

# Energy Choice Matters

May 30, 2008

## PUCT Open to Waivers to Speed Transition of POLR Customers to Other Products, REPs

The PUCT yesterday, in an emergency meeting, assured POLRs that they can charge prices lower than the 130% of MCPE rate established by rule, and encouraged POLRs to get customers off the POLR rate as quickly as possible.

While Chairman Barry Smitherman thinks the substantive rules are clear that a rate lower than the MCPE-based POLR rate is allowed, he understands why POLRs would want additional certainty before offering another rate. Thus, Smitherman felt it would be appropriate for the Commission to proactively or upon request issue letters to POLRs regarding the Commission's interpretation of the rules, indicating a rate lower than that derived from the POLR formula would be acceptable.

National Power of Houston and Pre-Buy Electric have recently been forced to invoke mass transition for a total of 23,000 customers, with most going to POLRs but a portion being picked up by Amigo Energy outside of the POLR process (Matters, 5/28/08).

Smitherman urged the TDSPs to work with ERCOT, POLRs and REPs to get customers off the POLR rate as soon as possible, and to ensure customers switching from a POLR are not stuck at the back of the line. If certain logistical hurdles not contemplated by the POLR rules are impeding a timely switch away from POLR service, the Commission would, in a letter to POLRs and REPs, offer a ruling that could waive certain rules. The Commission's ultimate goal is to have customers complete the transition off POLR rates as soon as possible.

Commissioner Julie Parsley noted the Commission took similar steps regarding the mass transition of New Power customers to non-POLR providers in 2002.

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## UI System Can't Handle Some of Draft Order's Pricing Designs

A draft DPUC decision's proposal for seasonal generation rates (Matters, 5/12/08), "conflicts with and serves to constrain UI's current power supply procurement practices," United Illuminating told the Department in comments on the draft (05-06-04RE04).

The seasonal periods overlap with UI's current procurement windows, and would require UI to accelerate its power purchases for the July through December period to accommodate creation of a June through September seasonal rate.

Ultimately, power for the July through December period would have to be bought in February to accommodate seasonal rates and allow time for the Department to approve the results and for rates to be made sufficiently available in advance for competitive suppliers.

Other changes ordered by the DPUC depend on building core backoffice systems that will allow UI to implement complex rate designs as planned.

For example, UI's current metering and billing system cannot accommodate variable peak pricing for all customers, which would require completion of its Customer Information System billing system upgrade to feed metering data into its billing system and render bills based on that data.

That's why UI proposed variable peak pricing only for Last Resort Service customers, as the fewer number of customers could have bills rendered manually.

The proposed April 1 start for the "banking" period for net metering customers is "extremely

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## *Surges and Circuits*

### Power surges



**N.Y. Schumer Box:** Adoption of a summary label regarding ESCO terms and conditions in New York seems a no-brainer after numerous ESCOs (including RESA and SCMC) generally backed a Schumer Box with certain parameters.

### Short Circuits



**Maryland Non-Residential Customers at AP, BGE, Delmarva:** They've all been ordered to pay more so a select group of 17,000 customers enjoys mitigated summer prices.

## **Some Generators Warn CAISO Queue Reform Could Harm Reliability**

Generators on the short end of the California ISO's proposal for queue reform offered protests at FERC, arguing the ISO is endangering the construction of peaking projects needed to ensure the state's IOUs can meet summer demand (ER08-960).

As described by Wellhead Electric, approval of the ISO's queue reform plan would result in CAISO "dropping their pencil" and stopping work on interconnection studies for many projects, including some that could potentially be available for summer 2009 or 2010 operations.

"This will have the effect of reducing electric reliability in California and, in particular, being discriminatory against smaller projects," Wellhead claimed.

Under the ISO's plan, interconnection requests (IRs) are divided into the Serial Study Group (whose IRs will continue to be processed), the Transition Cluster, and the Initial Generation Interconnection Process Reform (GIPR) Cluster. IRs from the latter two groups will be deferred as the queue is cleaned.

The plan would put a stop to some generation development efforts that have been initiated in response RFOs from California utilities for summer 2009 and 2010 reliability generation -- mainly peaking units, Wellhead reported. The ISO's plan would likely delay such projects until 2011, Wellhead estimated.

Stopping interconnection study work on

projects needed for reliability is inconsistent with the objective of queue reform and, "is thus a significant CAISO omission in the determination of what projects should continue to be studied," Wellhead contended.

