Energy Choice Matters

April 21, 2009

AEP ERCOT Utilities Propose Full Advanced Meter Deployment By 2013

AEP's Texas Central and Texas North distribution companies filed an advanced metering system (AMS) plan with the PUCT (36928), under which they proposed to deploy 1.1 million advanced meters over the period 2010-2013.

The AEP utilities sought a two-phase AMS surcharge for residential customers with a higher fee during the deployment period and lower fee after deployment is complete, to mitigate the strain on AEP's cash flow during the current economic conditions. Other classes would have a constant surcharge over the recovery period (see chart page 6).

AEP told the PUCT its 2009 capital expenditure budget has been reduced to $2.6 billion from $3.3 billion, with the 2010 budget reduced to $1.8 billion from the previous planned budget of $3.4 billion.

While desirable, the AMS project is not required to serve new customers or to maintain system reliability and safety, TNC and TCC said. "Nevertheless, in recognition of the importance of AMS to the Texas competitive market, the Companies support proceeding with the planned deployment, but require adequate measures to reduce negative cash flow during the initial period of the deployment which coincides with the current stressed financial circumstances," the companies added. Accordingly, they filed for the following surcharges, applicable to all customers

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Report to NYSERDA Recommends Simplifying Customer Enrollment in Green Power Products

New York should consider simplifying the enrollment process for green power products, and improve utility cooperation with such programs, Summit Blue Consulting recommended in a report to NYSERDA on the state's RPS program.

A subset of the RPS program sets a goal of meeting 1% of the state's electric usage through the voluntary green power market by 2013. As of September 2007 (the most recent data), nearly 60,000 customers were on a green power product, either through an ESCO or through utility programs partnering with REC suppliers and brokers. Customer usage in the voluntary green market was about 64,000 MWh annually, Summit Blue said. Nineteen green power suppliers or REC brokers are active in the state.

Summit Blue conducted surveys with various green power retailers. According to Summit Blue, several respondents complained that the enrollment process is very cumbersome and impedes customer enrollments. "Similarly, respondents complained that, with the exception of National Grid’s GreenUp program, the utilities do very little to help promote green power," Summit Blue reported.

New York could also consider adopting a statewide program similar to the Connecticut Clean Energy Options approach in which all utilities would be mandated to adopt the program, open their program to multiple green power providers, and meet a minimum percentage enrollment level (or face penalties), Summit Blue suggested.

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Texas Senate Committee Moves Bills on Disconnection, Entergy Competition

The Texas Senate Business & Commerce Committee voted SB 265 out of committee, which prevents REPs from disconnecting certain customers during the summer who agree to deferred payment plans, and sets standards REPs must employ in accepting applicants for such deferred payment plans.

The bill states that during the period beginning July 1 and ending September 30 of each year, a retail electric provider may not authorize the disconnection of service for the following customers if they requested and comply with the terms of a deferred payment:

• Low-income customers

• Customers that would meet the critical care definition (but are not designated as critical care)

REPs would be prohibited from disconnecting service to customers designated as critical care from July 1 through September 30.

Retailers would be compelled to offer a deferred payment plan to low-income customers if the customer pays at least 33% of the outstanding balance due; agrees to pay remaining balances in equal installments over the next five billing cycles; and does not owe an outstanding balance from an earlier deferred payment plan.

If the customer is 65 years or older, or qualifies for critical care protection (but is not designated as such), customers could enter deferred payment plans without any upfront payment, by paying only 25% of the deferred charges when the first bill issued after September 30 is due.

REPs would also be required to waive initial deposit requirements for a residential customer who is not delinquent in payment of any electric service account with that provider, and is at least 65 years old or has a payment history for electric service in Texas that includes not more than one late payment in the preceding 12 months.

The Senate committee also voted out SB 1492 which would delay the transition to competition at Entergy Texas.

