Energy Choice Matters
September 29, 2008

Nicor Defends Maximum Daily Nomination Limit to Prevent Cost Shifting to Bundled Customers

Bundled customers are negatively impacted by Transportation customers' utilization of their on-system storage capacity, Nicor Gas said in testimony rebutting various marketer proposals concerning storage injections, imbalance trading and related provisions in Nicor's rate case before the Illinois Commerce Commission (08-0363).

Nicor witnesses reminded the ICC that the daily, monthly, and seasonal capability of Nicor Gas' storage fields is limited, not infinite. "Therefore, to the extent Transportation customers utilize their storage capacity differently than their proportionate share, Sales [bundled] customers must make up the difference, or at least a significant portion of the difference," Nicor said, further contending that the cost impact on Sales customers from such activities was about $12 million for the 12-month period December 2006 through November 2007.

Nicor used the cost to justify its proposed changes to marketers' maximum daily nomination limit, arguing that the changes are, "designed to more closely match customers' storage utilization with actual storage field operating requirements."

Transportation customers' current daily nomination limit for March storage injections equals two times their Maximum Daily Contract Quantity, but Nicor wants to reduce March's daily nomination limit on non-Critical Days to 150% of the customer's historical usage calculated on a daily basis. Nicor would also reduce April's maximum daily nomination from a Transportation customer's historical usage plus 25% of their storage capacity to 110% of the customer's historical usage calculated on a daily basis.

Nicor said the changes would reduce the need to use pipeline caps, under which it limits deliveries to protect system integrity. Testimony from marketers downplayed the problem of pipeline caps, noting Nicor has not issued any in 16 months. However, Nicor noted it has historically issued a

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TNMP Accepting All EDI Transactions Except DNPs, ERCOT Adjusting Load Profiles

Late Sept. 27, Texas-New Mexico Power completed restoration of all known outages, excluding premises with damage preventing restoration. With restoration complete, TNMP is accepting EDI transactions for all areas, although Move-in orders may take longer than normal to complete. TNMP said per the PUCT's order in project 36150 (Matters, 9/25/08), it will not perform any disconnections for the entire Gulf Coast area until October 10. CenterPoint has trimmed outages to 167,000 by late Sunday evening.

Also per PUCT direction, ERCOT will be adjusting all Load Profiles for the Coast Weather Zone used for aggregating load starting with Operating Day September 13, 2008 and continuing forward until further notice, it said in a market notice.

The adjusted Load Profiles will first be reflected on the Initial Settlement of Operating Day September 18, 2008. Adjustments for Operating Days September 13-17, 2008 will be reflected in the Final Settlement for those Operating Days.

The Coast Weather Zone Load Profiles will be scaled down to better reflect the proportion of customers that have power based on market communications from CenterPoint Energy. For example, if 20% of customers had power on a particular Operating Day, all Coast Weather Zone Load Profiles

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National Grid Posts Latest Basic Service Rates

National Grid filed with the Massachusetts DPU the latest basic service rates starting Nov. 1 as both mass market and large C&I rates are due to change.

Tariff (All Prices cents per kilowatt-hour)

	Residential	Commercial	Industrial			Streetlight
	R-1, R-2 R-4, E	G-1	G-2, G-3 SEMA	G-2, G-3 WCMA	G-2, G-3 NEMA	S-1, S-2 S-3, S-5, S-20
Fixed Price Option:	12.654¢	12.429¢	12.436¢	10.572¢	11.216¢	12.429¢

November 2008 through April 2009 for Residential, Commercial, Streetlight
November 2008 through January 2009 for Industrial

Variable Price Option:	Residential	Commercial	SEMA	WCMA	NEMA	Streetlight
November 2008	11.642¢	11.501¢	11.255¢	9.532¢	10.070¢	11.501¢
December 2008	12.373¢	12.232¢	12.328¢	10.437¢	11.123¢	12.232¢
January 2009	13.674¢	13.552¢	13.696¢	11.723¢	12.425¢	13.552¢
February 2009	13.826¢	13.634¢	n/a	n/a	n/a	13.634¢
March 2009	12.233¢	12.062¢	n/a	n/a	n/a	12.062¢
April 2009	11.620¢	11.329¢	n/a	n/a	n/a	11.329¢

Ohio Marketers Oppose Storage Cost Allocation at Columbia

Ohio gas marketers sought to ensure that choice and transportation customers do not pay costs related to storage for bundled service customers at Columbia Gas of Ohio.

