Energy Choice Matters

April 6, 2009

NFG Pa. POR Proposal Would Prohibit Door-to-Door Marketing

Pennsylvania competitive natural gas suppliers would be prevented from serving residential and small commercial customers at National Fuel Gas Distribution in Pennsylvania unless they agreed to a code of conduct which prohibits door-to-door marketing, under NFG's proposed voluntary Purchase of Receivables plan.

NFG's POR plan would be mandatory for any suppliers wishing to serve residential, small commercial/public authority, or small volume industrial customers consuming less than 1,000 mcf annually.

And suppliers could only participate in the POR program if they agreed to a code of conduct developed by NFG, which would, among other things, prohibit "[m]arketing efforts that involve uninvited personal visits to customers' homes or place of business, also known as door-to-door sales." Suppliers would also be required to affirmatively recite a statement in all marketing efforts explaining that they are not National Fuel. NFG justified the code of conduct by stating door-to-door sales have been the cause of numerous complaints in its New York territory until the state's Attorney General commenced action against one offending marketer.

Furthermore, NFG applied to include in its mandatory POR program customers larger than anticipated in the PUC's interim guidelines, which limit POR programs to residential and small business customers using less than 300 mcf annually. Noting the interim guidelines are flexible, NFG said its rate structure does not align with the 300 mcf cutoff, and said implementing changes

Continued Page 5

Ontario Clarifies Customer Access to Meter Data

The Ontario Energy Board approved revisions to the Retail Settlement Code to clarify the rights of electric consumers and retailers to obtain access to meters and meter information regardless of what type of meter is used, and based on whether the data is unverified (raw) or has been validated (EB-2008-0297).

While consumers are entitled to both validated and unverified data, the means of accessing the two data types will be quite different, OEB said, in addressing each in separate sections of the settlement code.

The amended code requires written authorization from a customer for the distribution utility to share validated meter data with a competitive retailer that provides electricity to that customer. In comments, Direct Energy had noted retailers may contract with customers through other forms of authorization, and urged that similar authorization aside from written permission be reflected in the final meter access codes.

The new codes state a consumer also has the right to access the meter in order to obtain unverified meter data, and has the right to assign such right to others, in accordance with any relevant technical specifications and codes. An explicit requirement for written authorization is not

Continued Page 5

FERC Approves Weekly Settlement in PJM

FERC accepted several changes meant to reduce credit risk in PJM, including the use of weekly billing and payment for a majority of invoice line items, and a corresponding reduction in the unsecured credit allowance (ER09-650, Matters, 2/4/09).

In doing so, FERC rejected an argument from Hess Corporation, who had said that weekly invoicing would provide a windfall to generators at the expense of LSEs and end users, and had suggested that generators should be required to mitigate any resulting increase in working capital costs on LSEs in the form of an interest payment. FERC agreed with PJM that LSEs continue to be beneficiaries of the extension of trade credit, even under a shortened settlement cycle, and found no basis for requiring a generator to pay interest on its receipts of weekly settlements.

"Moreover, any adverse effect from the shortened billing cycle is outweighed by the overall credit risk-mitigation benefits of accelerated settlements, including reductions in the magnitude of defaults and reduced member financial assurance requirements," the Commission said.

FERC also dismissed Hess' concerns about PJM's reduction in the availability of unsecured credit by two-thirds to $50 million. Such reduction in unsecured credit is consistent with the two-thirds reduction in the maximum accumulated days exposure expected through implementation of weekly billing and settlements, FERC noted.

D.C. Solar Carve-Out Fails to Attract Generation in First Year

The District of Columbia PSC collected $196,000 in RPS compliance fees for the initial compliance year of 2007 due to the lack of any certified solar generators, which precluded suppliers from purchasing solar RECs to meet the solar tier, the PSC said in a report on the RPS program (FC 945).

The PSC did not receive any solar generator applications to satisfy the 2007 compliance year requirements, which meant all suppliers had to pay the $300/MWh solar compliance fee. The total amount generated from the fee was $196,490. The Commission has since certified several solar generators.

The majority of the Tier I RECs used for compliance were from biomass resources, including black liquor and wood waste. Methane from landfill gas accounted for the remaining Tier I RECs. Tier II RECs were primarily from hydroelectric facilities, with the remainder accounted for by municipal solid waste.

Most suppliers provided the REC prices for all their resources. Of those reported, the weighted average price of a REC, by fuel type, is:

Tier I Resource	
Black Liquor	$1.56
Methane from Landfill Gas	$1.03
Wood Waste	$0.55
Tier II Resource	
Hydroelectric	$0.51
Municipal Solid Waste	$1.00

Detroit Edison Reconciles Choice Incentive Mechanism

Detroit Edison has filed to reconcile the Choice Incentive Mechanism (U-14838-R) for the period from January 1 through April 13, 2008, the date of the mechanism's termination. The Choice Incentive Mechanism tracks the change in total non-fuel revenue associated with increases or decreases in annual electric choice sales from a base level of 3,400 GWh.

