Energy Choice Matters

January 14, 2009

Illinois Lawmakers Limit Small Gas Customer Termination Fees to $50

The Illinois General Assembly passed legislation yesterday (SB 171) which restricts mass market termination fees charged by alternative natural gas suppliers to $50, and requires all door-to-door gas solicitations to small customers to be verified by TPV. The bill awaits the governor's signature

The majority of the Act's provisions apply to residential and small commercial customers, the latter defined as a customer who consumed 5,000 or fewer therms of natural gas during the previous year, though multiple meters and meters at different premises may be combined in determining a customer's size.

The law caps early termination fees at $50 for all residential and small commercial contracts, and requires disclosure of such fees to customers.

Furthermore, mass market customers are to be provided an opportunity to terminate their agreement without penalty for up to 10 business days after the date of their first bill.

A 10-day rescission period for small customers is also created by the law.

Under the law the ICC is to develop a uniform disclosure to be used by alternative gas suppliers for each of their products. The uniform disclosure shall contain, at a minimum:

(1) The price per therm, for products with a fixed price per therm;

(2) The length of the initial term of the product, or, if applicable, the expiration date of the initial term of the product;

(3) The amount of termination fees, if any;

(4) The amount of administrative fees, other fees, or recurring charges, if any, to be listed

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Md. PSC Approves Gap RFP, Adds Provision for Customers Without Curtailment Service Provider

The Maryland PSC approved Staff's recommended Gap RFP to procure demand response resources in its entirety, and added a provision meant to allow resources that have yet to contract with a curtailment service provider to still participate (9149).

Staff's RFP removed the utility from the role of acting as curtailment service provider, requiring bidders to be independent curtailment service providers certified by PJM (Matters, 12/24/08). The provision meant a demand resource would be required to contract with a curtailment service provider, or join PJM to act as its own curtailment service provider.

The Maryland Energy Administration in comments suggested that such a provision could exclude some demand resources which cannot contract forward with a curtailment service provider for various reasons (Matters, 1/6/09).

The PSC ordered that in addition to the RFP requirements developed by Staff, a bidder will be eligible to submit a Capacity Resource bid for no fewer than 4 MW across all Delivery Years, if such bidder directly controls the MWs, and attests that the bidder will either contract with a curtailment service provider, or attain PJM membership to act is its own curtailment provider, prior to the qualification date to participate in the 2012/2013 Base Residual Auction.

The PSC was unpersuaded by comments from EnerNOC, which had argued that Staff's prohibition on RFP participation by demand response resources that cleared in the 2011/12 Base Residual Auction would not actually prevent free riders, and would instead disrupt the market (Matters, 1/7/09).

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Maine PUC Accepts New Standard Offer Rates

The Maine PUC accepted Standard Offer bids to set new blended rates for mass market customers at Central Maine Power and Bangor Hydro-Electric, and rates for all classes at Maine Public Service.

At CMP, residential and small commercial customers will pay 8.9¢/kWh for supply, starting March 1 and lasting through February 2010. BHE residential and small commercial customers will pay 9.0¢/kWh for the same period. Both rates are about 10% lower than the current Standard Offer.

At Maine Public Service, residential and small business customers will pay 8.3¢/kWh starting March 1, while medium commercial customers will pay 8.95¢/kWh. Both prices are about 2% lower than the current rate.

The PSC credited multiple bids to serve the smaller classes at MPS for the lower rates. "But the Commission remains concerned about the overall level of competition for energy supply in Northern Maine," PUC Chairman Sharon Reishus said.

For large non-residential customers at MPS, the Standard Offer will increase to 9.7¢/kWh, about a 6% hike.

O&R Reports Retail Access Promotional Activities, Spending

Of the $300,000 that the New York PSC authorized Orange & Rockland to spend on retail access promotion, outreach, and education during Rate Year Two of its gas rate plan as approved in Case 05-0-1494, O&R has spent $98,473, it reported to the PSC.

In addition to the difference of $201,527, O&R said it has a deferral from Rate Year One of $192,238, resulting in total unexpended deferred funds of $393,765.

O&R proposed discussing the appropriate allocation of these deferred funds in its current gas rate proceeding, Case 08-G-1398.

O&R's Rate Year Two promotional activities were developed in consultation with ESCOs and PSC Staff in November 2007, and O&R reported it received no objections to its proposal, which relied on a "Back to Basics" focus regarding retail choice.

The approach was designed to highlight essential elements of retail choice, including informing customers of their option to choose natural gas suppliers other than O&R; educating customers on how costs of supply and delivery are treated separately; and assuring customers that if they switch suppliers, O&R will continue as their energy delivery company and handle outages and emergencies. Additionally, O&R provided customers with information on the ESCOs available for customers to choose from, and opportunities for customers to shop for energy choice and to evaluate ESCO options, including Internet applications, such as eBids, and introductory referral programs, such as PowerSwitch.

