Energy Choice Matters
March 24, 2009

Maine PUC Approves Retail Load Aggregations for Munis/Co-ops

Consumer-owned utilities (COUs) in Maine may establish opt-out retail load aggregations for periods of up to five years, and perhaps longer, under new rules approved by the Maine PUC (2008-463). As part of the revisions to the Standard Offer rules, the PUC also took the opportunity to clarify its credit requirements for Standard Offer providers.

The order stems from recent legislation which allows COUs, such as municipals and cooperatives, to offer load aggregation as their Standard Offer, which is intended to reduce retail rates by limiting migration risk (Matters, 1/20/09). The aggregation can last up to five years, although COUs may apply to the PUC for longer periods.

The COU may choose either a retail or wholesale aggregation provider through a competitive bid process, or it may itself serve as the retail aggregator, if it has a competitive electricity provider license from the PUC. The COU may use its own generation, or supplies from a PPA, to supply the aggregation outside of a competitive bid.

Customers will be provided at least 90 days notice to opt-out of the aggregation, but the aggregation pricing will not be required on the opt-out notices. Customers not wishing to join the pool must provide their opt-out notice within 30 days of the start of the aggregation. COUs will be permitted to prevent customers from migrating from the aggregation to competitive service after the aggregation commences, as the, "ability to limit migration is at the core of the COU's proposal," to minimize risk premiums, the PUC said.

Customers on existing competitive supply contracts will default to the aggregation at the end of

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Revised PUC Draft Would Allocate SCE Peaker Costs to Competitive Supply Customers

A revised California PUC draft decision would allocate the cost of four Southern California Edison peakers built in response to 2006 reliability concerns to all benefiting customers, including those on competitive supply (A. 07-12-029).

The four peakers, totaling about 200 MW at a cost of $238 million, were built at the direction of the PUC in order to, "enhance grid reliability," says a revised agenda decision issued yesterday.

Accordingly, "[a]llocating the cost to all benefiting customers is a matter of equity and fairness," the revised draft says. The peakers provide capacity and grid reliability benefits to all electricity customers on SCE's distribution system, and all benefiting customers should pay for the costs, the new agenda decision states.

That stance differs from both an original proposed decision (Matters, 2/9/09), and the first agenda decision released earlier this month, both of which would have only applied the peaker costs to SCE bundled customers. The previous draft found that precedent in D. 06-07-029 does not allow the costs of utility-owned generation to be spread to competitive supply customers under any circumstances, although the draft did say the Commission should examine revising the

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WGL Asks for Removal of Price Cap in Maryland Hedging Order

Washington Gas Light requested an immediate modification of the Maryland PSC's order directing it and four other LDCs to hedge 40% of their summer storage injections at a Henry Hub price of $4.32/ MMBtu or less, reporting that a recent run-up in natural gas prices may preclude WGL from achieving injections within that price cap (Case 9174).

As first reported by Matters (3/18/09), the Commission ordered the hedging of summer injection volumes over the objections of numerous parties, including the Office of People's Counsel, to avoid price spikes caused by heat, hurricanes, cold weather, or other uncertainties. The PSC directed that such hedged volumes must reflect a Henry Hub price of $4.32 or less per MMBtu plus basis cost to deliver gas to the LDCs' delivery points.

WGL reported that while it has not made a final determination on the amount of gas that it will inject into storage this summer (as it may still draw on storage through the end of this month), it estimates that 40% of its projected injections would equal 4.6 bcf. That entire volume cannot be physically injected into storage in a single month due to interstate pipeline tariff requirements relating to maximum and minimum injections, withdrawals and storage balances per month.

On March 20, WGL executed a swap agreement to purchase 1.9 bcf of gas at a Henry Hub price of $4.2775/MMBtu for injection into storage in May 2009. The volumes, which WGL estimates is the maximum amount of Maryland-allocable storage gas that can be injected during the month of May while still maintaining operating flexibility, is about two-fifths of the target WGL must hedge.

Due to a run-up in gas prices after the PSC issued its order, WGL is concerned that it may be impossible to meet the price cap contained in the order. WGL reported that as of March 20, Henry Hub swap contract prices for June 2009 and July 2009 were $4.436 and $4.569 per MMBtu, respectively. Accordingly, WGL recommended that the PSC remove the specific price cap from the order, and allow LDCs to use their business judgment to purchase the required supplies by March 31, 2009, at prevailing market prices.