While the ISO's strategy would show an immediate and desirable purge of many existing queue projects with very long development time horizons and/or questionable viability, it does so at the expense of projects that could be available in the near term to ensure reliability, Wellhead explained.

The ISO selected projects that are "late in the IR process," are renewable projects, or are projects that have a power purchase agreement to have their interconnection process continued in the Serial Study Group.

While those qualities are not irrational and acknowledge a "first in time" protocol, Wellhead asserted that they are not ultimately good predictors of project viability and, more importantly, do not take into account either the need for new generation in the near term to meet continuing load growth, or the need for dispatchable generation to allow reliable integration of significant increases in nondispatchable renewable generation.

Wellhead claimed a better predictor of project viability for meeting near term needs for new generation is size -- under 50 MW projects typically have minimal impacts, can usually be permitted relatively rapidly by local jurisdictions, generally require relatively simple (if any) transmission modifications, and can be constructed in as little as sixty to ninety days, Wellhead observed.

Thus smaller projects that either are expansions of existing projects (and thereby do not require any significant new permits) or projects that can be permitted locally, and which have minimal transmission interconnection complexities (and may only need a simple line tap) should not be deferred into the transition cluster, Wellhead argued.

NRG Energy added that the ISO's process would impede the interconnection of new generation in the San Francisco load pocket, which has a "near-desperate need for new generation to replace the aging waterfront utility-built facilities." NRG is pursuing new, local generation to meet that need but its

interconnection would be held over to the transition cluster under the ISO's plan.

### ***Briefly:***

#### **Turk Plant a Coal vs. Gas Play, Smitherman Says**

Determining whether to approve SWEPCO's proposed coal-fired Turk Plant ultimately comes down to a gas versus coal play, PUCT Chairman Barry Smitherman noted after 11 hours of supplemental hearings on the application yesterday. Essentially, the question is whether ratepayers will commit to paying an extremely large price for coal power, or end up paying the market price for purchased power which will be driven by gas, which could end up being lower, or more expensive, than coal, he reasoned.

#### **Working Group Would Study Lifeline Rates Under DPUC Draft**

A Connecticut DPUC draft decision (07-10-17) would create working groups among electric and gas utilities to examine issues relating to customers with serious illnesses or life threatening situations (SILTS). The draft would leave to the working group any recommendations regarding the establishment of lower rates available only to SILTS customers (lifeline rates). The DPUC would also direct that the working group explore and propose how energy conservation services available from the utilities or government are used to reduce uncollectibles created by SILTS customer accounts left unpaid.

#### **Dynegy to Surrender REP Certificate**

Dynegy Energy Marketing told the PUCT it wants to relinquish its REP certificate (10018) as it no longer markets to or serves customers in Texas (35723).

#### **Duke-Ohio Defends FERC Plant Sale Application**

Duke Energy Ohio reiterated its commitment to seek PUCO's authority to divest its generation assets and abide by any lawful PUCO orders, it told FERC in an answer to several protests (EC08-78, Matters, 5/28/08). FERC, Duke argued, cannot indefinitely suspend Duke's divestiture application to wait for PUCO to rule on the sales, as suggested by PUCO, because by statute FERC must act within 180 or 360 days

of applications. Duke pointed out that FERC and PUCO have concurrent jurisdiction over the transfer and there can be no dictation of which approval comes first. Duke argued it is, "beyond credulity to suggest that no agency can 'go first' in authorizing the action." FERC can and must grant authorization whenever its statutory standard is met, and it is up to applicants to obtain any other necessary approvals, Duke noted. Approval of a section 203 application is "common" while other approvals, both state and federal, are pending, Duke pointed out. Duke suggested that the Ohio Energy Group's intent in the proceeding is to cause delay, as the group "hopes it can gain leverage to extract unwarranted concessions from Duke." But FERC, "should not set a hearing that will allow OEG to turn a FERC Section 203 proceeding into a preemptive Ohio retail rate proceeding," Duke urged.

#### **Calif. PUC OKs Blythe Contract**

The California PUC approved Southern California Edison's 10-year, 490-MW contract with Blythe Energy.

