Energy Choice Matters

April 23, 2009

Energy Savings Income Fund, Universal Energy Enter Definitive Acquisition Agreement

Energy Savings Income Fund and Universal Energy Group have entered into a definitive agreement under which Energy Savings will acquire all of the outstanding common shares of Universal Energy, pending shareholder and various regulatory approvals.

The acquisition will add Universal's 550,000 residential customer equivalents in Ontario, British Columbia, Michigan, California, Ohio, Pennsylvania, Maryland and New Jersey to Energy Savings' 1.8 million residential customer equivalents in Ontario, Manitoba, Quebec, Alberta, British Columbia, Illinois, Indiana, New York and Texas (Matters, 4/14/09). In the United States, there is virtually no overlap in the footprints, one of main attractions of the acquisition (Universal had recently begun marketing in New York on a limited basis). Universal's entire U.S. book, aside from its Michigan gas customers, was acquired in its purchase of Commerce Energy.

Rebecca MacDonald, Executive Chair of Energy Savings, said, "The combination of our two businesses should offer the opportunity to accelerate our growth into new markets in the United States." The substantial overlap in backoffice operations should result in, "significant operating synergies," MacDonald added.

Under the transaction, each outstanding share of Universal Energy Group will be exchanged for 0.58 of a share of a subsidiary of ESIF. Each such subsidiary share will be exchangeable into

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PUCT to Consider Today POLR Proposal for Adoption That Eliminates Mandatory REP Class

The PUCT will consider today at its open meeting a final Provider of Last Resort rule that, as outlined at past meetings (Matters, 3/30/09), would jettison the originally proposed Mandatory REP class, and instead create incentives for REPs to volunteer as POLRs, to minimize potential customer transitions onto an MCPE-based rate.

Staff's latest proposal for adoption would maintain two classes of POLR providers, voluntary POLRs and non-volunteer POLRs (known as Large Service Providers in the rule). The draft drops the originally proposed Mandatory REP POLR class, which would have served as a middle tier between volunteer POLRs, and Large Service Providers charging an MCPE-based rate. All eligible REPs would have been drafted into the Mandatory class, which was opposed by REPs since it would require them to expend costs to be prepared to serve as POLRs, without any guarantee that they would acquire customers in a transition.

Instead, to entice more REPs to act as volunteer POLRs serving customers on a monthly, competitive rate, Staff's updated proposal would hold that volunteer POLRs agreeing to assume customers up to 1% of their market share would be assigned customers last in the allocation of customers among Large Service Providers (if the volunteer POLR is also designated as a Large Service Provider). Essentially, if the amount of customers involved in a transition to Large Service Providers is below 1% of the total applicable market, volunteer POLRs agreeing to take up to 1% of their market share would be exempt from acquiring customers as Large Service

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CL&P Reports March 2009 Shopping Data

3rd Party Supplier Accounts	March '09 Residential	March '09 Commercial/ Industrial	March '09 Total	Feb '09 Total
CLEARVIEW ELECTRIC	7	1	8	1
CONSOLIDATED EDISON SOLUTIONS, INC.	2,006	1,314	3,320	3,098
CONSTELLATION NEWENERGY, INC.	802	8,251	9,053	9,040
DIRECT ENERGY BUSINESS LLC	110	1,510	1,620	1,609
DIRECT ENERGY SERVICES LLC	14,005	3,561	17,566	17,355
DISCOUNT POWER INC	0	0	0	0
DOMINION RETAIL INC	43,641	3,914	47,555	43,981
GEXA ENERGY CONNECTICUT, LLC	8	423	431	323
GLACIAL ENERGY OF NEW ENGLAND INC	306	1,437	1,743	1,643
HESS CORPORATION	313	399	712	713
INTEGRYS ENERGY SERVICES	373	3,222	3,595	3,619
LIBERTY POWER HOLDINGS LLC	0	109	109	109
MXENERGY ELECTRIC INC	1,709	2,919	4,628	4,812
PEPCO ENERGY SERVICES, INC.	0	1	1	0
PUBLIC POWER & UTILITY, INC	10,818	2,448	13,266	10,254
ROYAL BANK OF SCOTLAND	0	0	0	0
SEMPRA ENERGY SOLUTIONS LLC	1	1,013	1,014	1,031
SUEZ ENERGY RESOURCES NA	9	577	586	570
TRANSCANADA POWER MARKETING LTD.	27	2,238	2,265	2,287
WHOLE FOODS MARKET GROUP INC	0	4	4	4
WORLD ENERGY	0	1	1	0
STRATEGIC ENERGY LLC	0	2	2	2
Total All 3rd Party Suppliers	74,135	33,344	107,479	100,451

