Energy Choice Matters

October 13, 2008

DPUC Draft Would Force Change to Dominion-Levco Relationship

A draft Connecticut DPUC decision would grant Dominion Retail an extension of its electric license, provided that Dominion, "revises its operational practices to conform with this Decision and Connecticut law," in a finding stemming from Dominion's use of aggregator Levco Tech.

The draft would find that, due to its relationship with aggregator Levco, Dominion, "still does not enter into contracts with its customers, as required by law."

Dominion has had a letter agreement with Levco since 2002 which has made it the dominant residential supplier in the state. Pursuant to the agreement, Levco solicits customers, enters into contracts with customers, and handles all customer complaints for Dominion. The draft concludes that Dominion does not directly enter into a contract with residential customers aggregated by Levco.

Dominion has about 66% of the competitively served residential customers at Connecticut Light and Power (far ahead of second-place Direct Energy at 19%) and 70% of competitively served residential customers at United Illuminating (versus 11% for second-place Direct).

Citing an interrogatory response from Dominion, the draft determines that Dominion does not provide the customer with a contract, and that the contract is provided by Levco, because Dominion sells electricity to Levco which, in turn, supplies end-use customers. Although Dominion amended its interrogatory response, the draft did not find the modified response to change the Department's understanding of the underlying business relationship between Dominion and Levco.

Conn. Gen. Stat. §16-1(a)(31) specifically prohibits electric aggregators from purchasing and

... Continued Page 5

Final PUCT Rule Clarifies Scope of Extended Deposit Waivers

The PUCT's final written order on an extended emergency suspension of certain market rules due to Hurricane Ike clarifies that customers outside of certain zip codes can still qualify for deposit waivers under certain conditions (36150).

As described at the Commission's Open Meeting (Matters, 10/9/08), the new emergency rule reduces the number of zip codes to which the emergency order automatically applies. Residential customers in the following zip codes, plus the City of Galveston, can automatically receive service from a REP without having to post a deposit:

77012	77016	77017	77022	77023	77028	77029	77033	77050	
77051	77061	77076	77078	77087	77093	77336	77539	77547	77562

However, what was not clear from the Commission's Open Meeting discussion, is that the new rule retains the previous rule's provision that other customers affected by Hurricane Ike are eligible for the deposit waivers if they lived in a county which was declared a disaster area, and provide documentation of the hurricane's adverse impact (such as through claiming aid from an assistance organization or by showing hurricane-related destruction to a customer's residence). The deposit waivers are in effect through October 24.

As previously reported, the rule does not extend the prohibition on Disconnect for Non-Pay, but recognizes CenterPoint Energy will not likely resume completing DNPs until October 24, and suspends tariff provisions requiring CenterPoint to develop a timeline to complete DNPs until October 24, or earlier as indicated in a market notice.

... Continued Page 5

PJM Requests Waiver on 15-Minute ATC Evaluations

PJM requested a waiver to excuse its limited inability to fully comply with the Available Transmission Capability (ATC) evaluation timing requirements applicable to hourly Non-Firm Transmission Service under section 18.4 of the PJM Open Access Transmission Tariff, effective through December 31, 2009, due to the exponential growth in the number of ATC evaluations for hourly Non-Firm Transmission Service requests.

During the waiver period, PJM would strive to evaluate ATC for hourly service requests 15 minutes following receipt of a tendered schedule for Non-Firm Transmission Service, and will meet the 30-minute time limit requirement consistent with the pro forma Order No. 890 Tariff and NAESB standards.

PJM told FERC a sharp increase in the volume of hourly Non-Firm Transmission Service requests requiring ATC evaluations arose from the implementation of OASIS application changes that required PJM to evaluate ATC for Non-Firm Willing to Pay Congestion. Starting in April 2007, coincident with the OASIS change, PJM saw a growth in the number of ATC evaluations from 200 per month to 10,000 per month. By August 2008, the number of ATC evaluations climbed to approximately 24,000 per month.

PJM believes that other factors also led to the growing ATC evaluation problem, including the ability of customers to use automation to submit hourly Non-Firm Transmission Service requests to participate in the PJM Day-Ahead Energy Market. Because such customers submit their transmission service requests as close as possible to the 12:00 p.m. deadline to avoid early disclosure of their market positions, the increase in automation allows significant increases in the number of such customers submitting their requests for transmission service in a shorter window of time in close proximity to the 12:00 p.m. deadline, PJM said.

