Energy Choice Matters

May 11, 2009

Green Mountain Energy Offering Product to Buy Excess Distributed Renewable Generation

Green Mountain Energy is today launching a product aimed at Texas residential customers installing distributed renewable generation, which will compensate customers for their excess generation.

Green Mountain believes its "Renewable Rewards Buy-Back Program" is the only program in the ERCOT market that offers to buy such excess generation. Legislators have been addressing the issue of compensation for excess generation this session after the PUCT concluded last year that PURA, as currently written, mandates a bargaining between the REP and customers. Green Mountain's product agreement holds that its obligation under the product would terminate if any judicial, regulatory, or legislative action, order, or change renders performance of the agreement impossible or illegal.

Under the program, excess generation up to 500 kWh will be paid at the same per kilowatt-hour rate charged by Green Mountain for the product, exclusive of discretionary or similar TDSP fees (e.g. special meter read, disconnect fee, etc.), and taxes. Generation in excess of 500 kWh will be paid a 50% credit.

Credits for out-flows of power will be applied with a one-month delay to allow for proper processing, though the credit rate will reflect the rate in place at the time the generation was produced. Customers will retain RECs and other environmental attributes associated with their generation.

Customer generation out-flows will be measured through a meter that separately records in-flows and out-flows, whose cost will be charged to the customer if one is not already in place. Customers

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Superior Energy Ending New Enrollments in Ontario Electric, Gas Markets

Superior Energy Management will cease enrolling new residential customers in the Ontario gas and electric markets because there is not a strong value proposition in serving those customers, CEO Grant Billing said during an earnings call last week.

Billing blamed the low default electric and gas rates currently in place for the decision, which has slowed new acquisitions and reduced retention. Superior, whose volumes are currently 70% commercial, said it will concentrate on Ontario C&I sales for both commodities, Quebec C&I gas sales, and British Columbia residential and C&I gas sales. Superior will retain the infrastructure to re-enter the Ontario residential market should conditions warrant, and will continue to renew and extend current customers.

EBITDA from operations at Superior Energy Management was down for the quarter at $1.5 million from $2.0 million a year ago, on lower revenues and gas volumes, and higher administrative and selling costs (all figures Canadian).

Gross profit was $7.0 million in the first quarter of 2009, a $200,000 increase over the prior-year quarter as improvement in natural gas margins and increased electricity volumes offset a decrease in natural gas volumes. Natural gas gross margin was up at $6.78 million versus $6.64 million a year ago, due principally to the impact of the revaluation of U.S.-denominated working capital. Gross

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United Illuminating Reports April Shopping Data

3rd Party Supplier Accounts	April '09 Residential	April '09 Commercial/ Industrial	April '09 Total	March '09 Total	Change
Clearview Electric, Inc.	2	-	2	0	2
Consolidated Edison Solutions	2,233	756	2,989	2,211	778
Constellation New Energy, Inc.	316	3,102	3,418	3,390	28
Direct Energy Business, LLC (Strategic)	10	647	657	658	(1)
Direct Energy Services, LLC	6,194	1,050	7,244	7,292	(48)
Dominion Retail, Inc.	15,909	1,148	17,057	16,633	424
Gexa Energy Connecticut, LLC	2	117	119	97	22
Glacial Energy of New England, Inc.	26	337	363	365	(2)
Hess Corporation	-	60	60	53	7
Integrys Energy Services, Inc.	3	1,731	1,734	1,736	(2)
Liberty Power Holdings, LLC	-	23	23	23	-
MX Energy	1,197	883	2,080	2,141	(61)
Public Power & Utility, Inc.	2,849	661	3,510	2,503	1,007
Sempra Energy Solutions	33	652	685	645	40
Suez Energy Resources NA	-	131	131	110	21
TransCanada	8	455	463	463	-
Total All 3rd Party Suppliers	28,782	11,753	40,535	38,320	2,215