Aggregate Data

Last Resort Service-CL&P		%
Total # ALL Accts	1,206	
Total ALL MWhs	375,843.813	
Total 3rd Party Accts	979	81.2%
Total 3rd Party MWhs	323,951.504	86.2%
C&I Standard Service-CL&P		%
Total # ALL Accts	123,487	
Total ALL MWhs	475,762.554	
Total 3rd Party Accts	32,365	26.2%
Total 3rd Party MWhs	245,538.534	51.6%
Residential Standard Service-CL&P		%
Total # ALL Accts	1,110,263	
Total ALL MWhs	808,144.443	
Total 3rd Party Accts	74,135	6.7%
Total 3rd Party MWhs	68,737.880	8.5%
Total All CL&P		%
Total # ALL ACCTS	1,234,956	
Total ALL MWhs	1,659,750.810	

Data as reported by CL&P

CT Clean Energy Options

CT Clean Energy Options Accounts	Residential	C&I	Total
Community Energy 10% for Rates 39, 41, 55, 56, 57, 58	5	n/a	5
Community Energy 50%	1,518	13	1,531
Community Energy 100%	7,854	236	8,090
Sterling Planet 10% for Rates 39, 41, 55, 56, 57, 58	1	n/a	1
Sterling Planet 50%	1,692	18	1,710
Sterling Planet 100%	5,571	171	5,742
Total All CTCleanEnergyOptions Suppliers	16,641	438	17,079

ISO New England Says It Erred in Saying Suppliers of Imported Capacity Failed to Deliver

ISO New England says that it did not fully understand data concerning energy delivery from now controversial capacity import offers over the Northern New York AC interface, and reported that, despite its earlier characterizations in a FERC filing, suppliers did not fail to deliver in 108 instances.

Originally, the ISO said suppliers of such offers, which were priced close to the offer cap, failed to perform when dispatched in every instance from January 2005 to January 2009 (Matters, 4/10/09). That prompted a formal complaint from Connecticut Attorney General Richard Blumenthal (Matters, 4/21/09).

Now the ISO says that although data from a software tool that assists operators in managing imports shows that energy delivery from these external resources was potentially required during 108 hours, upon closer examination by the market monitor of actual, real-time market and system conditions, "it has become evident that delivery of this energy was not required because it was not needed for economic or reliability reasons."

According to ISO-NE, the data originally analyzed by the market monitor was incomplete since it only consisted of forecast system conditions and did not take into account the actual resources available to supply energy in real time, which the control room operators actually used to dispatch the system. "Upon review of real-time system conditions, the market monitor has concluded that these external transactions were not needed since less expensive energy was available within New England to meet the region’s needs," the ISO said.

"Although ISO New England stated in a filing to FERC in March that energy wasn’t delivered 108 times, delivery of energy from external transactions was actually not called during these hours, and, therefore, these resources were not paid for something they didn’t deliver. It should be noted that the $85 million was paid to these resources over a 26-month period for capacity, which was provided," the ISO added.

The ISO's statement failed to placate critics of the import offers, including Blumenthal.

"ISO-New England's so-called 'explanation' is incomprehensible, almost incoherent, certainly raising more questions than it answers and making an investigation all the more necessary [sic]," the AG said.

"ISO's double-talk -- puzzling, perplexing mumbo jumbo -- makes me even more determined to pursue my antitrust investigation of ISO-New England and generators," Blumenthal added.

Connecticut Gov. M. Jodi Rell questioned, "who is 'pushing the buttons' at ISO New England?"

"First the regional power grid's operators tell the Federal Energy Regulatory Commission that they spent more than $85 million in ratepayer money on stand-by power that was never supplied. Now ISO-New England says, 'Never mind — our mistake. Everything went according to plan,'" Rell said.

The ISO said it intends to file a clarification at FERC.

Mich. PSC Directs Consumers Energy to File Interim Tariffs Ahead of Rate Case Deadline

The Michigan PSC directed Consumers Energy to file by April 29, 2009, tariffs that Consumers proposes to implement anytime after May 14, 2009, and prior to November 14, 2009 (U-15645).

