Energy Choice Matters
August 26, 2008

Dominion East Ohio, Stakeholders Submit Stipulation in Rate Case with Retail Access Impacts

Dominion East Ohio has reached a partial Stipulation with PUCO Staff, the Ohio Consumers' Counsel, Stand Energy and other stakeholders regarding its current distribution rate case that contains several issues that would impact competitive supply (07-829-GA-AIR).

Among provisions applicable to retail marketers is that DEO is to extend from 14 to 30 days the period in which DEO must remit payments to natural gas marketers for the purchase of receivables billed from DEO's Customer Care System (CCS). DEO would remit 100% of the value of supplier receivables, less any unpaid supplier balances, by writing a check or executing a wire transfer weekly for accounts billed from the CCS, and monthly for accounts billed from the Special Billing System (SBS). Such payments shall be made approximately 30 days after the accounts have been billed.

DEO is to also evaluate the feasibility of providing adjusted bill due dates to allow customers the option of having the due date on the bill coincide with the time when they are most capable of paying the bill. The study is to be completed no later than six months following the Commission's approval of the Stipulation.

DEO shall also evaluate the feasibility of separating the residential and nonresidential General Sales Service (GSS) and Energy Choice Transportation Service (ECTS) classes for purposes of rate design.

Reliant Renews Call for Delay in Duquesne Light Integration

Duquesne Zone market participants should not be required to place their trust in, or expend commercial resources on, meeting a highly questionable October 1, 2008 Midwest ISO integration date without first having all of the outstanding issues decided, Reliant Energy told FERC yesterday (ER08-1235, Matters, 7/25/08)

Reliant argued that an answer from Duquesne Light which opposed a delay from the Oct. 1 integration date does not show any adverse consequences to Duquesne Light or its customers that would result from deferring the proposed integration date, while the answer, "fails to justify [Duquesne Light's] cavalier dismissal of the adverse consequences to Reliant and other market participants resulting from not having sufficient time or information to make the necessary business arrangements to meet the October 1 date, as well as not being able to receive an allocation of Auction Revenue Rights ("ARRs") to allow them to fully hedge congestion risks."

Reliant has proposed that integration be pushed back to June 1, 2009 at the earliest, which would coincide with the start of the PJM and MISO planning years, and allow LSEs to participate in the next MISO annual Financial Transmission Rights allocation process.

Such a delay would not impact Duquesne's customers, Reliant explained, because the utility's POLR customers are served under fixed rates that will be unaffected by the transition to the Midwest ISO until after 2010 when the current fixed rate agreement expires.

"In addition, if DLC's proposed Network Integration Transmission Service ('NITS') rates and Construction Work in Progress ('CWIP') incentive rates are approved by the Commission, the sizeable increase in DLC's revenues over what it currently earns in PJM might translate into higher transmission service costs for DLC transmission customers (other than DLC's fixed-rate POLR customers)," Reliant cautioned.

... Continued Page 5

CEC Shares Concerns of Damage to the RFO Process from Tesla Application

The California Energy Commission has "serious concerns" that Pacific Gas & Electric's application to build the Tesla Power Project is the most recent example of generating resource acquisitions being characterized by utilities as "unique circumstances" in order to justify acquisition outside of the competitive RFO process, Chairman Jackalyne Pfannenstiel wrote in a letter to the PUC (A. 08-07-018, Matters, 8/22/08).

The CEC reminded the PUC that the 2005 Integrated Energy Policy Report found that, "requiring the state's utilities to engage in long-term procurement now is the highest priority for California to ensure an affordable, reliable, safe, and environmentally sound electricity system."

It is "critical" for market participants to have faith in the RFO process, and that the RFO not be circumvented unnecessarily, in order to maintain an efficient and viable competitive process necessary to support long-term procurement, Pfannenstiel said.

"If this standard becomes eroded over time such that utility ownership of facilities outside the competitive process becomes a common exception to the rule, the robustness of the procurement process will surely suffer," Pfannenstiel cautioned.