SDG&E, WPTF, Consumers File Settlement on Solar Program

San Diego Gas & Electric, the Western Power Trading Forum and several consumer groups have filed a settlement to open SDG&E's solar energy program to independent developers, and to cap utility-owned generation at 26 MW (direct current), or $125 million, whichever comes first (A. 08-07-017).

SDG&E had proposed small-scale utility owned solar to bridge the gap between California Solar Initiative projects (typically 1 MW or less) and larger projects developed in response to RPS solicitations (Matters, 7/16/08).

Under the stipulation, up to 26 MW (d.c.) of utility owned turnkey projects would be developed on SDG&E property during Phase I of the program. A cap of $6,000/kW (d.c.) measured against California Solar Initiative installations would be instituted for the Phase I utility owned projects, which would be operated and maintained by independent contractors to the extent such work is not within the venue of SDG&E's present workforce.

Also during Phase I, SDG&E would solicit PPAs for 8 to 12 MW of PV in the Borrego Springs area, with the proposals competing with utility-owned projects for sites in the region. SDG&E would also establish a set aside of up to 4 MW to develop innovative technologies in eastern San Diego that may include one or more of the following: charging stations for plug-in hybrids, battery backup, battery storage, different emerging PV technologies, and support for "cool zones" augmented with conventional rooftop PV as may be appropriate.

In Phase II, SDG&E would solicit PPAs for PV in SDG&E's load basin. The minimum project size would be 1 MW with projects aggregated into PPAs of at least 5 MW.

PG&E Objects to CAISO Plan to Delay Price Reporting

Pacific Gas & Electric opposed a petition from the California ISO that would permit CAISO to delay posting prices that CAISO determines to be "potentially erroneous" for up to 48 hours, and to post corrected prices without ever having posted the prices as originally calculated.

The CAISO proposed the provisions in a compliance filing relating to price caps imposed during the Market Redesign and Technology Upgrade start-up (ER09-241-001).

PG&E said it, "supports the immediate publishing of all prices on a timely, ongoing basis, regardless of whether the CAISO believes some may be erroneous."

Upon the initial release of MRTU, the number of prices that may be deemed potentially erroneous under the price tests outlined in the CAISO's filing may be "significant," PG&E told FERC.

"It would be very difficult for a market participant to operate if substantial amounts of market prices are withheld for two days. The best available real-time price signal is better than no price signal, even if the real-time price signal is potentially erroneous," PG&E said.

Furthermore, the ongoing publishing of all prices by CAISO provides important market transparency into how the market is performing, PG&E noted. "If the CAISO is able to 'correct' prices behind a curtain, as it is now proposing, market participants cannot determine how well the market software is operating," PG&E observed.

ConEd, LIPA to Continue Study of 700 MW of Offshore Wind

Consolidated Edison and the Long Island Power Authority announced they are moving forward with the next phase of examining the potential for an offshore wind farm, after a study showed interconnection of up to 700 MW of wind power would be feasible with upgrades to their respective transmission systems.

The LIPA/Con Edison wind farm would be located at least 13 miles off the Rockaway Peninsula in the Atlantic Ocean, and would likely be designed for 350 MW of generation initially, with the ability to expand to 700 MW, or more. LIPA and Con Edison have also filed an application to interconnect the offshore wind project with the New York ISO for up to 1,400 MW by 2020.

LIPA and ConEd will now begin working with various government agencies, including the New York Power Authority, New York City, the Metropolitan Transportation Authority, and the Port Authority, to issue a request for expressions of interest for offshore wind development. The request serves as a precursor to an RFP to be issued later this year.

In addition, both utilities will begin another round of due diligence that will concentrate on the economics and feasibility of the actual offshore wind farm, including: determining if there is sufficient wind resources to meet the scope of the project, an avian study, further environmental impacts, economic costs, community impact and the potential number of jobs the project could create.

Ameren, NIPSCO Rebut *Anaheim's* Relevance to RSG Refund Case

A federal court's recent decision in City of Anaheim, California v. FERC does not preclude FERC from ordering the refund of certain Revenue Sufficiency Guarantee charges to LSEs after FERC directed MISO to remove tariff language which only applied the RSG charges to entities actually withdrawing energy, Ameren and Northern Indiana Public Service Company said in a reply to a motion to lodge.