Detroit Edison’s annual electric choice sales for 2008 were only 1,458 GWh -- 0.4 GWh residential, 638 GWh commercial and 819 GWh industrial. Because the Choice Incentive Mechanism was only in effect through April 13, 2008, Edison prorated the difference in choice sales from the mechanism baseline at 28% to determine the increase in non-fuel revenue under the mechanism. The 28% allocation represents the portion of the year the Choice Incentive Mechanism was in effect, and was determined by taking the number of days the mechanism was in effect in 2008 divided by the total days in 2008.

The calculation resulted in a $20 million increase in non-fuel revenue due to the decreased choice sales during the applicable period.

As provided under a settlement, Edison used the additional revenue to reduce unrecovered regulatory asset balances related to the Regulatory Asset Recovery Surcharge (RARS) mechanism, which recovers clean air compliance costs and similar items. After previous Choice Incentive Mechanism reconciliations, the only customer class with a remaining RARS balance was the residential class, thus Edison applied the entire $20 million to reducing the residential RARS balance.

TURN Thinks RFO Pricing Would Beat PG&E Solar Proposal

TURN believes that Pacific Gas and Electric ratepayers would be "far better" served by reliance on competitive solicitations to develop new photovoltaic projects, rather than PG&E's proposal to develop 500 MW of solar with 250 MW procured from independent developers through an administratively determined standard offer contract and 250 MW built by PG&E (A. 09-02-019, Matters, 2/25/09).

PG&E does not adequately explain the relative cost-effectiveness of its utility-owned and fixed-price PPA proposal compared to the use of competitive solicitations through the RPS program or private installations under the California Solar Initiative, TURN said.

"As a member of PG&E’s Procurement Review Group (PRG), TURN is aware of the offers received for a variety of solar generation projects (including PV) in recent solicitations. Based on the cost estimates and expected PPA prices included in this application (estimated at $295/MWh levelized), TURN believes that ratepayers would be far better served by reliance on competitive solicitations to develop new PV projects," TURN said.

Power marketers also objected to PG&E's proposal, arguing PG&E has failed to show that a competitive RFO is infeasible as is required for new utility-owned generation.

Western Power Trading Forum and the Alliance for Retail Energy Markets argued that PG&E's proposal to procure the 250 MW of merchant solar through a standard, nonnegotiable contract, with prices derived from the estimated utility-owned costs, will not result in the same sort of price discovery and competition as available through an RFO.

WPTF and AReM also said PG&E's application to impose a nonbypassable surcharge to recover any stranded costs from the 250 MW of utility-owned solar is improper, as Commission precedent only permits an unavoidable charge when the utility project results from a procurement process, which is not the case here.

The Independent Energy Producers Association also expressed concern that PG&E could cherry-pick the best sites for utility-owned projects, since PG&E has proprietary information on its distribution system. Such data could permit it to identify distribution circuits where mid-scale PV installations can be added without triggering either a need for upgrades to the distribution system or an expensive and time-consuming interconnection at the transmission level.

Briefly:

FERC Suspends Termination of Two MISO Traders

FERC suspended the Midwest ISO's proposed terminations of financial marketers JJR Power and Olde Towne Energy Associates, stating that the Commission's preliminary analysis indicates that MISO's petitions for termination have not been shown to be just and reasonable, and may be unjust and unreasonable, unduly discriminatory or preferential, or otherwise unlawful. Accordingly, while FERC accepted the terminations of each trader's Market Participant agreements for filing, it immediately suspended the terminations for five months, subject to refund and a further Commission order. MISO sought termination of each trader's status due to failure to cure total potential exposure violations related to the resettlement of Revenue Sufficiency Guarantee charges, which have caused about a dozen virtual traders to default.

Md. Staff Revises RM 35 to Exclude Large Customers

Maryland PSC Staff has submitted revisions to RM 35, rules for the competitive gas market, to exclude service to daily metered accounts and interruptible accounts from the provisions. The revisions are in response to concerns from several LDCs, now echoed by large customers, that the original rules would be unworkable for the large customer and transportation market (Matters, 3/11/09). Aside from excluding the two large account types from the rules, there are no substantive changes to the provisions which prescribe billing and enrollment procedures. Staff said discussions remain ongoing regarding how daily metered and interruptible customers should be treated, but asked that the PSC consider in the interim adoption of COMAR 20.59 as provided under RM 35 for emergency enactment, and republication of COMAR 20.59 as amended.

NextEra, Saracen Seek Ontario Wholesale Licenses

NextEra Energy Power Marketing and Saracen Power have filed applications for wholesale electricity marketing licenses with the Ontario Energy Board.

Conn. Finds Standard Service Mitigating Volatility

Mirroring an earlier draft (Matters, 3/26/09), a final Connecticut DPUC decision regarding its review of the efficacy and rate impact of Last Resort Service and Standard Service found that the current laddered RFP process for Standard Service provides customers with a stable and predictable pricing structure that will prevent a repeat of price spikes seen at the expiration of rate caps (09-02-03). Standard Service rates remained relatively stable last year despite a significant increase in wholesale prices during the second and third quarters of 2008 as gas and oil prices increased to historic highs. On the other hand, the DPUC noted there have been some complaints by customers that prices have not declined as oil and gas prices dropped during the later months of 2008.