Aggregate Data

Last Resort Service-UI		%
Total # All Accts	292	
Total All MWhs	106,546	
Total 3rd Party Accts	255	87%
Total 3rd Party MWhs	95,339	89%
C&I Standard Service-UI		%
Total # All Accts	37,665	
Total All MWhs	165,083	
Total 3rd Party Accts	11,501	31%
Total 3rd Party MWhs	95,599	58%
Residential Standard Service-UI		%
Total # All Accts	289,128	
Total All MWhs	151,172	
Total 3rd Party Accts	28,782	10%
Total 3rd Party MWhs	16,519	11%
Total All UI		%
Total # All ACCTS	327,085	100%
Total All MWhs	422,801	100%

CT Clean Energy Options Data

CT Clean Energy Options Accounts	Residential	C&I	Total
Community Energy 50%	276	4	280
Community Energy 100%	2700	41	2,741
Sterling Planet 50%	263	11	274
Sterling Planet 100%	909	63	972
Total All CTCleanEnergy Options Suppliers	4,148	119	4,267

Data as reported by UI

WMECO Files Basic Service Rates for July 1

Western Massachusetts Electric Company filed with the DPU basic service rates for the period starting July 1, 2009.

Residential Rate ($/kWh)

	Energy Supply Price	Default Service Adjustment	Default Service Price
July 2009	$ 0.08523	$0.00129	$0.08652
August	$ 0.08400	$0.00129	$0.08529
September	$ 0.07849	$0.00129	$0.07978
October	$ 0.08512	$0.00129	$0.08641
November	$ 0.08340	$0.00129	$0.08469
December	$ 0.08797	$0.00129	$0.08926
Fixed Price July 2009 - December 2009	$ 0.08425	$0.00129	$0.08554

Small Commercial & Industrial Rate ($/kWh)

	Energy Supply Price	Default Service Adjustment	Default Service Price
July 2009	$ 0.09260	$0.00129	$0.09389
August	$ 0.09206	$0.00129	$0.09335
September	$ 0.08423	$0.00129	$0.08552
October	$ 0.08640	$0.00129	$0.08769
November	$ 0.08801	$0.00129	$0.08930
December	$ 0.09836	$0.00129	$0.09965
Fixed Price July 2009 - December 2009	$ 0.09050	$0.00129	$0.09179

Medium and Large C&I Rate ($/kWh)

	Energy Supply Price	Default Service Adjustment	Default Service Price
July 2009	$ 0.07276	$0.00129	$0.07405
August	$ 0.07295	$0.00129	$0.07424
September	$ 0.06727	$0.00129	$0.06856
Fixed Price July 2009 - September 2009	$ 0.07127	$0.00129	$0.07256

Del. PSC Provisionally Accepts New Delmarva SOS Rates

The Delaware PSC approved new SOS capacity and energy rates and an updated procurement cost adjustment for Delmarva Power to take effect June 1, subject to additional review by Staff.

Supply Capacity, Energy and Ancillary Prices

(energy prices in $/kWh, demand charges in $/kW)

	June-Sept	Oct-May
Residential R		
First 500 kWh	$0.109047	$0.122506
Excess kWh	$0.109047	$0.104911
Residential - Space Heating "R"		
First 500 kWh	$0.124689	$0.141291
Excess kWh	$0.124689	$0.070602
Residential Time Of Use "R-TOU"		
Demand	$6.683543	$6.252328
On Peak	$0.069556	$0.082583
Off Peak	$0.050523	$0.059722
Residential Time Of Use Non-Demand "R-TOU-ND"		
On Peak	$0.190467	$0.191855
Off Peak	$0.061940	$0.073435
Residential Time Of Use Super Off-Peak "R-TOU-SOP"		
On Peak	$0.192230	$0.193976
Off Peak	$0.063711	$0.075562
Super Off Peak	$0.046531	$0.054929
Small General Service - Secondary Non-Demand "SGS-ND"		
All kWh	$0.108604	$0.107044
Separately Metered Space Heating Secondary Service "SGS-ND" and "MGS-S"		
All kWh	$0.127394	$0.106177
Separately Metered Water Heating Secondary Service "SGS-ND" and "MGS-S"		
All kWh	$0.089202	$0.106177
Medium General Service - Secondary "MGS-S"		
Demand	$16.064970	$10.146943
Energy	$0.056630	$0.069283
Large General Service - Secondary "LGS-S"		
Demand	$19.250395	$13.109529
On Peak	$0.082193	$0.092647
Off Peak	$0.060333	$0.067628