Pfannenstiel pointed out that PG&E's acquisition agreement for Tesla contains an option allowing it to proceed with the future development of the second power train. "With this option, PG&E already seems to be planning for another opportunity to add to its own stock of generation resources, implying that yet another 'extraordinary circumstance' may be just around the corner," Pfannenstiel noted.

Pfannenstiel argued that long-term commitments made through the RFO process are critical to meeting growing demand, and strongly encouraged the PUC to critically examine PG&E's application.

TURN, however, believes that PG&E's Tesla project, subject to an initial capital cost cap of $850 million, represents the best available option from a ratepayer standpoint for replacing the 913 MW of projects approved in PG&E's 2004 RFO that have subsequently been cancelled or substantially delayed, based upon the information TURN has gathered to date.

WGL Opposes Asset Management Review as Micromanagement

Washington Gas Light opposed a petition from the Maryland PSC Staff for an investigation into WGL's asset management practices as duplicative of Purchased Gas Cost proceedings, and amounting to micromanagement (Matters, 8/11/08).

WGL's decision to internally manage certain assets, a departure from the use of external asset managers over the last decade, was reviewed in its most recent annual PGC case, WGL said.

WGL claimed recent enhancements to asset management, including taking such duties in-house, have been successful, and reported that this year should produce a 200% increase in credits for customers compared with the 10-year average.

The decision to bring asset management in-house was done after gaining greater insight into the strategies and tactics used by external managers, and because of the greater potential to generate additional revenues from off-system sales due to gas market volatility, WGL told the PSC.

WGL also noted that while Staff asked for relief in three specific areas, its petition also recommended a "general review of WGL's gas purchasing practices," which is the purpose of the current PGC cases, WGL observed.

WGL argued that the PGC case is the appropriate forum to address Staff's concerns about the pricing of storage injections now that asset management is performed by WGL instead of a third party.

The Office of People's Counsel, however, challenged WGL's practice of charging customers for gas at index prices, "thereby inflating costs for customers above the actual costs of the commodity," now that WGL, and not an external manger, is handling asset management.

OPC also recommended that the PSC investigate WGL's methods for determining its monthly and daily commodity purchase quantities, and WGL's accounting and other methods for determining the commodity purchase costs attributable to storage fill and off-system sales.

While some storage withdrawals are charged to the PGC, OPC said that WGL's annual filings in Case No. 9509 provide no information on commodity purchase costs attributable to storage fill and to off-system sales. WGL's filings do not provide any indication of when or how it purchased the gas that comes out of storage in the winter season, and does not provide any information about the way it determines the cost of the gas in storage, OPC argued.

TIEC Proposes Automatic MCPE Adjustment During NSRS Deployment to Enable Load Response

Texas Industrial Energy Consumers has submitted Protocol Revision Request 776, Automatic MCPE Adjustment During Intervals of Non-Spinning Reserve Service (NSRS) Deployment, to facilitate load response to prices during times of NSRS deployment, and moderate price spikes during such deployment.

TIEC requested urgent status for the PRR since NSRS deployments are frequent at this time, and the inability of Load to respond to price signals places additional, unnecessary strain on Load Resources.

PRR 776 would adjust the Market Clearing Price for Energy when the deployment of NSRS occurs in order to provide accurate prices in Real-Time through an automatic $100/MWh upward adjustment, TIEC explained.

The $100 MCPE adjustment would replace the current PRR 650, Balancing Energy Price Adjustment Due to Non-Spinning Reserve Service Energy Deployment, method of removing NSRS deployments and manually re-running Scheduling, Pricing, and Dispatching (SPD). After-the-fact price adjustments resulting from PRR 650 prevent price-responsive loads from reacting to prices in Real-Time, TIEC said.

The $100 adjustment is based on the average MCPE adjustment during NSRS deployments from Jan. 1, 2007 through Aug. 8, 2008. TIEC also suggested an alternative adjustment of $75/MWh, which is the rounded average of the MCPE adjustments during calendar year 2007.

Using the $100 average to adjust the MCPE will provide compensation comparable to that under PRR 650, but evenly over time, TIEC argued. Prices will be known in Real-Time and fluctuations would be minimized.

