

Energy Choice Matters

March 20, 2009

Universal, Michigan PSC Staff Reach Settlement on Marketing Investigation

Michigan PSC Staff and Universal Gas & Electric have entered a settlement to resolve the PSC's investigation into Universal under which Universal would pay the state of Michigan \$300,000 for the indeterminate costs of the investigation. Staff had alleged Universal, as a competitive gas supplier, switched customers without proper authorization and used misleading marketing materials (Matters, 8/4/09).

Under the settlement, which is subject to Commission approval, Universal does not admit fault.

Concerning the larger competitive natural gas market, Staff will institute a proceeding to review tariff revisions regarding whether competitive suppliers can prevent customers from returning to bundled service if the customer has not paid their contractual termination fee. Both Staff and Universal will brief the issue.

Among the settlement's provisions is that Universal, on a voluntary basis, will only offer contracts for one year with a \$50 termination fee and two years with a \$100 termination fee, for a period of twelve months. The provision does not limit the termination fee that Universal may charge commercial accounts using more than 2,000 Ccf per year. Staff will review marketing materials related to the new contracts.

Universal, which had entered the Michigan market offering its five-year product, had already scaled back the length of its offerings as it found U.S. consumers had a greater appetite for shorter-term deals.

Universal is to amend its telephonic verification calls to separately ask customers whether they

Continued Page 5

Conn. Marketer Seeks Reform of Interruptible Transportation Pricing

The Connecticut DPUC should impose a cap on interruptible transportation rates and reject the lengthy minimum stays for LDC firm service proposed by Connecticut Natural Gas and Southern Connecticut Gas in their rate cases, marketer Santa Buckley Energy said in testimony (08-12-06 et. al.).

CNG and SCG have applied to require interruptible transportation customers who switch to firm service to remain on firm service for three years. The minimum stay (for non-transportation customers switching to firm service) is typically only one year, and Santa Buckley Energy noted that the DPUC previously rejected an application from the LDCs to impose a five-year minimum stay on interruptible transportation customers moving to firm service.

Santa Buckley Energy said interruptible transportation customers' interest in firm service is being driven by the LDCs' "value of service" pricing of interruptible service, which has produced rates in the \$10-13/Mcf range, compared with much lower firm rates of \$2.50/Mcf to \$4.50/Mcf. Value of service pricing ties interruptible rates to the price of the alternate fuel available to customers.

Continued Page 6

UI Reports February 2009 Shopping Data

3rd Party Supplier	Feb. '09 Residential	Feb. '09 C&I	Feb. '09 Total Accounts	Jan. '09 Total Accounts
Consolidated Edison Solutions	1,365	698	2,063	1,690
Constellation NewEnergy, Inc.	318	2,942	3,260	3,171
Direct Energy Business, LLC	10	641	651	656
Direct Energy Services, LLC	6,125	1,117	7,242	7,194
Dominion Retail, Inc.	15,617	1,103	16,720	16,836
Gexa Energy Connecticut, LLC	-	75	75	67
Glacial Energy of New England	27	340	367	381
Hess Corporation	-	60	60	60
Integrays Energy Services, Inc.	3	1,737	1,740	1,735
Liberty Power Delaware, LLC	-	23	23	23
MX Energy	1,242	942	2,184	2,264
Public Power & Utility, Inc.	1,746	369	2,115	2,125
Sempra Energy Solutions	30	617	647	646
Suez Energy Resources NA	-	110	110	104
TransCanada	8	454	462	459
Total All 3rd Party Suppliers	26,491	11,228	37,719	37,411