The bill would require the PUCT to cease work on Entergy's transition to competition plan, and require Entergy to withdraw the plan. Any party could petition the Commission to initiate a proceeding to certify a qualified power region for the Entergy area when the conditions supporting such a proceeding exist. If the Commission certifies a qualified power region for Entergy, the Commission could not approve a transition to competition plan until at least four years after certifying the qualified power region.

The bill was heavily revised in committee. Originally, the bill would have prevented the PUCT from considering a transition to competition at Entergy unless the legislature directed the Commission to initiate such action. The original bill would have required Entergy to remain in SERC as well, precluding integration with ERCOT.

SB 1492 also requires Entergy to propose a competitive generation tariff to give eligible customers the ability to contract for competitive generation. Entergy would be compelled to provide and price retail transmission service, including necessary ancillary services, to retail customers who choose to take advantage of the competitive generation tariff at a rate that is unbundled from the utility's cost of service. Customers on the competitive generation tariff could not be considered wholesale transmission customers.

NYISO Files to Adjust Credit Requirement for Virtual Transactions

The New York ISO submitted tariff changes at FERC meant to better align the credit requirements for virtual transactions with risk.

NYISO said the current requirements do not take into account several factors which could have a significant impact on a customer's risk of loss in the virtual market, such as type of transaction (e.g. virtual supply versus virtual load), and time-of-day. The current requirements may over-collateralize some transactions (virtual load in the summer months), while under-collateralizing others (virtual supply during peak hours).

NYISO's analysis of virtual transactions from April 1, 2005 through March 31, 2008 indicates that virtual transaction credit requirements should:

1) Distinguish between virtual load and virtual supply;

2) Group months with similar risk characteristics together, then take into account the differences in riskiness in the seasonal groupings;

3) Group zones with similar risk characteristics together, then take into account the differences in riskiness in the zonal groupings; and

4) Group times-of-day with similar risk characteristics together, then take into account the differences in riskiness in the time-of-day groupings.

Under the proposed revisions, the NYISO would determine the credit requirements for virtual supply and virtual load transactions separately.

For each virtual supply bid, the amount of credit support required per megawatt-hour would equal the virtual supply price differential between the Energy prices in the Day-Ahead Market and Real-Time Market, at the 97th percentile, for the period of time from April 1, 2005 through the end of the prior calendar month, for the same season, zone, and time-of-day based on the following groupings:

1. Seasons
   - Summer (May-Aug.)
   - Winter (Dec.-Feb.)
   - Rest of Year (March, April, and Sept.-Nov.)
2. Zones
   - A-F
   - G-I
   - J
   - K
3. Times-of-Day
   - Peak Hours (Monday-Friday)
     - Hours Beginning 0700 - 1000
     - Hours Beginning 1100 - 1400
     - Hours Beginning 1500 - 1800
     - Hours Beginning 1900 - 2200
   - Night Hours (All Days)
     - Hours Beginning 2300 - 0600
   - Weekend/Holiday Hours
     - Hours Beginning 0700 - 2200

For each virtual load bid, the amount of credit support required per megawatt-hour would equal the virtual load price differential between the Energy prices in the Day-Ahead Market and Real-Time Market, at the 97th percentile, for the period of time from April 1, 2005, through the end of the prior calendar month, for the same season, zone, and time-of-day based upon groupings similar to the virtual supply groupings enumerated above.

If the proposed credit requirement had been in effect in August 2008, NYISO said that the credit requirement for virtual load transactions would have decreased in all hours, and that the requirements for virtual supply transactions would have decreased in most hours. However, virtual supply credit requirements would have increased "substantially" for transactions during weekday hours 11 a.m. through 6 p.m., particularly in Zones F-K.

Separately, NYISO also filed to make several revisions and clarifications to its billing tariffs. Among other things, NYISO applied to change its tariff to state customers may review invoices for any errors, rather than simply "arithmetic, computation and estimation" errors as is currently in the tariff. Additionally, NYISO would add language specifying that after a customer identifies an error in a draft invoice the NYISO produces to correct a previous error, the NYISO will make the additional correction within one month. Currently, no deadline exists for the NYISO correction. Customers would have another 25 days to review the second corrected invoice.