General Service - Primary "GS-P"

	June-Sept	Oct-May
Demand	$18.908601	$12.095797
On Peak	$0.061739	$0.066011
Off Peak	$0.045892	$0.049288

Procurement Cost Adjustment

SOS Customer Grouping	
R, Space Heating R, R-TOU, R-TOU-ND, R-TOU-SOP, SGS-ND, Separately Metered Water Heating, Separately Metered Space Heating, ORL, OL, X:	$0.001964 per kWh
MGS-S:	$0.002902 per kWh
LGS-S:	$0.007084 per kWh
GS-P:	$(0.018264) per kWh

Nstar to Sell Long-Term Renewable Output in Market, Apply RECs to Basic Service

Nstar plans to sell any energy from long-term renewable energy contracts into the ISO-New England spot market, rather than using the energy for its basic service supply, Nstar said in reply comments in a docket on long-term renewable contracting at the Massachusetts DPU (08-88).

Accordingly, since Nstar said it will not use the supplies for basic service, it will apply the difference between the transaction contract price and the market price to all distribution customers.

However, Nstar does intend to retain the RECs included in long-term renewable energy contracts to fulfill its RPS requirements for basic service. In the event that all basic service requirements are satisfied, Nstar said it would sell the RECs into the market and apply any difference to all distribution customers.

The Retail Energy Supply Association and Cape Light Compact reiterated their earlier position that utilities should be required to elect up-front whether they will apply the renewable contracts to basic service, or sell the energy and RECs into the market (Matters, 4/20/09).

Noting that Western Massachusetts Electric Company opposed such a mandate by arguing utilities cannot predict the best disposal method in advance and need flexibility to reduce potential stranded costs, RESA countered that the issue of stranded costs is effectively mitigated by allowing utilities to sell renewable contract output into the market, and applying the results to all distribution customers. While some contracts may still end up below market under that scenario, by applying the charges to all distribution customers, there would be a static customer base to pay such charges.

Nstar also opposed calls from several stakeholders for a statewide renewable contract RFP or other procurement role for the Department of Energy Resources.

"The greatest opportunity to contain cost lies in the negotiations between the electric companies and contract partners regarding price terms. To negotiate aggressively, a distribution company needs to have flexibility to structure the arrangement creatively or to walk away from the table and consider other options," Nstar said, claiming a process that would limit the distribution companies to "pre-screened" projects selected by DOER would remove such flexibility.

Nstar also argued that a standard contract for solicitations would, "serve little purpose in light of the large variability of terms and conditions that necessarily exists from contract to contract."

DOER, however, countered that, "a single statewide process will eliminate duplication of solicitation efforts, minimize the complexity of the Department's review and approval of contracts, should reduce the time from solicitation to contract approval, and reduce the administrative burden placed on bidders by requiring a response to a single solicitation rather than to four separate solicitations."

In its initial comments, Nstar had recommended that when evaluating the cost effectiveness of contracts, the DPU should take into consideration qualitative factors such as environmental benefits. While RESA had no objection to that approach for contracts whose output is sold into the market, RESA opposed such an evaluation if the contract is applied to basic service, on statutory grounds. RESA noted that statute prohibits basic service rates from exceeding the average monthly market price of electricity, and noted the statute makes no provision for factors that may advance energy and environmental goals but do not bear directly on the market price of power supplies that form the basic service rates during any given period.