Although PJM has implemented an interim solution that appears to be handling the current volume of ATC evaluations, PJM expects to see increased numbers of hourly Non-Firm Transmission Service requests requiring ATC evaluations during the month of December, and thus requested a waiver until a permanent solution is implemented.

PJM's permanent solution, which involves moving the ATC evaluation off the OASIS to third party vendor PowerGEM, will not be completed until December 31, 2009, due to the lack of resources needed to complete the project. Staff required for the project are currently fully engaged in developing the automation needed to implement Order No. 890 requirements pertaining to posting resales of transmission service, PJM said.

ComEd Can Now Advertise Bundled Real-Time Pricing for Residential Customers

The Illinois Commerce Commission approved a settlement between ComEd and retail suppliers that will permit ComEd to advertise and market its residential real-time pricing program, granting a limited waiver of Integrated Distribution Company rules which prohibit the promotion of retail supply service by ComEd.

ComEd had asked for the waiver because residential real-time pricing enrollments have been lagging Commission targets (Matters, 9/17/08).

Under the approved stipulation reached between ComEd, Staff and retail suppliers, ComEd will indicate in its promotional materials that certain retailers also offer real-time pricing, if any retailer desires to offer its own residential real-time pricing product. Additionally, should a retailer decide to offer a residential real-time product pursuant to Rider RES-RRTP, ComEd's promotional materials will indicate that certain retailers' products provide the same benefits as ComEd's product, including free meter installation and reduced meter charges.

ComEd will also give retailers an opportunity to comment on draft marketing materials, and will hold semi-annual meetings regarding promotional efforts with retailers and the ICC's Office of Retail Market Development. All costs of promoting ComEd's residential real-time pricing program are to be considered in the Commission's final economic analysis of the ComEd program, and in determining whether the program has produced "net economic benefits" as required by legislation.

The settlement reached by retailers and

ComEd stresses that the IDC revisions are granted only due to legislation requiring ComEd to offer residential real-time pricing, and that they are subject to review as part of the overall review of the real-time pricing program due in 2010.

D.C. PSC Seeks Comment on Dynamic Pricing, SOS Structure Under Advanced Metering

The District of Columbia PSC has asked stakeholders for additional comments regarding Pepco's advanced metering proposal which is part of the IOU's Blueprint for the Future (FC 1056), and several of the questions relate to dynamic pricing and SOS structure.

The Commission solicited comments on the type of dynamic pricing that should be implemented (critical peak pricing, critical peak rebates, hourly or Real-Time pricing, etc.) and whether dynamic pricing should be mandatory or voluntary. Should dynamic pricing differ by customer class? Would advanced metering deployment necessitate changes in SOS rate design?

The PSC asked whether there is a "hedge premium" associated with providing customers with flat rates based on all requirements SOS solicitations when compared with real-time prices. Does the PSC's current Wholesale Full Requirements Service Agreement mask temporal price signals and undermine demand response opportunities?

Could the peak-load portion of SOS be bid out separately in order to provide an incentive for the winning bidder to aggressively pursue demand response, the Commission asked?

WGES Urges Competitively Neutral EmPower Maryland Programs

Utility energy efficiency proposals should not be "antagonistic" to the provision of competitive efficiency services, Washington Gas Energy Services said in comments on Pepco's EmPower Maryland programs (Case 9155).

WGES urged that programs be funded by specific customers signing up for various efficiency products and services, rather than subsidized by all ratepayers. In particular, Pepco's Energy Star rebate program should be left to the competitive market or be market-based to extent possible, WGES said.

Competitive suppliers should be able to claim the incentives and rebates offered on behalf of their customers, WGES added. Direct Energy Services also argued that contractors should be permitted to collect rebates to lower administrative costs. For partially subsidized products, contractors will market to customers with the most to gain from energy efficient equipment if the contractor collects the rebate. That, in turn, will create more energy reductions while making the process more convenient for customers, Direct said.

Direct also argued that a higher rebate is needed, such as 20% of installation costs, to induce customers to get new HVAC equipment. Direct doubts the current rebates will have a material impact on customer behavior.