Enabling Real-Time load response would provide the market with additional resources during NSRS deployment and would allow Market Participants to make usage choices based on actual prices, TIEC explained. "The proposed PRR will accomplish these objectives while preventing the depressed pricing that occurred from NSRS deployments prior to the implementation of PRR 650," TIEC said.

The PRR would modify Protocols 6.8.1.12, Payments for Balancing Energy Provided from Ancillary Services During the Operating Period, and 6.9.5.1, Balancing Energy Clearing Price.

Stakeholders Oppose Strict Adherence to CRR Timeline Given MRTU Delay

Several stakeholders cautioned the California ISO against strict adherence to its current Congestion Revenue Right schedule given uncertainty regarding the Go-Live date of the Market Redesign and Technology Upgrade.

Pacific Gas and Electric, "is concerned that CAISO's focus is on potential Go-Live dates and not on conducting a CRR allocation that treats market participants fairly."

While CAISO has repeatedly stated the need to conform to its CRR schedule to permit a February 1, 2009 MRTU start, CAISO has not announced any target date to begin MRTU, PG&E pointed out.

PG&E cautioned that the CRR allocation process is being compromised based on several factors, including questions surrounding load migration.

CAISO, the three distribution utilities, and electric service providers have been discussing implementing a load migration process, with CAISO and the utilities working on data needs and testing. "However, sufficient time has not been allocated to validating the input data, reviewing the results and communicating the process to market participants," PG&E reported.

"Given recent problems with the load

migration data, PG&E feels it is important to address these issues prior to the beginning of the 2009 CRR Allocation process," PG&E told CAISO.

The best time to correct problems in data or methodology is before the 2009 CRR Allocation process, since reversing any financial impacts due to incorrect or missing load migration calculations will be more difficult than correcting the load migration process at present, PG&E noted.

PG&E also argued that the current manual and ad hoc processes used for load migration data disadvantage the utilities by taking their time and focus away from CRR analyses.

Citadel Investment Group cautioned CAISO against any schedule that will lead to any CRR "unwinding" as was the case this year due to MRTU's delay.

CRR auctions require substantial capital commitment both for collateral and auction payments, Citadel reminded, and argued against a CRR schedule that would again lock up participant's capital given MRTU's uncertain start.

"It is Citadel's recommendation to keep the 2009 CRR auction schedule in tandem with MRTU go-live dates to avoid the undesirable process of returning CRR awards as observed during the 2008 CRR auction and unwinding process."

ERCOT Task Force to Implement Interim AMI Settlement Solution

ERCOT's Retail Market Subcommittee has created a taskforce, called the Market Advanced Readings and Settlements (MARS) Taskforce, to accommodate stakeholder review and implementation of the market interim settlement solution for advanced meters, and the successful implementation of Protocol Revision Request 766 (Matters, 6/23/08).

The working group, which will initially meet Sept. 8, will also discuss any outstanding questions or business requirement issues as they are identified.

The task force is to follow a "very accelerated" schedule to allow the market to meet a July 2009 implementation date for PRR 766.

PRR 766 is to support the interim settlement of all provisioned advanced meters using actual 15-minute data, the same way Interval Data Recorder (IDR) meters are settled today, until the long-term solution developed by PUCT Project 34610 (Implementation Project Relating to Advanced Metering) or future rulemakings are implemented.

The interim measures are to accelerate the timeline for the market to take advantage of the benefits of advanced meters and allow retail customers to more effectively respond to price signals by supporting innovative retail product offerings, such as demand response, dynamic pricing, and Time-of-Use pricing. (http://www.ercot.com/committees/board/tac/rms/marstf)

Sorgo Fuels Comments on Year-Old Federal Competition Report

Biomass IPP Sorgo Fuels, reiterating comments it made over two years ago to Electric Energy Market Competition Task Force, complained to FERC about the lack of meaningful competition in wholesale markets in comments on the task force's final report which came out in April 2007.

In the comments filed yesterday, Sorgo Fuels lamented congressional roadblocks to Standard Market Design, and charged that, "Regulated utility monopolies are allowed to dump surplus power at below total cost into deregulated states by forcing their ratepayers to subsidize the exportation of power."