NYISO also filed to state in its tariff that it will provide billing information to customers electronically, rather than through the mail.

Blumenthal Files Complaint Over ISO-NE Imported Capacity Non-Performance

Connecticut Attorney General Richard Blumenthal filed a formal complaint at FERC regarding ICAP payments made to importers of capacity over the New York AC Interface despite their failure to deliver power when required by ISO New England.

The behavior was previously detailed in an ISO New England filing seeking rule changes to prevent the conduct (Matters, 4/10/09). The ISO discovered that, with the commencement of the ICAP Transition Period in December 2006 and the payment structure associated with that period, market participants with ICAP Import Contracts typically submitted high-priced (over $660/ MWh) supply offers over the Northern New York AC Interface, with most approaching the energy offer cap. Presumably, such higher offers were made in an attempt to avoid dispatch, Blumenthal said.

The ISO observed persistent performance problems when it sought to dispatch high-priced energy associated with these ICAP Import Contracts. During the period from January 2005 to January 2009, every market participant that submitted a supply offer in excess of $660/MWh over the Northern New York AC Interface failed to perform when dispatched every time (a total of 108 instances).

The lack of performance was not penalized because, under the then-current capacity market rules, non-performance had to reach a certain threshold level, which was not met since the high-priced offers were rarely dispatched due to their price.

Blumenthal is seeking recourse under broader anti-manipulation rules and statutes, and recommended disgorgement of the estimated $85.8 million paid to market participants who failed to deliver. The AG also sought reimbursement to ratepayers of the amounts by which the ISO-NE energy clearing prices increased because of the importers' failures to deliver, and reimbursement of any increased compensation received by other units under the control of the importers as a result of their failed performance.

Furthermore, Blumenthal recommended suspension or termination of the market-based rate authority of some or all of the importers, which the AG said might effectively prevent similar performance failures in the future.

Blumenthal also said he has launched an antitrust investigation into ISO New England as well as generators operating within it. Blumenthal said ISO-NE has refused to disclose the identities of capacity importers who failed to deliver when dispatched.

Md. RGGI Allowance Revenues to be Dispersed as Flat Credit

Maryland funds generated from the sale of Regional Greenhouse Gas Initiative allowances will be credited to all distribution customers on a flat, per-customer basis, the Maryland PSC ruled yesterday (Case 9166, Matters, 12/8/08).

While most stakeholders favored a flat credit, Baltimore Gas & Electric had suggested a per-kWh credit, since the energy efficiency surcharge which the RGGI credit is meant to mitigate is assessed on kilowatt-hour usage. However, the PSC found that statute requires a per-customer credit for each residential customer, and not a kWh credit as proposed by BGE.

BGE also asked that the credit not be listed as a line item on bills due to required system changes that would increase costs, with the credit instead simply rolled into distribution charges. The PSC, however, ordered utilities to establish a line item on customers' bills for the credit entitled "RGGI Rate Credit," with an informational message explaining the credit in the initial bill on which the line item appears and then quarterly thereafter. The line item must be listed immediately below the line-item for energy efficiency surcharges, which shall be listed as "EmPower Md. Charge (or Chg)."

The PSC intends for the first two RGGI credits to be issued with June and July 2009 bills, and directed the Maryland Energy Administration, which administers the Maryland Strategic Energy Investment Fund containing the RGGI proceeds, to report on the amount of monies in the fund that are allocated for rate relief and available to be disbursed in fiscal year 2009.

Briefly:

PUCT Staff Issues Updated REP Certification Proposal

PUCT Staff submitted a revised proposal for new REP certification rules, incorporating

Commissioners' changes from the last open meeting (Matters, 4/10/09). In addition to those changes, the only major change was to clarify the accounts which may be used to protect customer deposits. Staff said new language has clarified the Commission's intent to allow for compliance with customer deposit protection through the use of lockbox arrangements with unaffiliated providers of wholesale power supply where the terms of the arrangement demonstrate that customer deposits are protected. Specifically, the new language holds that any such lockbox used by non-investment grade REPs in lieu of an escrow account or letter of credit for deposits must, among other things, be, "subject to the control or management of a provider of pervasive and comprehensive credit to the REP that is not affiliated with the REP, and the terms for managing the account protect customer deposits."