More households should be targeted annually for the residential HVAC program, Direct said. Pepco would only reach 1,776 households per year as proposed. Pepco should also offer a 100% subsidy for low-income programs, Direct said.

Maryland PSC Staff found all of Pepco's proposed programs to be cost-effective except for Pepco's solar initiatives, and provisionally recommended approval for all of the programs other than the solar proposals. The solar program includes a turnkey installation of net metered/interconnected photovoltaic systems, a 15-year maintenance program, and low-interest financing.

Based on Total Resource Cost calculations, the solar program, "does not provide good value to all ratepayers or even to participating customers," Staff said.

Staff also urged that the technical advisory group process continue to examine the current proposals by gas utilities regarding efficiency gains from fuel switching. "Because of the historic competitive relationship between electric and gas utilities, it is likely that Commission direction will be necessary to make additional progress toward analysis and possible implementation of fuel switching," Staff noted.

The Office of People's Counsel generally supported all of Pepco's programs. OPC urged the Commission to recognize that all customers, whether participating in a program or not, will benefit from the adoption and implementation of the programs as a result of reduced demand causing downward pressure on wholesale power costs for energy and capacity.

Briefly:

FERC Suspends MISO Market Service Proposal to Permit Technical Conference

The Midwest ISO's Market Service proposal, "has not been shown to be just and reasonable, and not unduly discriminatory," FERC said in conditionally accepting but suspending related tariff provisions through March 10, 2009 (ER08-637). Under the Market Service plan, transmission owners could benefit from MISO energy markets without ceding control of their transmission system to the RTO. Because the proposal, "raises significant policy and technical issues that remain to be resolved," FERC determined that it would await the results from a previously scheduled technical conference before ruling on the proposal. The conference is set for Nov. 12 (Matters, 9/10/08). Certain MISO TOs, TDUs, and market participants have expressed varying concerns about the Market Service offering, worrying that it will allow non-TOs to benefit from LMP markets without having to share in Regional Expansion Criteria and Benefits transmission costs and other expenses (Matters, 9/8/08, 8/13/08).

Dayton to Defer Fuel Costs Under ESP

Dayton Power and Light has submitted an electric security plan to PUCO. Unlike the other three IOUs' current default service plans which expire December 31, Dayton's current rate stabilization plan runs through the end of 2010. Dayton said its filed ESP "incorporates" the existing rate stabilization plan with updates to reflect new legislative mandates for energy and demand reduction goals, alternative and renewable energy targets, and economic development initiatives. The ESP would also defer for 2009 and 2010 any fuel costs not currently recovered in default service rates, and would then recover those costs over 10 years beginning in 2011. Dayton reported that the ESP includes a seven-year smart grid rollout, plus energy efficiency and demand response programs

FirstEnergy Solutions ARES License Expanded to Include ComEd

FirstEnergy Solutions was granted an expanded alternative retail electric supplier license by the Illinois Commerce Commission, with FirstEnergy Solutions gaining eligibility to sell to residential and non-residential customers in the ComEd territory (Matters, 9/9/08). FirstEnergy had only sought to be licensed in the Ameren territories in its initial ARES application, granted in April.

ICC Grants ARES License for Nordic Energy Services

The Illinois Commerce Commission granted Nordic Energy Services an alternative retail electric supplier license to serve ComEd non-residential customers using more than 15,000 kWh annually. Nordic, which provides energy management consulting and holds gas marketing licenses in Illinois and Indiana, expects 2009 Illinois peak load of 1.7 MW.

GE Unit Gets Another ABC License

The Connecticut DPUC awarded an electric aggregator certificate to GE Global Trade Management-Energy to serve commercial and industrial customers (Matters, 7/24/08). GE has recently won licenses in several Northeast states, including Delaware (Matters, 10/9/08) and Maine (Matters, 8/20/08).

DPUC Puts Review of Reliant Application on Hold

The Connecticut DPUC granted Reliant Energy's request for a six-week abatement of its licensing proceeding, due to Reliant's ongoing strategic review of its business (Matters, 10/8/08).

