Energy Choice Matters

July 11, 2008

W Power and Light Parent Exiting Retailing to Focus on Brokering-Consulting

W Power and Light is exiting the retail power business after the board of its parent, Amen Properties, accepted management's recommendation that unfavorable conditions in the Texas electricity market which have been exacerbated by heightened volatility make focusing on the less credit-intensive brokering and consulting business more valuable than retailing.

W Power and Light is working to transfer customers to another REP and settle its supply contracts. The REP had about 2,000 customers at the end of 2007, according to SEC filings, but transferred about 1,200 to now-defunct Blu Power during the spring (Matters, 7/1/08).

It expects those activities to be concluded by the end of August at a cost of $750,000 to $1 million.

Mark to market payment on the transfer of customer agreements to another REP is projected to be $250,000 to $300,000 while costs to settle supply contracts are estimated at $500,000 to $700,000.

"We believe that the increased complexity and volatility in the Texas electricity market that led to our decision to shut down W Power will create opportunities for our energy management and consulting business, Priority Power [Management]," said Kris Oliver, Amen Properties CFO.

"We believe we can add the most value to our customers through the expertise that Priority brings to the table, without the risk and capital requirements associated with the retail electricity business," Oliver added.

Priority Power earned $1.6 million in 2007 on $4 million in revenues, while W Power and Light earned $738,000 on revenues of approximately $10.3 million during the same period.

During 2007, W Power and Light delivered approximately 75,627 MWh of electricity to its retail

... Continued Page 4

Retailers Praise Draft N.J. Master Plan for Hourly Pricing

Allowing more customers to see on a current basis their true electricity costs will greatly contribute to meeting the New Jersey Energy Master Plan's goal of reducing peak and total energy use, the Retail Energy Supply Association told state officials in filed testimony during a public hearing on the Plan yesterday.

RESA praised the draft Plan's reliance on the competitive market to develop the programs, products and services that will allow individual consumers to save energy and achieve the ambitious goal of a 20% reduction in peak load by 2020.

The draft plan favors implementing default real-time pricing for customers 600 kW and above by 2010 and 500 kW and above by 2012.

Price signals, RESA affirmed, will enable more and more consumers to use energy wisely, turning to conservation, efficiency, renewable power and peak-load reduction. RESA pointed to the success of hourly pricing in encouraging innovative energy management-type products in the hourly-priced CIEP class, as well in other states where the market-reflective pricing cutoff is lower than New Jersey's current 1 MW and extends to mid-size and even small commercial customers.

A shift in usage will provide benefits to all customers, Consolidated Edison Solutions added, by lowering energy prices and promoting customer-owned generation and combined heat-and-power installations, which will ultimately lead to the development of new smart grid technologies.

RESA argued that wholesale competition is also good for customers and is needed to support the

... Continued Page 4

Recruitment for CCET Nearly Complete in Houston

Customer recruitment for the Center for the Commercialization of Electric Technology (CCET) pilot project to cut electricity bills for Texans by lowering peak usage is nearly complete in the Houston area and began this week in the Dallas region.

Member REPs Direct Energy, Reliant Energy and TXU Energy have sought 500 total residents in each region to voluntarily participate in the program that will take advantage of advanced metering technology to demonstrate that emerging electric technologies can conveniently provide consumers with the ability to manage their electricity use and reduce their bills.

The pilot will test whether control of consumers' thermostats, water heaters and pool pumps by the three REPs will be accepted by consumers during periods of the day when wholesale electric prices are high.

Consumers will have the opportunity to override thermostat controls.

If the pilot succeeds, consumer acceptance may allow the retail companies to reduce purchases of the most expensive power. Customers will receive an incentive payment to participate, a free inspection of their air conditioning system, and a new thermostat in exchange for participating in the pilot this summer and fall.

Developer Wants DPUC to Remove Proviso on Peaker Sale Premium

Bridgeport Energy II (LS Power-Dynegy), which was selected by the Connecticut DPUC to build ratepayer-backed peaking generation, urged the DPUC to modify a part of the standard Contract for Differences that projects would sign which provides that ratepayers are to enjoy any premium above book value received by the peaking generator if the plant is sold (08-01-01, Matters, 6/26/08).

The Department cites Conn. Gen. Stat. § 16-43, requiring DPUC approval for public service company mergers and sales, in making its decision. But that statute only applies to "public service companies" and not merchant generators, Bridgeport Energy II argued. Public service companies include "electric distribution" companies but not a "private power producer" or "exempt wholesale generator," Bridgeport Energy II noted.