Chesapeake Utilities, Florida Public Utilities to Merge
Chesapeake Utilities Corporation and Florida Public Utilities Company have entered into a definitive merger agreement, valued at about $73 million, pursuant to which Florida Public Utilities will merge with a wholly owned subsidiary of Chesapeake. Under the merger agreement, holders of Florida Public Utilities common stock will receive 0.405 shares of Chesapeake common stock in exchange for each outstanding share of Florida Public Utilities. Florida Public Utilities offers a choice program for its commercial natural gas customers, while Chesapeake's Central Florida Gas LDC has exited the supply function and offers various choice or open enrollment/aggregation programs depending on customer class. Chesapeake's Maryland and Delaware LDCs also offer choice and/or transportation programs. The merger, subject to various regulatory approvals, is expected to close during the fourth quarter of 2009 and would create a combined energy company serving approximately 117,000 natural gas and 31,000 electric customers.

Universal Extends ESIF Talks
Universal Energy Group said it has agreed to extend the 30 day exclusivity period for discussions of a potential acquisition by Energy Savings Income Fund from April 19 to April 23, 2009 (Matters, 4/14/09).

Premier Power Solutions Seeks Ohio License
Premier Power Solutions filed in Ohio for an electric aggregator/power broker license to serve commercial, mercantile and industrial customers in all service areas.

PUCT Staff Files NOVs Against Pre-Buy Electric, National Power
PUCT Staff has filed separate notices of violation against Pre-Buy Electric and National Power Company for alleged similar violations of the PUCT Substantive Rules in connection with their defaults and POLR transitions last year, including the requirement for a prompt return of customer deposits upon cessation of operations, and notification to the Commission and customers of an intent to cease operations. Staff recommended a penalty of $1.87 million for Pre-Buy ($1.53 million for failure to refund deposits and $336,000 for failure to notify the Commission of its exit) and $1.82 million for National Power ($1.50 million for failure to return deposits and $329,000 for failure to notify the Commission of its exit). Penalties were based on the time elapsed since the alleged transgressions and the classification of each. In particular, failure to return customer deposits, considered a Class A penalty, may be penalized at a rate of $25,000/day, though Staff recommended penalties of $5,000/day.

Md. PSC Orders Assessment on Mitchell Energy Management Services
The Maryland PSC directed Mitchell Energy Management Services to pay an assessment of $81.72 for the time in which it brokered in Maryland before being licensed by the Commission. The total represents the Commission Staff’s calculation of the aggregate assessment payments that the Company would have owed based on revenues received for the broker's Maryland operations during the period that the Company operated in Maryland without the

required license (about $58,000). Mitchell Energy Management Services received a broker license in October (Matters, 11/3/08).

Stream Says Revenues to Hit $1 Billion

Stream Energy said it is on track to hit $1 billion in annual revenues in 2009, also reporting that its Ignite marketing arm has seen its multi-level marketing sales force triple from the last quarter of 2008 to the first quarter of 2009.

AEP AMS ... from 1:

except those on interval meters, or those with unmetered usage:

Texas Central Company:

AMS Class	Monthly Fee Per Customer	
	Oct 2009 – Sept 2013	Oct 2013 – Sept 2020
Residential	$3.25	$2.83
Secondary <= 10 kW	$4.63	$4.63
Secondary > 10 kW Non-IDR	$3.09	$3.09
Primary Non-IDR	($1.76)	($1.76)

Texas North Company:

AMS Class	Monthly Fee Per Customer	
	Oct 2009 – Sept 2013	Oct 2013 – Sept 2020
Residential	$3.25	$2.71
Secondary <= 10 kW	$4.73	$4.73
Secondary > 10 kW Non-IDR	$1.80	$1.80
Primary Non-IDR	$0.67	$0.67

As previously reported (Matters, 4/20/09), TCC and TNC wish to mitigate the potential AMS surcharges by applying customer refunds due from a reallocation of trading margins between AEP East and AEP West to the advanced metering revenue requirement, instead of providing direct customer refunds. The proposed surcharges listed above reflect such mitigation, and would be higher if the margin refunds are not applied to the AMS budget. The initial residential surcharge of $3.25 is a penny higher than CenterPoint Energy's initial AMS surcharge.