Calpine Earnings Higher Despite Weaker Texas Results

Calpine reported higher profits and margin despite lower revenue, posting first-quarter adjusted EBITDA of $331 million versus $301 million in the year-ago period. Net income was up $246 million at $32 million versus the 2008 quarter, which included various restructuring impacts.

Commodity Margin for the first quarter of 2009 was $529 million, up from Commodity Margin of $513 million a year ago. Operating revenues were down at $1.7 billion compared with $2.0 billion a year ago.

Commodity Margin gains were primarily in the West, from hedging and the sale of surplus emission allowances, and the Southeast, from higher hedge prices and higher market heat rates. Such improvements offset a decline in Texas Commodity Margin, where weaker demand and spark spreads resulted in a 33% reduction in generation year-over-year.

Texas Commodity Margin was down at $122 million, versus $139 million a year ago, as on-peak, market spark spreads were 55% lower in the Houston zone in the first quarter of 2009 compared to the first quarter of 2008. Commodity Margin for Calpine's North segment was also down at $49 million versus $61 million a year ago.

Offsetting these declines was an increase in Commodity Margin in the West ($297 million from $278 million) and Southeast ($61 million from $35 million).

During an earnings call, Calpine pointed to recovery in Texas by 2011, calling some 4,000 MW of announced retirements or mothballs good news.

Lower Energy Prices Cut Edison Mission Earnings

Earnings at Edison Mission Group fell $114 million in the first quarter, from $159 million a year ago to $45 million, on lower generation volumes and reduced trading income.

Core earnings, a non-GAAP measure, were down as well, at $56 million versus $159 million a year ago.

For EMG's Midwest Generation subsidiary, net income was $83 million, down from $152 million a year ago. The decrease in earnings was primarily attributable to a $109 million decrease in realized gross margin (pre-tax).

Midwest Generation's average realized price for energy-only contracts was down at $47.77/MWh versus $53.16/MWh a year ago. Its average fuel costs were up at $18.55/MWh versus $14.08/MWh a year ago. Partially mitigating these factors was higher capacity revenue ($39 million versus $9 million) and a slight increase in the average price from load requirements service contracts ($62.54/MWh versus $62.35/MWh).

Aside from lower demand and lower natural gas prices, Midwest Generation said energy prices were lower due to congestion affecting power exported from the Northern Illinois control area.

Edison Mission Group reiterated, as said during its fourth quarter earnings call, that it is in capital conservation mode, and is in discussions with three suppliers to defer deliveries of wind turbines and associated payments. Accessing the non-recourse bank market for renewable project financing remains a key challenge in moving Edison's renewable development program forward, though Edison said it is hopeful that the bank market will be accessible later this year so it can continue building out a 5,000 MW development pipeline.

Compressed Dark Spreads Hurt Mirant

Adjusted EBITDA at Mirant for the first quarter was down at $195 million versus $211 million a year ago because of compressed dark spreads in the Mid-Atlantic. Net income for the quarter was $380 million, versus a loss of $152 million a year ago, as last year's GAAP results included the impact of unrealized hedging losses.

Gross margin from energy was down at $111 million versus $199 million a year ago. The decline was partially offset by an increase in gross margin from capacity ($134 million versus $130 million) and realized values from hedges ($108 million versus $36 million). Combined, gross margin was down slightly at $353 million versus $365 million a year ago.

CEO Edward Muller reiterated his view, which he has made on analyst calls for the past few years, that PJM East's declining reserve margins put Mirant in a good position, noting supply and demand are "inexorably" moving toward an imbalance. Muller conceded that the supply/demand imbalance has been delayed, but said the trend remains the same.

Muller also questioned whether demand response in New England and New York, which have lifted reserve margins, will be present as the economy recovers, as industrials may be more reluctant to cut back.

Asked about consolidation, Muller said mergers would create substantial general and administrative savings and operational synergies, and that each of the players in the business could scale up its business without meaningfully increasing general and administrative expenses. However, the difficult finance markets, which would make any financing prohibitively expensive, is stymieing consolidation, as is each executive's perception that his firm in undervalued while competitors are overvalued.