While the contracts for the peaking plants are based on cost of service, they do not confer ownership interest on ratepayers, Bridgeport Energy II stressed.

The Department can achieve its goal of protecting ratepayers from potential harm created by the "flipping" of assets by simply ordering that any acquisition premium not be permitted in the ratebase used to set the cost of service.

Bridgeport Energy II cautioned that the DPUC's proviso on premiums could chill available financing for peaking developers.

The IPP also asked the Department to extend the date by which the Contract for Differences must be signed, so that the appeals process can be exhausted. Currently the deadline is August 1, but since parties have 45 days after a final order to petition for reconsideration, appeals could be filed up until August 9. That puts developers in the difficult position of signing a contract before knowing with certainty that the terms of the contract will not change, unless the signature deadline is extended. Bridgeport Energy II suggested that signatures be required by August 11, or 10 days after any appeal has been exhausted, whichever is later.

Generators Attack Merit of RPM Buyers' Transitional BRA Complaint

Unless FERC quickly dismisses the complaint from RPM Buyers over PJM's transitional Base Residual Auctions (Matters, 7/4/08), the effectiveness of RPM as well as similar mechanisms in other markets is threatened, thereby discouraging needed investment in existing and new infrastructure, generators warned the Commission (EL08-67)

The "bottom line" is that the transitional BRAs were competitive and were conducted in accordance with the RPM rules, EPSA argued, adding that RPM Buyers have not offered a "shred" of reliable evidence to the contrary.

EPSA and the PJM Power Providers Group (P3) pointed to analyses by PJM's Market

Monitoring Unit as well as The Brattle Group (Matters, 7/1/08) which show that RPM has provided a competitive capacity market at a reasonable cost. Brattle confirmed new resources have been attracted by the transitional BRAs, and that some new capacity offered in the transitional BRAs did not clear, which P3 called a "clear" indication of a competitive market.

The Market Monitor has also confirmed that suppliers have adhered to the must-offer requirement, negating allegations of withholding, EPSA noted. The MMU also "unequivocally" rebutted allegations regarding the exercise of market power, EPSA added.

FERC risks damaging the market even by setting the complaint for hearing, EPSA cautioned, as financial analysts see negative investment consequences independent of the complaint's actual outcome.

Loss of confidence in the RPM market and similar markets would harm consumers by lessening reliability and also raising prices due to risk premiums, explained EPSA.

Citing the Brattle report, P3 noted that RPM revenues have kept approximately 4,600 MW of resources on-line, and are "critical" to the financial viability of an additional 20,000 MW. If RPM Buyers' proposed rates were approved, supply in Eastern MAAC would fall by approximately 1,700 MW and supply in Southwest MAAC would fall by 800 MW - levels well below the minimum level needed to assure reliability in the PJM region, P3 added.

P3 and EPSA concluded that the complaint is simply an attack on the RPM settlement which FERC has already judged to be just and reasonable, and urged summary dismissal.

All of the auctions were conducted pursuant to the settlement rules, and all of the results were within the scope of possible outcomes under the express terms of the settlement, P3 reminded.

CAISO Board OKs Queue Reforms

The California ISO board approved the Generator Interconnection Process Reform plan which is to resolve the source of the current queue backlog by increasing the financial commitment necessary for project developers to enter and progress through the interconnection process, by studying projects with related system impacts in groups, and by providing for pro-rata allocation of transmission upgrades across grouped projects.

Under the current process, the needs of each interconnection request are evaluated in the order received, under a serial study approach. The cost of transmission upgrades needed to accommodate the new generation is currently imposed on the first project that triggers the need. If one project in the interconnection queue drops out, the change can impact other projects in line, forcing CAISO to restudy the affected projects. In addition, the current application fee of only $10,000, and milestones that fail to provide a measure of commercial viability, contribute to a high number of interconnection requests.

Currently 361 interconnection requests totaling more than 105,000 MW are pending in the interconnection study process. Of these, more than 68,000 MW are from renewable resources.

The board approval clears the CAISO to file the plan at FERC.

Briefly:

Higher Standard Offer Coming to National Grid in R.I.

The Rhode Island PUC approved a new Standard Offer of 12.4¢/kWh for National Grid. When combined with the Renewable Energy Standard Charge of 0.084¢/kWh, the new Standard Offer Charge is 12.484¢/kWh. The new rate goes into effect July 15 and lasts through Dec. 31.