Aggregate Data

Last Resort Service-UI		%
TL # ALL Accts	293	
TL ALL MWWhs	113,548	
TL 3rd Party Accts	253	86%
TL 3rd Party MWWhs	103,733	91%
C&I SS-UI		%
TL # ALL Accts	38,066	
TL ALL MWWhs	156,917	
TL 3rd Party Accts	10,975	29%
TL 3rd Party MWWhs	81,606	52%
Residential SS-UI		%
TL # ALL Accts	290,205	
TL ALL MWWhs	178,342	
TL 3rd Party Accts	26,491	9%
TL 3rd Party MWWhs	18,506	10%
Total All UI		%
TL # ALL Accts	328,564	100%
TL ALL MWWhs	448,807	100%

Clean Energy Options Data

CT Clean Energy Options Accounts	Residential	C&I	Total
Community Energy 50%	277	4	281
Community Energy 100%	2716	44	2,760
Sterling Planet 50%	238	8	246
Sterling Planet 100%	807	63	870
Total	4,038	119	4,157

Data as reported by United Illuminating

DPU Opens Review of Basic Service Adjustment Mechanism

The Massachusetts DPU opened an investigation to examine the impact of the existing basic service adjustment mechanism on the competitive retail electricity market (09-26).

The examination will review all costs that are recovered from ratepayers through the basic service adjustment mechanism, "as well as any recommended changes to ensure that appropriate price signals are sent to the marketplace in order for customers to make informed decisions about their energy consumption based on price," the DPU said.

The basic service adjustment mechanism recovers or returns to ratepayers the difference between the costs from suppliers to provide basic service -- including costs not included in the bid prices but directly paid by the electric distribution company -- and the revenues billed for basic service

A public hearing is scheduled for April 8.

Maine Draft Would Allow Promotion of Renewable Products Through Utility Bill Inserts

A draft Maine PUC decision would establish parameters to promote green electric supply options through utility bills, including bill inserts and referring customers to a green energy website (2008-178, Matters, 6/2/08).

Under the draft, the following green products would be eligible for promotion through utility bill inserts:

- (1) Electricity supply from renewable resources as defined by Maine statute;
- (2) Green-e certified RECs, and
- (3) NEPOOL GIS certificates that correspond to renewable resources as defined by Maine statute.

Additionally, the Standard Offer portion of utility bills would refer customers to a website (www.maine.gov/greenpower) which would link to the U.S. Dept. of Energy's page which lists green power products available for Maine customers.

Under the draft, utilities would be directed to file consensus terms and conditions to

govern the bill insert program for Commission review and approval.

FERC Drafts Smart Grid Policy Statement

FERC issued a proposed smart grid policy statement to prioritize the development of key interoperability standards, provide guidance regarding cybersecurity for smart grid projects, and provide an interim rate policy under which jurisdictional public utilities may seek to recover the costs of smart grid deployments before relevant standards are adopted through a Commission rulemaking (PL09-4).

Under FERC's draft, interoperability standards for inter-system communication, system security, wide-area situational awareness, demand response, electric storage, and electric transportation would be prioritized and accelerated, as those functionalities will be most helpful in addressing several bulk power system challenges.

Such challenges include operational and planning issues arising from the anticipated large amounts of variable generation to be added to the bulk power system in the coming years, including (1) resource adequacy (potential loss and unavailability of variable resources at peak periods and other critical times such as loss of other generators or transmission lines); (2) resource management (potential for over-generation by variable resources during off-peak periods when there is insufficient load to accommodate such generation); and (3) reduced system inertia (potential loss of system stability due to the high penetration of variable resources with low inertia properties).

Demand response and energy storage enabled by smart grid technologies could ameliorate such challenges, prompting FERC to prioritize such issues.

While specifications for customer meters are within the jurisdiction of the states, "it is clear that communication and coordination across the interfaces between the utility and its customers can have a significant impact on the bulk-power system," FERC said.

FERC to Review SPP Rollover Provision

FERC has instituted a section 206 investigation into SPP's requirement contained in its OATT that an incumbent customer seeking to rollover transmission rights must agree to accept a contract term at least as long as "the longest term competing request" by any new eligible customer in order to exercise its rollover rights, stating that the requirement may no longer be just and reasonable (EL09-40).