The order stems from last year's legislation allowing "file and use" rate applications, which permit utilities to implement the proposed annual rate request through equal percentage increases or decreases applied to all base rates if the PSC has not acted within 180 of receiving a complete application. That deadline for Consumers' currently pending rate case is May 14, 2009, but the Commission said it will not be able to complete the case before that time.

Of particular concern to the Commission is the provision under the file and use mechanism which requires rate adjustments to be applied equally to all service classes. The mandate could frustrate conflicting legislative requirements to deskew current rate subsidies within five years.

The PSC said its order for Consumers to file the interim tariffs will provide Consumers with an (albeit short) opportunity to review Staff's and the intervenors' testimony prior to the tariff filing. All parties will be able to respond to the proposed tariffs in responses due May 1.

In its November filing, Consumers, among other things, sought to allocate the cost of subsidizing residential rates to customers on competitive supply, through increased distribution rates for retail access (Matters, 11/18/08). Currently, retail access distribution charges are cost-based, and shoppers avoid subsidizing lower residential rates.

Consumers also suggested expanding the current three-day residential rescission period to 30 days, arguing that three days is not enough time for customers to be mailed enrollment notification and to make a cancellation decision.

NextEra Details Texas Wind Curtailment

The curtailment rate of NextEra Energy Resources' wind facilities in the McCamey Competitive Renewable Energy Zone reached 11.4% during the first quarter of 2009, the generator said in a motion to intervene in the CCN proceeding for an LCRA Transmission Services CREZ facility (36686).

Detailing the "strong increase" in curtailments due to inadequate transmission capacity in the region, NextEra said that, in contrast, the curtailment rate for its 600 MW of generation in the area was only 1.0% during the first quarter of 2008, and only 1.6% for the entire year.

NextEra said that to the extent new wind generation facilities are added in the McCamey area without increased transmission capacity, transmission-related curtailments for NextEra's generation facilities will further increase.

LCRA is seeking a CCN for the upgrade of the McCamey B to North McCamey 138-kV line as identified in the CREZ Transmission Plan, to add a second 138-kV circuit to the existing double-circuit-capable structures.

FERC Fines Three for Capacity Release Violations

FERC announced the approval of three consent agreements related to the "flipping" activities of natural gas participants in the capacity release market, as well as shipper-must-have-title violations.

In flipping transactions, shippers release discounted capacity without complying with posting and competitive bidding requirements, typically to two or more affiliated replacement shippers on an alternating monthly basis. FERC said that flipping damages the market by impeding transparency and denying other market participants an opportunity to bid for discounted, long-term releases of capacity that may not have otherwise been available.

A FERC investigation concluded that Anadarko Petroleum Corporation affiliates improperly released or acquired discounted rate capacity through flipping transactions on the Texas Gas Transmission pipeline and Tennessee Gas Pipeline, involving 5.24 Bcf of natural gas from April 2006 through November 2007. A stipulation between FERC Staff and Anadarko carries a civil penalty of $1.1 million and a requirement to disgorge $232,000 in unjust profits related to the activities.

FERC also approved a consent agreement with Puget Sound Energy related to flipping transactions as well as shipper-must-have-title violations. PSE will pay a civil penalty of $800,000 under the settlement.

The Commission's Enforcement Staff concluded PSE improperly engaged in flipping transactions covering 2.85 Bcf on the Northwest Pipeline between April 2005 and March 2006. A PSE subsidiary also shipped 12 Bcf of natural gas between 2005 and 2007 that was titled to PSE and not the subsidiary, in violation of the shipper-must-have-title requirement.

Louisville Gas and Electric will also pay a civil penalty of $350,000 related to flipping violations uncovered by FERC Staff. FERC said that the LG&E flipping transactions involved 2.8 Bcf of pipeline capacity on the Texas Gas Transmission pipeline from August 2005 through June 2006.

Briefly:

N.Y. PSC Approves Use of Spot Auction Capacity Price for Hourly Pricing at Central Hudson

The New York PSC approved tariff changes at Central Hudson Gas & Electric to revise the rate utilized in determining the capacity charges paid by customers taking hourly priced service through Service Classification Nos. 2, 3 and 13. The monthly NYISO Spot Auction price for the New York Control Area will now be used in the calculation.