McGinty Leaving DEP

Pennsylvania Department of Environmental Protection Kathleen McGinty plans to step down July 18. McGinty has been one of the more ardent supporters within the Rendell administration for a "least-cost" utility-negotiated portfolio for default service, the use of long-term contracts backed by utilities to build generation, and for rate mitigation when price caps expire at the remaining utilities in 2010 and 2011.

Direct Asks for Oral Arguments on EDC REC Contracts

Direct Energy asked the Connecticut DPUC to hold oral arguments concerning exceptions to the draft decision on utility purchases of RECs under long-term contracts. (07-06-61, Matters, 7/10/08) Direct "strongly disagrees" with United Illuminating's plea that the Department allow distribution companies to buy energy and capacity on the same long-term contracts used to procure RECs. Direct also opposes UI's request to extend the permissible contract length from 10 years to 15 years. Direct did not file exceptions of its own but requested oral argument to rebut UI's exceptions.

Maine Renewable Energy Reports 2007 Sales
Competitive Energy Services dba Maine Renewable Energy reported its 2007 sales to the Maine PUC:
Total Sales: 16,193,335 kWh

Central Maine Power
Non-Standard Offer Sales

Class	kWh Sales	Revenues	Average $/kWh
Mass*	14,212,458	$1,325,840	$0.093287

Bangor Hydro-Electric
Non-Standard Offer Sales

Class	kWh Sales	Revenues	Average $/kWh
Mass*	1,980,877	$186,448	$0.094124

**Mass: Residential and Small Non-Residential Class under Ch. 301 of Maine PUC Rules*

Surges and Circuits

Power Surges

CenterPoint: Despite PUCT Commissioners wanting changes to its AMIN program, our overriding sense of the Commission at a hearing was that it wanted meters put in place as soon as possible, and that shortcomings of the AMIN plan could be worked out. Commissioners also generally dismissed claims that CenterPoint had unfairly favored one REP in creating AMIN.

W Power and Light ... from 1

customers, and 12,289 MWh of electricity to its un-affiliated wholesale customers (as a wholesale power marketer).

As of the end of 2007, Priority Power managed approximately 1.7 TWh of annual electricity demand and 40 bcf of physical and financial natural gas annually for its customers, representing an annual energy spend of approximately $650 million.

Amen had projected in a year-end report that W Power and Light needed capital requirements of approximately $3.5 million to finance electricity procurement and business development activities, assuming commodity prices remained at or below their then-current price. At that time, Amen noted that W Power and Light continued to be challenged by higher and volatile commodity prices that increased the amount of capital required to hedge forward its electricity purchases using available cash.

N.J. Plan ... from 1

Plan's goals.

RESA recommended that the state allow market participants to make decisions as influenced by market fundamentals such as impending Regional Greenhouse Gas Initiative mandates, and to bear the risks of such decisions.

A State Energy Council that could streamline permitting or provide a one-stop permitting process could be beneficial, RESA noted. But a state power authority, where the state government would try to outguess the market, would saddle taxpayers with financing and construction risk, RESA cautioned.

Similar risks apply if a power authority is used to assemble a portfolio of long-term contracts to meet the state's electric supply needs, RESA added, warning of new stranded costs under a portfolio approach.

Consolidated Edison Solutions affirmed that for customers not moved to hourly pricing, the current competitive BGS procurement approach for full electric requirements provides an effective market-based mechanism to procure all supply elements including capacity, balancing energy and ancillary services.

The BGS auction establishes retail rates that incorporate all the cost elements (including counterparty credit and ancillary services) and, when adjusted for line losses, provides retail marketers with a fair and objective price to compete with, ConEdison Solutions explained. From the customer's perspective, the resulting fixed price is known and transparent and obviates the need for estimates, large reconciliations, or deferrals that are inherent in other procurement models, ConEdison Solutions added.

RESA also urged state policymakers to continue the transition of the solar market from one where customers receive ratepayer-backed checks for installations to one where a project's financing will be secured by its stream of RECs -- a market where real competition can flourish.

PSEG, however, told policymakers that it will seek to expand utility PSE&G's $105 million solar financing program if the initial effort, approved this spring. goes well (Matters, 4/9/08).

PSEG also argued that utilities must be major players in energy efficiency, claiming that, "It would make no sense for a critical player like PSE&G to be sitting on the sidelines."

Recent legislation opened the door for utility efficiency programs, and subject to BPU approval, PSE&G reported it intends to conduct energy audits in homes, hospitals, and small businesses across the state.