The requirement, FERC said, may produce a form of competition between customers vying for the same capacity on the system that is inconsistent with the reservation priorities otherwise required in the pro forma OATT.

Specifically, the language may contravene the first come, first served principle in Order 890, because the incumbent would be required to match the term of the longest transmission service request, rather than the length of the first request which has priority (which may not necessarily be the longest).

Briefly:

PUCT Approves 10K Energy REP Certificate

The PUCT granted 10K Energy a REP certificate (Matters, 2/13/09). 10K is led by Antonio Vega, former principal and vice president at Vega Resources (Amigo Energy)

PUCT Accepts True Electric Ownership Amendment

The PUCT granted an amendment to the REP certificate of True Electric to reflect a change in ownership/control of True Electric to New Century Power, an affiliate of oil and gas firm New Century Exploration (Matters, 2/10/09).

Legacy CMS Group Seeking Conn. Aggregator License

Broker-consultant Legacy CMS Group applied for an electric aggregator license in Connecticut.

Horizon to Pay Delaware Investigation Costs

The costs of the Delaware PSC's investigation into Horizon Power and Light will be paid by Horizon on a going forward basis, the PSC ordered, per 26 Del. C. §§ 114(b)(1) and 1012 (c)(2). PSC Staff had requested an investigation of price changes Horizon instituted for several customer contracts last year. Customers claim the price changes were not permissible since they claim the contracts were marketed as 12-month products. However, the terms of service included an end date of May 31 (which, for some enrollments, was prior to 12 months), and provided for new pricing at that time (Matters, 10/17/08). In addition to public hearings at the end of the month (Matters, 3/16/09), the PSC said an evidentiary hearing has been set for June 2009, and Staff has retained a consultant to assist in the case. PSC Staff has said customers must receive 30 days notice before any rate change.

Core Energy Services Defaults in MISO

The Midwest ISO reported that Core Energy Services is in default under its tariff due to failure to cure a Total Potential Exposure violation. MISO recently announced four other defaults, which followed three defaults in January, as it resettles Revenue Sufficiency Guarantee charges on virtual suppliers (Matters, 3/18/09).

FERC Affirms Priority for Long-Term Transmission Rights

FERC yesterday affirmed that, under certain circumstances, it is not unduly discriminatory for a transmission organization in an organized market to give priority to load serving entities located in its own control area over load serving entities located outside its control area when allocating long-term firm transmission rights (RM06-8). A final order was not available yesterday. FERC also clarified that external load serving entities that contribute to the embedded costs of the transmission organization's system on an ongoing basis may be entitled to equivalent priority in obtaining long-term firm transmission rights as internal LSEs.

National Grid Files Lower Mass. Cost of Gas

National Grid has filed with the Massachusetts DPU to reduce the supply cost of gas from \$1.49/therm to 51¢/therm, effective May 1.

PUCT Staff, IPA Reach Tentative Settlement on Governor Response Investigation

PUCT Staff said that it and International Power America have reached a tentative settlement regarding Staff's 2007 notice of violation relating to allegations that IPA generating units failed to provide a governor response during a high frequency event, and that IPA did not provide a frequency bias signal for its portfolio of resources to ERCOT, in 2005 and 2006 (34738). Staff requested the docket be abated for 30 days as parties work on a final settlement.

CenterPoint Sets Dates for AMS Workshops

CenterPoint Energy announced that its Advanced Metering System educational workshops will be held on April 21 in Houston and April 23 in Dallas (Matters, 3/3/09).

Wellinghoff Named FERC Chair

President Barack Obama yesterday designated Jon Wellinghoff as Chairman of FERC. Wellinghoff has been acting chair since January, and the designation does not require Senate approval. Obama also intends to nominate Commissioner Suedeen Kelly to another term at FERC. Kelly's current term expires June 30.