A PUCO Staff report recommended including $95.8 million related to Gas Stored Underground in working capital, which would then be paid through base rates by all customers (08-72-GA-AIR et. al.).

The amount relates to gas that Columbia purchases and stores underground for use in serving its bundled customers, the Ohio Gas Marketers Group said in testimony.

The inclusion of the $95.8 million in working capital would permit Columbia to recover from all customers the carrying costs associated with Columbia's purchase of such gas to serve its bundled customers. Transportation and Choice customers do not benefit from such Gas Stored Underground and therefore should not bear responsibility for it in rates, marketers said.

The $95.8 million in Gas Stored Underground should be recovered through the Gas Cost Recovery (GCR) rate instead of through the working capital component used in calculating base rates, the Ohio Gas Marketers Group recommended. Such a method was approved by PUCO for Duke's Ohio LDC in Case No. 07-589-GA-AIR in an order this May. Aside from properly allocating costs, the marketers' proposal would create more transparency with respect to commodity-related costs, in that it would include an element directly attributable to providing commodity service in the GCR, the Ohio Gas Marketers Group noted.

PJM, MISO Want FERC to Enforce SECA Fees Imposed on Green Mountain

PJM, the Midwest ISO and transmission owners from both RTOs requested FERC expeditiously resolve several matters concerning Seams Elimination Charge Adjustments, including enforcing approved tariff provisions that have assessed Green Mountain Energy more than $31 million in SECA charges (ER05-1423 et. al, Matters, 8/7/08).

The RTOs and transmission owners contend that, "despite the absence of any Commission order excusing such payment," Green Mountain has refused to pay assessed SECA charges. Green Mountain has consistently argued that it cannot be assigned such SECA costs because it did not take transmission service from the Midwest ISO, and because it was neither a transmission customer nor a market participant of MISO. Green Mountain disputes that the cited FERC orders, which accepted various service agreements, directed any payment from Green Mountain.

The RTOs and transmission owners also

urged FERC to act on the case's Partial Initial Decision issued on April 13, 2006, and Initial Decision issued on August 10, 2006, which have sat at the Commission for two years. A Commission order would bring certainty to cases which have not yet been settled.

FERC should also approve pending settlements, the RTOs and transmission owners said.

Bridgeport Energy II Files to Change FCA Election

Bridgeport Energy II filed with FERC a request for waiver of ISO New England's Forward Capacity Market rules to change Bridgeport Energy II's election in the Forward Capacity Auction, and allow it to offer capacity at a price below 0.75 times Cost of New Entry (ER08-1571).

Bridgeport Energy II, a joint venture between LS Power Associates and Dynegy, won one of the cost-of-service peaking contracts issued by the Connecticut DPUC and is developing a 360 MW facility.

The final decision of the DPUC obligates Bridgeport Energy II to bid the full contracted capacity of its unit so that it clears in the forward capacity market no later than the first period for which it is eligible based on the project's commercial operation date (the June 1, 2011-May 31, 2012 period). Revenues received from the FCM will be used to reduce the Annual Fixed Revenue Requirement obligations of Connecticut ratepayers (08-01-01, Matters, 9/22/08).

However, due to a misinterpretation of the requirements for a resource's New Capacity Qualification Package, Bridgeport Energy II did not elect to submit offers below 0.75 of Cost of New Entry (CONE), because it erroneously believed a resource could only elect to bid below 0.75 times CONE if it was able to provide information to the Internal Market Monitoring Unit showing that such a bid is consistent with its costs to construct the new facility. Bridgeport Energy II did not believe it could make such a showing. However, the information is actually not needed to bid below 0.75 times CONE; the information is only used to determine if a unit bidding below 0.75 times CONE would be identified as Out-of-Merit under the Alterative Price Rule.

In any event, under its current election of not bidding below 0.75 times CONE, Bridgeport Energy II may not clear the first FCA for which it is eligible, potentially creating an Event of Default under its Contract for Differences with United Illuminating.

Allowing Bridgeport Energy II to participate in the FCA below 0.75 times CONE will not impact the auction clearing price, the generator told FERC in its waiver request. Thus a waiver would not cause any cognizable harm to any other potential FCA participants.

An expedited waiver is needed to allow Bridgeport Energy II to close on financing by early November, it said.

If the request is not granted, Bridgeport Energy II has proposed to the DPUC seeking alternate sources of capacity revenues, and would participate in any reconfiguration auction associated with Forward Capacity Auction #2.