Several financial marketers, including Edison Mission Energy, DC Energy, and others, had claimed that the court's recent decision in *Anaheim* relating to retroactive charges served as precedent precluding the refund of RSG charges and imposition of the charges on virtual supply offers (Matters, 3/9/09).

However, *Anaheim* addresses whether

FERC has the authority to order a retroactive rate increase, not whether it can order refunds as it did in the RSG case, Ameren and NIPSCO said.

Furthermore, Ameren and NIPSCO maintained that there is no "retroactive" rate change or filed rate violation in the RSG case, as the whole purpose of Section 206(b) of the Federal Power Act (under which the RSG complaint was filed) is to provide refund protection against unjust and unreasonable charges from a date as early as the one when a complaint is filed challenging the filed rate.

Briefly:

MISO Reports Three More Defaults
The Midwest ISO reported that Alea Power, DJGW, LLC, and Peak Capital Management are in default for failure to cure total potential exposure violations. The defaults come after 10 previous defaults since January, as MISO resettles Revenue Sufficiency Guarantee charges on virtual suppliers (Matters, 3/23/09).

American Utility Choice Receives Texas Aggregation License
American Utility Choice, which says it is currently an independent agent for StarTex Power, Hudson Energy Services and Mega Energy, was granted an aggregators certificate by the PUCT.

DC Energy Applies for Ontario Wholesaler Licence
Financial marketer DC Energy, LLC has applied for an electricity wholesaler licence at the Ontario Energy Board.

AEP Ohio Utilities to Reserve Decision on ESP Plan Until Rehearing Entries
The AEP Ohio utilities will reserve a determination on whether to withdraw their electric security plan, which was modified and approved by PUCO last week (Matters, 3/19/09), until any potential rehearing orders are issued, the utilities said in filing tariffs consistent with PUCO's order. By statute, the utilities may withdraw the plan if modified by PUCO.

PJM Files Credit Changes to Cover Bilateral RPM Transactions
PJM filed new tariff provisions with FERC to hold that the credit and financial responsibility for planned RPM Capacity Resources that are traded will remain with the original party until the receiving party establishes it has sufficient credit with PJM and agrees to take financial responsibility for the traded planned RPM Capacity Resources. The new provisions also prohibit a market participant from novating its right and obligations relating to a planned RPM Capacity Resource without PJM's consent. The changes are required to prevent parties from using PJM as a "credit sleeve" for their bilateral transactions without the ability of PJM to assess the risk of the transaction, which would create a potential risk to the PJM pool if the third party cannot meet its obligations. FERC has approved a similar provision in PJM's Financial Transmission Rights market.

Direct Energy Marketing Carbon Offsets to Event Organizers
Direct Energy Business has launched an "Event Greening Program" marketed as a simple way for event planners and conference organizers in Alberta and Ontario to offset the environmental impact of the energy usage at their events by making them carbon neutral via the purchase of RECs or carbon offsets. The RECs will come from EcoLogo Certified generation.

Maine COUs *... from 1:*

their contract unless they send an opt-out notice prior to the start of the aggregation. Current shoppers may join the aggregation when their contracts end at the standard aggregation price if they provide notice of their intent to do so 30 days before the aggregation commences. Otherwise, customers joining the aggregation after it starts may be served at alternate prices, such as market-based rates.

New customer load or load expansions in the medium and large commercial classes above a pre-determined level could also be charged an alternate price, to minimize the aggregation supplier's risk, which the PUC said should result in lower standard offer prices. New load from smaller customers would be served at the standard price.

Since the PUC was revising the Standard Offer rules to include the new COU aggregation provisions, it also amended the financial security provisions applicable to Standard Offer providers. The PUC clarified that it may choose to reject corporate guarantees as an acceptable means to satisfy the security requirements. The previous rules had allowed the PUC to "limit" the amount of a corporate guarantee used to meet the requirements, but did not explicitly provide that the PUC could reject such guarantees in favor of another type of security.

SCE Peakers *... from 1:*

decision to make an exception to that finding going forward.

However, the new agenda decision would find that the Commission's 2006 order directing SCE to build the peakers invited SCE to seek "different" rate treatment for the units. Accordingly, departing from the precedent in D. 06-07-029 regarding cost allocation is permissible, the revised draft says.

Furthermore, the updated draft notes competitive suppliers had been put on notice that the Commission would consider and potentially adopt a proposed modification to the cost allocation system set forth in D. 06-07-029.

The new draft would defer the question of the reasonableness of the SCE peaker costs to a second phase of the proceeding.