O&R spent $38,871 on bill inserts and print ads for its Back to Basics campaign.

The company also mailed two eBids bill inserts and three PowerSwitch inserts. Costs of the inserts as well as brochures on each program for trade shows, fairs, home shows, and other community events were $45,546.

In addition to the Rockland County and Orange County Home Shows, representatives of the Customer Energy Services (formerly Retail Access and Energy Services) group sponsored a booth at a business expo held by the Rockland Business Association, and spoke at a dozen meetings of community and business groups throughout the service territory, O&R reported. Promotional materials and give-aways to interest customers in retail choice were developed and acquired for these events, including an eco-friendly, re-usable shopping bag with an eBids promotion on one side and a PowerSwitch promotion on the other; and an energy choice spinwheel that provided tips on how to enroll in retail access with answers to frequently asked questions. O&R spent $8,297 on the promotional materials.

O&R also spent $5,759 on miscellaneous efforts, including cross-utility meetings on EDI and other retail access issues, industry trade show attendance, and employee education on retail choice.

Integrys Marketer Favors TOU Metering as Part of N.Y. DG Policy

Time-of-Use metering should be included in the New York PSC's proposed revisions to its

Standardized Interconnection Requirements and net metering rules, Integrys Energy Services said in comments to the PSC (08-E-1018, Matters, 8/27/08).

All customer classes in all utility service areas should benefit from the power they generate, and should especially benefit if they are producing electricity during premium hours, Integrys Energy Services said.

Furthermore, excess generation should be available for purchase by a customer's supplier, not only the transmission and distribution utility, the Integrys marketer said. Integrys Energy Services reported that it would like the option to buy the excess power and sought clarification regarding whether the transmission and distribution utility would automatically assume ownership of the power, or whether a supplier would be permitted to purchase the power.

Applicants under the interconnection process should include third parties, Integrys Energy Services added, meaning entities that are not the energy customer of a facility, but may own the generation device.

Texas OPC Recommends all REPs Process Out-of-Cycle Meter Reads

The Texas Office of Public Utility Counsel endorsed the Texas Ratepayers Organization to Save Energy's recommendation to require all REPs to offer and process out-of-cycle meter reads, in order to accelerate the customer switching timeline (36536, Matters, 1/9/09).

While OPC understands there are some REPs whose systems do not permit the out-of-cycle transactions, OPC noted that if the Commission were to require the TDUs to process all switches as out-of-cycle meter reads (as has been discussed), those REPs will nevertheless need to modify their systems. Furthermore, those REPs, going forward, must modify their systems to accommodate advanced meters, OPC said.

OPC is also not opposed to using estimated reads for switches in lieu of an out-of-cycle read, to reduce the additional costs that TDUs would incur for processing all meter reads off cycle. "While an estimated final read may result in some hurdles, they may be overcome and, relative to the option of purchasing new trucks and procuring other expensive resources, estimated reads may be relatively cost-effective," OPC said.

OPC strongly urged that the ERCOT postcard procedure be maintained, to protect against slamming and reduce complaints. While ERCOT has said changing the postcard timeline would require costly system changes (as opposed to eliminating it altogether which would not add costs), OPC argued that, "ERCOT must recognize the progress that the market is making and must be responsive to that progress rather than act as an impediment."

Michigan PSC Sets Detroit Edison 2008 PSCR Factor

The Michigan PSC set Detroit Edison's Power Supply Cost Recovery (PSCR) factor at a maximum of 11.22 mills per kilowatt hour for 2008 (U-15417, Matters, 8/27/08).

Detroit Ed had originally filed for a 9.23 mills/kWh PSCR, but revised it because the utility reported a $43 million underrecovery of its 2007 PSCR revenues instead of the $1 million underrecovery originally calculated. Detroit Ed blamed a 720 GWh decline in choice sales for the jump (Matters, 7/30/08).

The Commission accepted an ALJ's proposal for decision without modification, though the PSC noted that legislation requires energy optimization plans to be in place by June 2009.

Thus, it expects that future five-year PSCR forecasts will be adjusted by Detroit Edison to reflect expected energy savings resulting from the optimization plans.

The proposed decision approved yesterday supported Detroit Edison's decision not to hedge its projected spot market purchases at peak as suggested by the Attorney General, due to fears of very high purchased power costs.

The PSC rejected the AG's argument that Detroit Ed should treat revenues from the ancillary service of providing reserve margins to Alternative Energy Suppliers for electric choice customer load as PSCR revenue.

Briefly:

Iluminar Energy Seeks REP Certificate

Start-up retailer Iluminar Energy, based in Brownwood, Texas, applied for a REP certificate at the PUCT. Iluminar CEO D.L. Prier, with a background in petroleum marketing, also started Prier Energy which completed its test flight a year ago. Iluminar President Royce Rampy has a background in telecomm, while Iluminar President John Paul Smith has developed backoffice systems for REPs. Iluminar would meet financial qualifications via unused cash resources of $100,000.