N.Y. PSC Considering 18-a Implementation

The New York PSC said it is considering in a rulemaking issues related to recent changes in the 18-a assessment (Matters, 3/31/09), including accounting treatments, billing mechanisms for recovering the assessment from ratepayers, processes for estimating revenues associated with provision of electricity and natural gas commodities by third parties, and any other related topics. The state budget increased the amount of the assessment and also expanded it to include ESCO commodity sales. However, ESCOs will not be subject to the assessment themselves; rather, the utilities will estimate ESCO revenues when computing a surcharge to be applicable to all customers to cover the assessment. The PSC is accepting comments through 45 days after publication of its notice in the state register yesterday.

Pa. Rate Phase-in Bill Clears One Committee, Re-committed to Another

A bill to require Pennsylvania electric distribution companies to offer opt-in rate phase-in plans upon the expiration of rate caps advanced from the House Consumer Affairs committee, but was re-committed to the Appropriations committee. HB 20 would require EDCs to offer competitively neutral rate phase-in plans for residential and small commercial customers. Several EDCs have had such plans approved by the PUC, or have plans pending. The plans would be available to customers on both competitive supply and default service, and would be implemented through a nonbypassable credit/surcharge. The phase-in plans would require affirmative consent from customers.

Energetix, NYSEG Solutions Offer Online Store for Energy Saving Products

Energetix and NYSEG Solutions said they have launched an online green energy store, through a partnership with Energy Federation, a supplier of various energy efficient and environmentally friendly products.

Md. PSC Approves Withdrawal of Downes Broker License

The Maryland PSC granted Downes Associates' request to withdraw its electricity broker license. Brokering had been a side focus from the firm's main services related to electrical design and management consulting for munis and co-ops.

ESIF-UEG *... from 1:*

one ESIF trust unit at any time at the option of the holder, for no additional consideration.

Based on the $12.40 (Canadian) closing price of the ESIF units on April 21, 2009, Universal Energy Group shareholders receive approximately $7.19 per share in exchangeable shares. The exchange ratio represents an approximate 42.9% premium for the Universal Energy Group shares, based on the 30-day weighted-average trading price of such shares ending April 10, 2009, the last trading day before merger talks were announced.

Aside from commodity supply, Universal's National Home Services unit offers water heater rentals in Ontario, a market Energy Savings recently expanded into. Mark Silver, CEO of Universal Energy Group, said Energy Savings is committed to growing the home services business, which he said will become a solid contributor to future financial performance.

The transaction is expected to close in late June following a Universal Energy Group special shareholders meeting which will be called to consider the transaction.

***POLRs** ... from 1:*

Providers, and the initial allocation would only transition customers to Large Service Providers that did not volunteer. However, if the amount of customers in the transition exceeds 1% of the market, volunteer POLRs who are also designated as Large Service Providers would be allocated customers as Large Service Providers after the initial allocation

The rule would increase the number of Large Service Providers (non-volunteer POLRs) from the current five to 15 for each specific class and service area, to decrease the strain placed on each Large Service Provider. The 15 non-volunteer POLRs would be designated based on the eligible REPs that have the greatest market share based upon retail sales in megawatt-hours, by customer class and POLR area.

Although Large Service Providers could charge a default POLR rate based on MCPE, the rule would encourage Large Service Providers to charge a lower, market-based rate. The MCPE multiplier in the default rate would be 120% for residential customers and 125% for other classes.

Currently, non-volunteer POLRs must notify customers that other competitive products or services may be available from other REPs. Under the revised proposal, Large Service Providers serving customers on a monthly, market-based rate instead of the MCPE-based rate would not have to notify customers of the availability of offers from competitors.

Large Service Providers would also be compelled, if serving residential or small non-residential customers on the MCPE-based rate, to move those customers to a market-based rate after 60 days of service (or the next billing cycle after such date). Large Service Providers would not be required to move any customer who is delinquent in payment of any POLR charges to the market-based rate.

A market-based rate for residential customers under the POLR rule may not include a rate derived by applying a positive or negative multiplier to the MCPE rate.

For residential customers, POLRs may require a deposit to be provided after 15 calendar days of service if the customer received 10 days' notice that a deposit was required. For the large non-residential customer class, a POLR may require a deposit to be provided in three calendar days. All other classes would have 10 calendar days to pay deposits.

If the POLR obtains sufficient data to determine that a residential customer has satisfactory credit based on the criteria that the POLR routinely applies to its other residential customers, the POLR may not request a deposit from the residential customer.

The revised draft holds that at the end of the POLR service term, POLRs shall maintain any remaining POLR customers, rather than transferring them to incoming POLRs.