards

Currently each public power entity, town, and co-operative agency has their own central rate making authority.

14.4 Competitive Services

Usually in states that deregulate, suppliers are allowed to compete for business. Companies are allowed to bid specific services that were previously provided by the incumbent utility. (example: meter reading services)

14.5 Provider of Last Resort (POLR)

A provider of last resort is a “back-up” utility provider that can provide your electric service. Consumers have the right to choose the supplier of their choice. If a consumer does not choose a supplier, or a chosen supplier denies service, electricity will be supplied by a local utility supplier.

14.6 Universal Service

Ensuring that everyone has access to enough electricity to meet their needs and that it is available at affordable rates that are just and reasonable for all residents of the State.

15.0 Description for Each Cost Breakdown for Unbundling

15.1 Initial Costs

15.1.1 Evaluation and Planning

This would consist of the time and cost involved to evaluate and plan for an option that would allow the entity to produce unbundled bills. The options to plan and evaluate would be:

- Program current system: This would be the time and cost involved in determining if the current system is capable of unbundling.
- Upgrade to a new version of software from existing vendor: This would be the time and cost involved to determine if purchasing a new version of software from the current vendor will meet the unbundling needs.
- Purchase new software: This would be the time and cost included in selecting new software that would be needed to meet the requirements for unbundling.
- Make the changes necessary to an existing system capable of unbundling.

15.1.2 New System Software or Upgrades

This would be the actual cost to purchase new or upgrade software for the unbundling process.

15.1.3 Hardware

New hardware may be required for unbundling. This would include the cost to purchase equipment such as computers, printers, etc.

15.1.4 System Setup and Testing

These costs would include the time and expense to install, test, and implement the changes to the existing or new software system.

15.1.5 Program Existing System

If the choice was made to upgrade the existing system, how many hours and what cost would it be for individuals to program the current system? Because unbundling requires items to be broken out separately on customer bills, additional lines will be needed to print on the bills. Therefore, what would be the total cost to make these changes?

15.1.6 Testing of Software/Hardware

Once all the rates are implemented, what would be the cost involved in testing the new or existing software or hardware that was purchased for unbundling?

15.1.7 Rate Design

This would include employee payroll costs, consultants, and any other expenses required for unbundling the rates. Also include any cost associated with testing to make sure the new rates recover desired revenue.

15.1.8 Training Costs

15.1.8.1 Entity Training

Call Center Training/Customer Service Training: Cost to train the Call Center personnel and Customer Service representatives to answer customer questions regarding unbundling.

Estimated Cost for “Consumer Education”: This would include TV and radio advertising, newspaper ads, billboards, and any other type of advertising used to educate consumers regarding unbundling. This would also include the cost to produce, print, and distribute the brochures about unbundling. The cost would depend on the number of customers in each public power entity, and the type of brochure produced.

15.2 On-going Expenses

15.2.1 Bill Print Additional Pages

Additional pages will be required to print the customer’s invoice with unbundling charges broken out. Some customers will have many more pages than before unbundling was implemented. Some public power entities previously printed bills on small post cards, and because of the additional printing associated with unbundling, they may be required to print on a larger invoice. This will be an additional expense each month in supplies, such as paper, postage, and toner.

15.2.2 Call Center Questions

Customers will have many questions about unbundling charges on their bills on an ongoing basis. This cost should include the additional time each month to answer unbundling related questions.

15.2.3 CIS Annual Maintenance

This is an estimate for the annual maintenance for the Customer Information System required for unbundling.

15.3 Statewide Consumer Education

This would be the cost for a total statewide education program for Nebraska (we obtained the estimated costs based on information from other deregulated states). The \$1.36 estimated cost per customer was based on information received from Pennsylvania and applied to the number of customers in each public power entity in Nebraska.