Tag Energy Seeks Texas Aggregation License

Tag Energy, whose principal runs real estate broker JGI Investments, applied at the PUCT for an aggregation certificate.

Weir Investments Adds Apollo Trade Name

The PUCT granted Weir Investments Fund's request to add the trade name Apollo Power & Light to its REP certificate.

PUCT to Issue RFPs on Choice Campaign

The PUCT established control numbers to issue RFPs to operate a call center and provide fulfillment services for the Texas Electric Choice campaign (36875) and to provide marketing and customer education services (36876).

NYRI to Withdraw Application

New York Regional Interconnect said it is "suspending" its current participation in the New York PSC siting process for its 1,200-MW merchant transmission line proposal, although it is expected to file a letter formally withdrawing the application at the PSC. NYRI blamed a FERC decision which denied rehearing on cost allocation rules for economic projects in the New York ISO for its decision to withdraw the project. FERC's order permits cost allocation and recovery for economic projects when costs exceed benefits; the total capital cost exceeds $25 million; and 80% of the project's beneficiaries favor the project. NYRI had argued that the NYISO's process of limiting consideration to production cost savings while excluding other economic, environmental, and reliability benefits creates a bias against economic transmission investment, but FERC disagreed. NYRI said it remains committed to transmission development in New York State.

NFG ... from 1:

to use the 300 mcf cutoff rather than its proposed 1,000 mcf cutoff would require costly system changes.

NFG's proposal is largely modeled on its New York POR program, including the use of partial recourse. Under NFG's program, suppliers would remain liable for any unpaid receivables that exceed the otherwise applicable utility charges when a customer is terminated. A discount rate of 2.7086% would apply to residential receivables, with a 0.4766% discount on non-residential receivables. Each figure reflects NFG's write-off percentage, development costs (set at 0.0629%) and a risk factor. NFG expects implementation costs will be $200,000.

Under its application, NFG would move write-offs related to supply out of base rates and into a new Merchant Function Charge.

Suppliers would be required to use NFG consolidated billing under the POR program. Only rate ready billing would be offered.

Other Programs

Columbia Gas of Pennsylvania also submitted a voluntary POR plan, which mirrors a settlement reached in its most recent rate case (Matters, 10/24/08). At that time, the PUC rejected POR as part of the settlement because the stipulation would have permitted Columbia to terminate a customer for failure to pay competitive supply charges purchased under POR. The PUC has since amended its rules to permit such terminations.

Under Columbia's plan, its current POR discount rate of 5% would be cut to 2.25%, reflecting a 1.86% discount on commodity charges (identical to the uncollectible rate in its price to compare) and a 0.39% administrative adder to recover implementation costs.

Suppliers would be required to use consolidated billing under the POR program. Columbia would not unbundle rates any further as a condition of implementing POR.

T.W. Phillips Gas and Oil Co. filed to institute a voluntary POR program as well, mostly mirroring Columbia's program. However, T.W. Phillips' asked the PUC to hold the program in abeyance until the Commission issues an order regarding rules for mandatory POR programs, to prevent wasted effort if the final rules differ from rules for voluntary programs.

The program would cover customer classes RS-T and GSS-T, which currently have no customers on competitive supply.

The discount rate at T.W. Phillips would be 2.81%, reflecting a 2% uncollectible rate and 0.81% discount for development costs. The discount rate would remain in effect until T.W. Phillips' next rate case to be filed in 2010, in which the LDC expects to file to unbundle the supply portion of its uncollectible costs. T.W. Phillips said it would refund any double collection resulting from the current discount rate to choice customers.

Purchased receivables would only cover marketer supply costs, and marketers would be required to use utility consolidated billing for POR customers. At all three LDCs, suppliers would not be allowed to reject customers on credit grounds, or require security deposits as part of the POR program.

Philadelphia Gas Works said it will file a fully allocated cost of service study rather than a POR plan. The UGI LDCs also opted not to file a voluntary POR program, and said UGI Penn Natural Gas and UGI Central Penn Gas have proposed including supply-related uncollectible costs in the price to compare in their pending base rate proceedings. UGI Gas Division said it was "considering" filing a similar proposal.

Ontario ... from 1:

included for third-party access to unverified meter data.

During the proceeding, stakeholders raised numerous concerns relating to advanced metering beyond the Board's narrow investigation into distinguishing access to different types of meter data. OEB said it will take note of such issues for future consultations, including: the extent to which the exchange of smart meter data will make use of the Electronic Business Transaction (EBT) system; the problematic use of “meter read" as an event to establish timing; and the function and disclosure of net system load shapes for utilities' service areas.

Another matter which must be addressed once the Board sets an end date for its metering evolution period is the issue of third parties' (retailers and others) access to data from the meter data management and meter data repository, and the data exchange between utilities, retailers and the repository.