#### **Duquesne, Otter Tail to Pay to Resolve FERC Inquiries**

FERC approved two agreements yesterday concerning investigations from its Office of Enforcement. Duquesne Light is to pay a \$250,000 civil penalty and spend at least \$1 million to develop and implement a comprehensive regulatory compliance plan to resolve an investigation into violations of FERC cost allocation procedures, the electric quarterly report filing requirement and the standards of conduct. Among the violations: Duquesne employees failed to keep track of their time performing functions for affiliates; a small Duquesne generating affiliate failed to file required electric quarterly reports from 2002 to 2006; several instances of Open Access Same-Time Information System posting violations; several violations of the independent functioning and information sharing requirements related to Duquesne's provider of last resort responsibilities; and several other violations of information sharing requirements. Otter Tail Power is to disgorge \$546,832 in profits, plus interest, for alleged network transmission service violations by Otter Tail of the Midwest

ISO OATT before ISO's Day 2 market was operational.

### **DTE Energy Services Buying Wisconsin Plant**

DTE Energy Services is buying the E.J. Stoneman Power Plant from Integrys Energy Services and plans to convert the 50-MW coal-fired plant in Cassville, WI, to burn wood waste.

### **Dominion Proposes Va. Green Plan**

Dominion Virginia Power is seeking State Corporation Commission approval to offer two renewable powers options - the only green power options available to mass market customers in the essentially closed retail market. One product would offset 100% of a customer's usage with RECs, while the second would allow customers to pay a set dollar amount for green power each month, with the renewable power provided depending on the market price during that period.

### **Reliant Offering Summer Protections**

Reliant Energy announced a series of voluntary assistance measures for low-income and critical care customers this summer. The measures include a summer disconnect moratorium when customers agree to a payment plan; waiver of deposits for qualified senior citizens; deposit installments for qualified low-income customers; average billing, extensions and payment plans for qualified customers; a \$1 million annual commitment to assist low-income and elderly residential customers pay their electricity bills through CARE (Community Assistance from Reliant Energy); and several Beat the Heat centers providing air conditioning. Low-income seniors and critical care customers would pay 25% of deferred bills on the first electric bill after Sept. 30 with the remaining balance to be paid in equal installments over the next five billing cycles. Other low-income customers would pay as little as 33% of the outstanding balance with the remaining balance to be paid in equal installments over the next five billing cycles.

### **AReM Dissects CARE Rehearing Request on Confidentiality**

The California PUC should dismiss the Californians for Renewable Energy's characterization of electric service providers as "wholesale sellers" to bring to an end the need for

marketers the Commission to, "waste time and resources responding to CARE's fallacious contentions," the Alliance for Retail Energy Markets argued in response to a CARE rehearing request (R.05-06-040). CARE opposed a PUC ruling that continued protections for certain ESP data reported to the Commission. As part of its arguments, CARE claims ESPs should disclose data from transactions because the PUC had urged FERC to order disclosure of data relating to the energy crisis. However, AReM observed that ESPs as retailers are net purchasers in the wholesale markets and, if they do make any sales, only do so to balance their portfolio. AReM also reiterated that California law allows the PUC to protect confidential information relating to trade secrets, or when confidentiality furthers the public interest. CARE's rehearing request is simply a collateral attack on prior Commission decisions, AReM noted.

### ***POLR Switches ... from 1***

Smitherman also reported that the Commission has been working with ERCOT and the Independent Market Monitor to identify any issues, obstacles, protocols, or other reasons for some of the congestion constraints from North to Houston or North to South.

The Chairman noted that while the Commission raised price caps to \$2,250/MWh to encourage offline generators to come online and be able to recover costs, he hoped generators were not taking advantage of the constraints while not having the effect of bringing new generation online.

Smitherman also suggested the PUCT was ready to re-examine credit standards for REPs now that the market is mature. Randy Chapman of Texas Legal Services Center argued the standards were too low, causing financially insecure REPs to acquire customers but then expose those customers to mass transitions and high POLR rates.

Chapman also claimed the POLR rates are too high and suggested rates for a safety net service should be affordable, but Smitherman responded there were valid reasons in the POLR rulemaking for setting rates at 130% of MCPE.

## ***UI Systems ... from 1***

problematic" for UI because its system is designed around billing cycles, UI explained. Accommodating the April 1 start date would require software re-writes and modifications. Listing a customer's current "banked" balance of kilowatt-hours would also not be possible under the Customer Information System upgrade, UI reported.

UI also noted that several issues surrounding banking - such as what happens when the customer moves or switches suppliers - need to be addressed.