Shell Receives D.C. Gas License

The District of Columbia PSC granted Shell Energy North America a retail gas supply license for C&I customers.

Michigan PSC OKs Detroit Edison Choice Incentive Mechanism Reconciliation

A settlement concerning reconciliation of Detroit Edison's Choice Incentive Mechanism (CIM) for 2007, and the allocation of additional revenue from decreased choice sales, was approved by the Michigan PSC yesterday (U-14838, Matters, 11/28/08). Under the agreement, $40 million resulting from lower choice sales will be used to reduce unrecovered regulatory asset balances related to the Regulatory Asset Recovery Surcharge (RARS) mechanism. The initial allocation resulted in RARS balances of zero for <15 kW and >=15kW C&I customers, with excess funds in those classes re-allocated to the Residential and SMC classes. Settling parties included Detroit Edison, Michigan PSC Staff, Constellation NewEnergy and the Michigan Attorney General.

Michigan Suppliers Directed to File Supply Assessments

The Michigan PSC ordered alternative electric suppliers to file by March 31, 2009, assessments of their abilities to meet their customers' expected electric requirements in 2009 (U-15770). Assessments should consider the LSE's expected peak demand, the resources available to meet peak demand, and the amount of expected reserves. Each assessment should provide details regarding the actual deliverability of generation output and purchased power under peak operating conditions and transmission capabilities and constraints, or other factors affecting deliverability.

Michigan Gas Utilities Corp. Rate Case Settlement Approved

The Michigan PSC approved a settlement among Michigan Gas Utilities Corp., Constellation NewEnergy, Michigan PSC Staff and other parties in Michigan Gas Utilities' rate case (U-15549). The agreement holds that future proposed changes regarding the declaration and billing of Operational Flow Orders will only be made in general rate cases, or other non-Gas Cost Recovery filings subject to notice (Matters, 12/25/08). The settlement sets Michigan Gas Utilities' cost of service margin revenue requirement at $60 million, an increase of $6 million, rather than the $14 million increase initially sought.

Illinois ... from 1

separately for each and every fee or charge;

(5) For products with a variable price per therm, the terms of such variability, including, but not limited to, any index that is used to calculate the price and any additional charges, costs and fees; and

(6) For products where a customer's charges are a fixed amount per billing period regardless of the market price for natural gas or the customer's natural gas consumption during the billing period, the billing period covered.

The ICC is to post the information from the disclosures online for customers to compare offers. The ICC's website is to be updated monthly, and retain 12 months of disclosures, so customers can compare historic prices from suppliers.

Mass market customers may only be enrolled through a letter of agency (similar to the LOA required for electric suppliers), TPV, automated verification, a recorded call to the supplier initiated by the customer, or through an internet authorization procedure.

TPVs must disclose the price of the service to be provided and the material terms and conditions of the service being offered, including whether any early termination fees apply. Furthermore, TPVs must include, "the **names** of the providers affected by the change," in service (emphasis supplied). Although LOAs contain a similar requirement, the statutory language is different and not as explicit. LOAs must only contain language confirming, "the decision to change the natural gas provider from the current provider to the prospective alternative gas supplier," without the explicit requirement that the current provider be named.

When a small customer is solicited in person by the alternative gas supplier's sales agent, the alternative gas supplier may only obtain the customer's authorization for a switch using a TPV.

Mass market suppliers must notify the ICC of material changes to their original certification within 30 days of such changes. Among other things, material changes include, "[a]ny significant change in ownership (an ownership interest of 5% or more)," as well as any change in the alternative gas supplier's name or logo, including any change in the supplier's legal name, fictitious names, or assumed business names.

Suppliers serving small customers must maintain a customer call center whose average answer time for calls placed shall not exceed 60 seconds where a representative or automated system is ready to render assistance and/or accept information to process calls. The abandon rate for calls placed to the call center shall not exceed 10%. Suppliers must report call center statistics to the ICC.

Mass market suppliers must also file a copy of their bill formats, standard customer contract, and customer complaint and resolution procedures with the Commission.

Customer contracts cannot be assigned to another marketer unless several conditions are met, including the maintenance of the original rates and terms, and the provision of 30 days written notice to the customer.

Supply agreements cannot obligate mass market customers to the terms of the agreement if the customer moves out of state, to a utility area not offering a transportation program, or to a location at which the customer does not require gas. Suppliers are not precluded from collecting a debt arising from service before the customer move.

The law directs the ICC to develop a customer education effort focusing on customer rights, legal obligations of suppliers, and how to compare offers. A working group composed of utilities, alternative gas suppliers, the Attorney General, the Citizens Utility Board, and the Commission will develop the plan.

Gap RFP ... *from 1*

The Commission said it will address cost recovery when and if the Commission selects and approves any bids pursuant to the RFP. IOUs are to issue RFPs consistent with the order by January 16.

The RFPs are meant to fill any gap in reliability which may occur if several transmission projects are not completed by 2011-12.