Sorgo also complained that regulations for both transmission and generation block the siting of new power sources, and argued baseload plants in restructured markets received stranded cost subsidies from ratepayers, but did not pay back stranded benefits caused by recent shifts in fuel prices.

"As long as U.S. politicians and regulators won't foster fair competition, monopolies will be able to do largely whatever they want to potential new entrants and thus gouge consumers," Sorgo claimed.

Briefly:

MISO ASM Deferred Beyond Sept. 9 Start

Although the Midwest ISO and market participants are operationally prepared to launch the Ancillary Services Market, additional operational tests meant to address volatility seen in testing will require MISO to defer the

September 9, 2008 start of the ASM, MISO told stakeholders in a Markets Committee Meeting. A new start date was not given. While actions have reduced price volatility, more work is needed to refine requirements for Control Performance to obtain the proper balance between economics and reliability, MISO said. Several TOs had cautioned FERC about high levels of scarcity pricing seen during ASM tests (Matters, 8/18/08)

BGE Home Product & Services Leaving Md. WGL Commodity Market
BGE Home Product & Services told the Maryland PSC it intends to cease providing gas commodity service to all customers located in the Washington Gas service area within 60 days of August 30, 2008.

Gexa Latest REP to Offer Expanded Deferral Plan
Gexa Energy is offering a new bill payment assistance program that allows low-income residential customers to pay their electricity bills over a four-month period. Low-income residential customers currently receiving the state's LITE-UP Texas discount can pay $100, or their entire bill, whichever amount is less, for each bill that comes due until September 30. Any remaining amount will be moved to a four-month deferred payment program to begin October 1. PUCT Chairman Barry Smitherman, who hailed the program, said the addition of Gexa's payment plan to others voluntarily offered by other REPs means that over 80% of low-income customers living in competitive areas of Texas are now covered by a deferral plan.

PPL Outage to Produce $30 Million Hit
PPL reported to investors in an 8-K that net income for 2008 could be reduced by approximately $30 million from reduced electricity sales and costs for replacement power stemming from an outage at its Montour coal-fired generating facility. PPL on Aug. 5 shut down Montour Unit No. 1 following damage to a portion of the wooden frame substructure that contains a system of piping and other equipment that delivers hot water to the cooling tower. After a review, PPL has decided to replace the entire substructure, although Unit No. 1 should return to service by the end of the third quarter by using temporary equipment to perform the substructure's function.

Suez Holding Energy Summit for Customers
Suez Energy Resources NA is hosting an educational summit for customers and prospects on Sept. 24 in Dallas focusing on the ERCOT nodal market, demand response and the Leadership in Energy and Environmental Design (LEED) Program.

CNE Provides RECs for U.S. Open
Constellation NewEnergy is supplying an estimated 2,000 Green-e certified wind RECs to the United States Tennis Association to match consumption during the U.S. Open, which began yesterday.

Green Mountain Giving RECs to Green Fair Volunteers
Green Mountain Energy is offering RECs to the first 100 people who sign up as additional volunteers for the Renewable Energy Roundup & Green Living Fair fall festival, an event organized by the Texas Renewable Energy Industries Association and the Texas Solar Energy Society.

Duquesne ... *from 1*

The missing elements to Duquesne's integration filing are not trivial and cannot be addressed by ministerial additions to the integration proposal, Reliant contended. "As evidenced by the protests and comments filed in the Portability Filing, that critical element also is very much an early work in progress, lacking significant details and raising complicated issues that cannot be easily swept under the rug as DLC marches forward along its preferred timetable for Commission action," Reliant charged.

Duquesne, "cannot have it both ways," Reliant argued, noting that Duquesne is dismissing market participants' concerns over integration uncertainty while at the same time refusing to commit to join MISO due to uncertainty regarding its final PJM obligations and whether joining MISO would still be economic once all of its obligations to PJM are defined and adjudicated.

Reliant urged the Commission to reject the Oct. 1 integration date and set a new integration date only after all of the integration-related filings pending before the Commission have been addressed, and Duquesne has irrevocably committed to withdrawing from PJM and joining the Midwest ISO.