Ameren Seeks Extension of Ancillary Service Agreements for Illinois Utilities

Ameren's Illinois utilities amended their request before the Illinois Commerce Commission to procure short-term capacity (08-0533, Matters, 9/12/08) to also extend the term of existing ancillary service agreements, necessitated by the delay in the Midwest ISO's ancillary service market until Jan. 6, 2009. The Ameren utilities asked for the existing contracts, procured via an RFP from Ameren Energy Marketing, AmerenUE, Dynegy and Wisconsin Public Service, to be extended through the earlier of the ancillary service market start or March 31, 2009.

Ameren said extending the contracts would be preferable to a new RFP because of concerns in attracting bidders for what would be an accelerated RFP for short-term contracts, as well as the costs of an RFP. Failure to have such agreements in place could expose Ameren to NERC penalties.

PJM Long-Term FTR Auction Sees Heavy Volume

PJM's first auction for long-term financial transmission rights (FTRs) cleared 23,348 MW of transmission rights for periods up to four years in the future. The auction featured 8,500 bids cleared with 62 participants. The volume is similar to what PJM sees in its more mature monthly auctions. Collectively, the auction cleared $18.5 million in revenue for the June to May periods of the years, 2009-2010, 2010-2011 and 2011-12. FTRs, "provide more market certainty in developing long-term contracts," PJM senior vice president for markets Andrew Ott said. Prior to this auction, FTRs could only be purchased in one-month, three-month or one-year increments. Round two of the long-term FTR auction will open Dec. 1, 2008.

PPL Submits COL for Bell Bend Nuclear Plant

PPL Nuclear Development filed a Combined License Application with the NRC to build and operate the 1,600-MW Bell Bend nuclear plant near PPL's existing Susquehanna nuclear station. PPL also submitted the first part of the federal loan guarantee application to DOE. PPL contracted with UniStar Nuclear Energy, a strategic joint venture of Constellation Energy and EDF Group, to assist with preparation of the application.

CenterPoint Enrollment Backlog at 44,000

CenterPoint Energy's enrollment backlog stood at 44,327 as of Friday, after it dispatched 10,867 orders on Friday and received 5,443 new orders on Thursday.

Dominion ... from 1

reselling generation services, the draft notes. The Dominion-Levco arrangement, "does not meet minimum standards set by Connecticut laws," the draft would conclude, because suppliers must contract directly with customers.

"Clearly, the legislature contemplated that electric aggregators would 'aggregate' or 'gather together' customers for purposes of negotiating a competitive price with an electric supplier, but once a price has been negotiated, the electric supplier would enter into a contract with the customers," the draft finds.

Dominion, the draft says, may retain Levco or any other third-party entity to carry out its administrative or technical duties, such as soliciting customers, switching customers, or handling customer complaints. However, such a third-party entity may not carry out such duties under its own name but must act on behalf of Dominion. For instance, it must be "Dominion" who answers calls made to the customer service number provided by Dominion, not "Levco" or any other third-party entity, and it must be Dominion, not Levco, listed on the Connecticut Energy Info website as an energy supplier if Dominion is the entity providing generation services to its customers.

Directing Dominion to modify its manner of operation, the draft would order Dominion to submit to the DPUC a proposed operational plan addressing all customer relations activities such as marketing, solicitation, contracting, disclosing required information, switching and terminating customers, and handling customer complaints. Such a proposed plan, due Nov. 28 under the draft, is to provide in detail whether Dominion intends to hire or retain a third-person entity to perform any of Dominion's statutory duties, the exact functions such third-person entity will perform, and the legal relationship of that third-party entity with Dominion.

Based on Dominion's 2005 actual electricity sales in Connecticut, Dominion reported in its renewal application that its estimated 12-month electric generation load will be approximately 350,000 MWh.

Ike Order ... from 1

"A retail electric provider's inability to get customers' service disconnected, where the customers have not paid their bills, can result in significant financial burdens on a retail electric provider, particularly for commercial customers because their electric usage is typically greater than that of a residential customer," the rule states.

"To minimize the financial burden imposed on competitive retail electric providers, companies that often have no ability to recover those losses, the Commission believes that it is appropriate for CenterPoint to begin scheduling and performing disconnections for commercial customers for non-payment, as it works other backlogged service requests and resumes meter reading," the rule says.

CenterPoint asked REPs to begin submitting non-residential DNPs last week.