Net revenues from any such sales (Monthly Alternative Capacity Revenues) would be used to offset any Annual Fixed Revenue Requirement otherwise payable by United Illuminating.

Bridgeport Energy II proposed modifying the Contract for Differences to confirm that failure to clear in FCA #2 and any impacts on FCM or Locational Forward Reserve Market revenues are not an Event of Default and will not affect whether Bridgeport Energy II achieves "Commercial Operations" for purposes of the Contract for Differences.

FERC Accepts CAISO Interconnection Reforms, Does Not See Adverse Impact on IPPs

Heightened financial requirements that are part of the California ISO's interconnection reform plan are not unduly discriminatory, FERC ruled in accepting CAISO's Generation Interconnection Process Reform (GIPR) tariff amendment.

The interconnection reform proposal uses a clustering approach to process interconnection requests, consolidates the interconnection studies required, and significantly increases and accelerates financial commitments required for interconnection.

While several IPPs had cautioned FERC that more stringent financial qualifications would disproportionately impact merchant projects, since utility-owned generation can lean on ratepayer-backed balance sheets (Matters, 8/19/08), the Commission did not embrace the connection.

"Nonutility projects that are appropriately capitalized should benefit along with all other appropriately capitalized projects from the increased efficiencies of the GIPR process in having earlier assurances as to their cost responsibilities as well as greater certainty as to their commercial operation date," the Commission concluded.

The CAISO has demonstrated that current financial requirements are inadequate to discourage speculative projects or multiple requests for the same project from overburdening the queue, FERC explained.

Merchant development will ultimately be aided by interconnection reform, FERC said, since the, "inability of a planned and financed generating facility to interconnect to the CAISO because of a clogged interconnection queue is the structural barrier to entry."

"Encouraging applicants to be appropriately developed and funded is a prudent measure to ensure that the generators that have a good chance of reaching commercial operation are studied at the appropriate time," FERC said.

The increased financial security requirements, which will rise from a $10,000 deposit to a generally non-refundable $250,000 deposit, "represents a reasonable effort ... to deter speculative projects that lack a reasonable chance of achieving commercial operation from entering the queue," the Commission held.

"The deposit and financial commitment provisions are not so onerous as to act as barriers to interconnection," FERC concluded, also denying claims that the structure of the CAISO's transition process is discriminatory to independent generators, due to a lack of any proffered evidence.

A proposal from the California PUC to allow generators withdrawing from the queue to retain credit for unused study deposits for future use, "would weaken the incentive for the interconnection customer to ensure that its project is viable at the time it enters the interconnection process," the Commission said in denying the suggestion.

The Commission declined to adopt stakeholder recommendations for a separate wind interconnection queue or other alternate proposals, sharing the CAISO's concerns that attempting to overlay specific proposals presented by other parties would undermine the effectiveness of the interconnection reforms. Specifically, providing a separate queue for wind projects could potentially create a need for restudies, which the reformed process is designed to avoid.

FERC also determined that performing Off-Peak Deliverability Assessments under CAISO's plan is necessary and reasonable. "Because of the proliferation of renewable generation technologies such as wind, and its associated off-peak production profile, we believe it is important to be able to utilize this energy without causing strains and congestion problems on the grid," the Commission said.

At the time that the CAISO plan was filed, the ISO had 361 interconnection requests totaling more than 105,000 MW pending in its queue. Over 68,000 MW represented renewable resources. The pending interconnection requests are double the historic peak demand of 50,270 MW for the CAISO Balancing Area Authority.

Briefly:

GE Unit Would Get Conn. Aggregator License Under Draft

The Connecticut DPUC would grant an electric aggregator license to GE Global Trade Management-Energy to serve C&I customers under a draft decision issued last week (Matters, 7/24/08).

Duke Ohio Updates Fuel Rider

Duke Energy Ohio filed its updated Rider FPP, Fuel and Economy Purchased Power, effective Sept. 29. Rider FPP, which is bypassable, is updated quarterly and the new rates are:

Residential	$0.021746/kWh
Non-residential	$0.021847/kWh
Voltage-reduction	$0.021670/kWh

The FPP rider reflects the incremental rate above or below the rate contained in Duke's base Market Price Generation rate of $0.012453/kWh.