AMP-Ohio Presses FERC on SECA Decision

American Municipal Power-Ohio, "cannot wait any longer and will not continue indefinitely to refrain from seeking a writ of mandamus in the face of continued Commission silence," regarding Seams Elimination Cost Adjustment (SECA) charges imposed on LSEs operating in PJM and the Midwest ISO, AMP-Ohio said in a FERC filing (ER05-6-001 et. al.).

Noting the initial decision in the case is nearly three years old, AMP-Ohio said it has a growing concern, "based upon the Commission's continuing inaction and its unwillingness in response to prior motions even to acknowledge the motions or the unreasonable delay, that the Commission could wait so long that it will simply declare the record stale, deem challenged SECA payments to be water over the dam, and declare the case over."

"That result would be so unfair to AMP-Ohio, which dutifully paid its SECA invoices even though millions of dollars of overcharges and now pending refunds were based on what were admitted and stipulated errors in the SECA calculations," the municipal said.

AMP-Ohio noted that further settlement among remaining parties is not likely, stating, "[a]ny optimism the Commission may have clung to a year ago that an order on the merits will not be necessary ought to be dashed now, since it is obvious that settlement efforts are over and that only a Commission order can finally end this sorry saga."

Briefly:

Blue & Silver Energy Seeks Texas Aggregation License

Texas broker Blue & Silver Energy Consulting applied for an aggregation certificate at the PUCT, to serve all customer classes. Principals at the broker include several former directors and managers of commercial and industrial sales at Direct Energy, including Brian Letbetter, Steve Teaff, Cassie Kubecka-Robertson, and Phillip Golden.

No Update on Pepco Energy Services Future from Parent

Executives at Pepco Holdings gave no substantive update regarding the retail commodity supply segment of its Pepco Energy Services unit during an earnings call Friday. Executives merely reiterated that, despite improved liquidity through several contract novations in March, PHI continues to evaluate a possible restructuring, sale, or wind-down of the retail energy supply portion of Pepco Energy Services, which reported lower earnings of $8 million on Thursday from interest expense associated with the novation (Matters, 5/8/09).

AES North American Generation Earnings Fall

Income from continuing operations before income taxes and equity in earnings of affiliates for AES Corporation's North American generation unit was down at $51 million from $90 million a year ago on lower volume and prices in New York. The generation unit's gross margin decreased 25% from $160 million to $120 million primarily due to a $28 million decline related to its New York generation.

Green Mountain ... from 1

must also have an interconnection agreement in place with their TDSP.

The Renewable Rewards product is a 100% wind, month-to-month variable price plan with no minimum term commitment and no early cancellation fee.

The product is "intended" for residential customers with distributed renewable generation systems with a rated output capacity of 25 kW or less. While Green Mountain does not prohibit larger systems outright, it does reserve the right to require additional information from, deny participation to, or modify the program for, any customer with a system in excess of 25 kW.

Eligible renewable energy systems are any technology that exclusively relies on an energy source that is naturally regenerated over a short time and derived directly from the sun, indirectly from the sun, or from moving water or other natural movements and mechanisms of the environment. Renewable energy technologies include those that rely on energy derived directly from the sun, on wind, geothermal, hydroelectric, wave, or tidal energy, or on biomass or biomass-based waste products, including landfill gas. A system that relies on energy resources derived from fossil fuels, waste products from fossil fuels, or waste products from inorganic sources is not eligible.

Superior ... from 1

profit per natural gas unit was up at 83.7¢/GJ (versus 76.3¢/GJ a year ago).

Electricity gross profit was up at $220,000 from $160,000 a year ago, though down on a per-unit basis due to a tripling in volume, at 0.71¢/kWh (versus 1.54¢/kWh a year ago).

Superior invested $900,000 in customer acquisition costs during the quarter, resulting in a customer base of 91,300 residential natural gas customers, 6,400 commercial natural gas customers and 4,400 electricity customers.