AEP proposed that the surcharge be effective with the October 2009 billing month (which commences on September 28, 2009) and be in effect for eleven years through the September 2020 billing month. The companies hope to receive a Commission decision on their AMS program by mid July 2009.

AEP's plan calls for full AMS deployment with TCC installing 5,000 meters in 2009, approximately 131,000 meters in 2010, and an average of 224,000 meters annually in 2011, 2012 and 2013. TNC plans to install approximately 57,000 meters in 2010, and an average of approximately 45,000 meters annually in 2011, 2012 and 2013. AEP selected Corpus Christi and Abilene for the initial full-scale commercial deployment in 2010 because the areas offer fairly high customer densities.

Noting the challenges of their more rural service areas, TCC and TNC said they have 19 and 4 customers per square mile of service territory, respectively. That compares to 58 per square mile for Oncor and 411 per square mile for CenterPoint. Such geography and low density makes the AEP companies' AMS plan more costly on a per-customer basis, as a wider communication network must be built.

The AEP utilities' advanced meters will meet applicable PUCT standards, including the capability to interact with Home Area Network (HAN) devices inside a customer's premise. That functionality will allow support for usage monitoring devices, load control devices, and prepayment systems. AEP's proposed AMS supports communication with ZigBee Smart Energy 1.0 enabled in-home devices that have been certified as a ZigBee Compliant Platform.

The interval length for load profile will be programmable for 1, 5, 15, 30 or 60 minute intervals.

N.Y. RPS ... from 1:

Another recommendation from Summit Blue is to create an attribute tracking system that is compatible with those in neighboring regions, which would eliminate the need to use the currently cumbersome conversion transaction process to complete REC sales in

New York.

Summit Blue reported other barriers to the voluntary green market include high REC prices and customer unwillingness to pay a premium for electricity, lack of customer awareness, and insufficient marketing and sales efforts by green power providers.

From its survey of green power marketers, Summit Blue reported renewable price premiums for residential customers range from 1¢/kWh to 2.5¢/kWh, with the size of the price premium increasing with the portion of wind included. Commercial customer premiums for green power ranged from 0.4¢/kWh to 1¢/kWh. Most large commercial customers choose to purchase national RECs, which are cheaper than New York RECs, Summit Blue noted.

Green power retailers reported that wind is the most preferred renewable energy source, and that solar would be equally popular if not for its large price premium.

Turning to the Main Tier of the NYSERDA RPS program, Summit Blue said that long-term contracts offered under the Main Tier program, "have proven valuable in driving the development of large-scale projects in the State." A separate study which focused just on the Main Tier conducted by Kema concurred with that finding, as Kema said that, "[l]ong-term contracts are essential to program success and demanded by prospective bidders."

Challenges to achieving the RPS target in the Main Tier stem from uncertainty regarding the timing and quantity of future NYSERDA solicitations and a lack of market liquidity. Summit Blue recommended setting specific procurement schedules up to five years into the future with definite quantities included to reduce uncertainty, while noting a REC tracking system would increase transparency.

Kema said NYSERDA should consider issuing a “standard offer” for smaller projects, perhaps from 1 MW to 10 MW, which could be issued at any time but most appropriately after the awarding of a competitive solicitation if a balance of available funding remains.

Individual targets for specific resource types may also be appropriate, Summit Blue said, though it conceded such carve-outs would not produce the least-cost compliance with the RPS targets.