FERC Denies PJM Historic Offer Provision in Operating Reserve Compliance Filing

FERC denied PJM's proposal, made in a compliance filing relating to its operating reserve construct, to include in its OATT language to allow all types of generation to use historical offer data to indicate future operating parameters, as the change went beyond the scope of the compliance filing (ER08-1569). Under current business rules, only steam and combined cycle units can rely on historical offer data. While PJM justified

the proposed change by saying it would be unfair to limit the provisions to only certain types of generators, FERC said its November order on changes to PJM's operating reserve construct did not contemplate PJM making such a change, and thus the change could not be made through a compliance filing (Matters, 11/28/08). PJM has said that, in practice, PJM does allow all types of generators to use historical offer data to indicate future operating parameters.

FERC Denies Franklin Resources Waiver Request for Unlimited Security Ownership

FERC granted investment manager Franklin Resources' request for blanket authorization for its various subsidiaries to be able to acquire securities of any U.S. Traded Utility, for which they are required by the Securities Exchange Commission to file a Schedule 13D, subject to a limit of less than 10% of voting securities of any U.S. Traded Utility by each Schedule 13 Reporting Group. However, the Commission denied Franklin's request to acquire in the aggregate an unlimited percentage of voting securities of any particular U.S. Traded Utility, stating that Franklin failed to show how its proposal would not adversely affect competition. Instead, FERC granted Franklin's request for blanket authorization subject to a 20% aggregate limit on the ownership of voting securities of any one U.S. Traded Utility.

Universal ... from 1:

received a copy of the contract together with the New User Guide, which contains terms and conditions.

Over 1,000 Universal customers identified by Staff will be given the option to either terminate their contracts without penalty, or receive a \$50 credit if they remain with Universal. The offer to terminate would remain open for 90 days from the date of Universal's notification to the affected customers.

Going forward, all Universal customers would be permitted to cancel their contract over the phone, rather than being required to submit notice in writing.

A key dispute between Staff and Universal was when enrollment confirmation letters had to be sent out under the gas choice tariffs. Under the settlement, Universal will consider that the choice tariffs' seven-day requirement for such letters will start from the date that the contract is signed, rather than the date the customer enrollment is accepted by the LDC.

Staff said such interpretation of the confirmation letter timing requirement will apply equally to all competitive gas suppliers.

Eighteen customers that submitted pre-filed testimony as part of Staff's case are to be paid \$1,000 for their time.

Should the Commission approve an alternative gas supplier license for Commerce Energy (now owned by Universal), without additional conditions beyond those currently attached to Universal's current gas supplier license, Commerce will also be bound by the terms of the settlement.

CNG/SCG ... from 1:

Such interruptible rates are "outrageous," Santa Buckley Energy argued, since interruptible service is of lower quality than firm service, and should be priced below firm service so interruptible customers receive the benefit agreeing to inferior service.

Thus, Santa Buckley Energy proposed a price cap on interruptible service rates so they are below firm service rates. Such a rate cap would alleviate the LDCs' concerns about the frequency of rate switching, since firm service would no longer be as attractive on price alone.

Santa Buckley Energy also said CNG and SCG are not providing marketers with timely and accurate billing corrections for prior period adjustments. The LDCs, the marketer added, do not have a systematic process for correcting their prior period cash-out billings to suppliers when correcting an end-user's bill. That can result in the customer being owed a credit due to a usage adjustment, even though the utility has not yet corrected its settlement with the marketer.

Santa Buckley Energy contended that Section 16-259 of the Connecticut General Statutes requires utilities to issue timely and

accurate bills for all customers, including transportation customers and marketers.

Furthermore, if the LDCs cannot show a threshold level of accuracy for daily and monthly metered volumes, marketers should not be subject to imbalance penalties, Santa Buckley Energy argued. Penalties that have been assessed for daily imbalances over the past 12 months should be refunded to marketers if the LDC is unable to show that it has provided at least 95% (by consumption) timely and accurate metering data, the marketer said.

Santa Buckley Energy also requested greater transparency in the calculation of Transportation Service Charges.