MidAmerican Completes ERCOT Test Flight

MidAmerican Energy Company is a step closer to serving end users in ERCOT, as it filed its ERCOT certification with the PUCT after successfully testing for the Oncor, CenterPoint, AEP Texas North, AEP Texas Central and Texas-New Mexico Power territories. MidAmerican received a REP certificate in February.

PUCO Approves Updated Vectren Bill

PUCO has approved a bill format change at Vectren to reflect its new auction-determined Standard Service Offer. Wording on the bill will remove "Gas Cost Recovery Charge" and replace it with "Gas Cost Charge (SSO)" to reflect Vectren's gradual exit from the merchant function (Matters, 8/28/08). The new bill also removes the outdated reference to "Vectren Choice Advantage" in referring to the choice program. The new SSO starts Oct. 1.

D.C. PSC Reviewing Emergency Winter Protections

Citing "genuine concerns" about the upcoming winter season and the impact of rising fuel prices on customers' ability to pay for heating, the District of Columbia PSC is considering reviving previously enacted assistance measures for the heating season to protect gas customers, and is exploring adopting similar provisions for electric customers as well (FC 813, 1043). During the 2005-06 winter, the PSC adopted certain emergency billing and collection provisions at Washington Gas Light which included, (1) three-month deferrals of security deposit payments; (2) a one-month billing deferral on reconnection charges; (3) participation in budget billing programs for customers who would normally not qualify; (4) review of customer bills with efforts to negotiate a settlement of delinquent accounts and; (5) referral of customers to programs providing financial assistance.

Nicor ... from 1

"significant" number of pipeline caps in the months of March and April, although none were issued in those two months of 2008.

The NAESB intraday nomination schedule should not be implemented at Nicor, the LDC said, because Nicor differs from LDCs offering Transportation customers the ability to modify their nominations in response to situations such as a change in weather conditions, a revised production schedule and unanticipated operational difficulties. Constellation NewEnergy suggested intraday nominations for Transportation customers in direct testimony.

Nicor stressed that while it, as the system operator, uses intraday nomination cycles to manage the balancing of its system, it does not use intraday nominations solely to benefit bundled customers, and thus should not be required to offer such a service to Transportation customers.

While other LDCs may offer intraday nominations, Nicor argued that those LDCs do not offer storage services to their Transportation customers, which Nicor does. Nicor claimed its "no-notice" level of storage service, which balances daily usage and deliveries, provides customers with greater value than an intraday nomination service. LDCs offering intraday nominations also require that their customers match their load and therefore require intraday nomination changes as necessary, and apply penalties if usage is not closely matched with pipeline deliveries, Nicor pointed out.

Nicor defended its use of a 134.6 Bcf figure in various Storage Banking Service calculations. Staff and marketers have recommended using 149.74 Bcf instead, which is the actual capacity of the storage fields. But Nicor says the 134.6 Bcf figure should be used because it represents the operationally available capacity that supports peak day and subsequent peak day storage deliverability. Using total capacity rather than operationally available capacity would deny Sales customers access, "to their rightful proportionate share of available capacity," Nicor claimed.

If the Commission were to approve the larger number, then Transportation and Customer Select (choice) customers would receive the triple benefit of (a) access to more storage capacity per customer (Maximum Daily Contract Quantity days) than Sales customers, (b) economic value from cycling that additional storage capacity, and (c) 5 Bcf of incremental storage capacity for free because neither Transportation or Customer Select customers would pay more than they would otherwise for the incremental capacity, Nicor said.

Nicor opposed a proposal from Vanguard Energy Services to permit customers to openly imbalance trade their gas in storage, citing backoffice implementation costs as well as the unclear nature of the proposal (specifically, what "imbalances" are at issue).

Nicor reported that through August of 2008 it has disconnected 67,300 customers for non-payment and estimates it will disconnect almost 80,0000 by year's end, and over 80,000 customers in 2009.

Load Profiles ... *from 1*

for that day would be multiplied by 20% (reduced by 80%). ERCOT will use the daily communications from CenterPoint Energy to determine the percent of customers with power. No adjustments will be made to the IDR proxy day process.

The coefficients utilized to adjust the Backcasted Load Profiles for the Coast Weather Zone will be published on the ERCOT website as a Key Document on the Load Profiling page (http://www.ercot.com/mktinfo/loadprofile).

ERCOT is hosting a conference call today at 10 a.m. Texas time to explain the changes to the Coast Weather Zone Load Profile.

The PUCT has also posted a written order of its emergency protections in project 36150. We did not see anything materially different from the Commission's open meeting discussion.