

Energy Choice

Matters

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Nicor Gas Applies to Continue Affiliate Operating Agreement Unchanged

Nicor Gas applied at the Illinois Commerce Commission for re-approval without changes of its operating agreement governing interactions between the LDC and various non-regulated affiliates. Nicor was required to seek re-approval of the agreement as a condition of its recent rate case.

During the rate case, ICC Staff raised concerns about several affiliate issues, including the price charged for affiliates' use of billing services, the design of Nicor Gas's website which includes links to non-utility affiliates, and the use of Nicor Gas's call center to sell affiliate products (Matters, 10/27/08).

Nicor Gas said that the operating agreement as currently drafted provides fair and equitable cost allocations between Nicor Gas and its affiliates, and promotes the efficient use of Nicor Gas resources.

When Nicor Gas provides facilities or services to an affiliate, Nicor Gas charges the affiliate the prevailing price. If no such prevailing price exists for such facility or service, Nicor Gas is required to charge the affiliate an amount equal to or greater than the fully distributed cost incurred by Nicor Gas.

Nicor Gas uses its call center to provide solicitation services to HVAC and energy service affiliate Nicor Energy Services. After concluding the inquiry from the customer regarding their Nicor Gas service, call center representatives follow a protocol to determine whether the customer is eligible for Nicor Services warranty products or HVAC service. If the customer is eligible, that customer is then informed about Nicor Services' warranty products or HVAC service.

The protocol includes information on customer eligibility requirements, items covered and not covered by the plans, customer benefits, the process to follow for customer sign-up, scripts for sign-up confirmation and the process to follow after the customer is enrolled. If the customer is

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Fitchburg Gas & Electric Seeks Approval of Gas Purchasing Plan

Fitchburg Gas & Electric (Unitil) has applied at the Massachusetts Department of Public Utilities for a Gas Purchasing Plan to, "mitigate the impact of volatile natural gas prices by stabilizing the price that customers would pay for natural gas during peak season months through the Company's Cost of Gas Adjustment Clause ('CGAC') factor." Unitil asked for an expedited review in light of current market prices, so it can take advantage of today's price to benefit customers (09-42).

The Department issued a notice of filing and set a hearing for July 21.

Prior to March 2009, Unitil was following a plan to convert index price volumes to locked-in prices for about two-thirds of its heating season volumes over a 10-month period, until the Department opened an investigation of Unitil's purchasing practices, to determine if it was operating without an approved gas purchasing plan (Matters, 3/16/09)

The filed Purchasing Plan is designed to stabilize gas costs for consumers through the systematic conversion of indexed prices to fixed prices for two-thirds of the peak-season gas supply requirements (including storage) over a 10-month period leading up to the heating season.

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CNG Must Waive Daily Demand Meter Fee for Customers with Malfunctioning Meters

Connecticut Natural Gas will not be allowed to charge customers a Daily Demand Metering fee if customers do not receive the expected service from a Daily Demand Meter, the Connecticut DPUC held in a final decision in CNG's rate case. However, the DPUC declined to order any relief or restitution to marketers for balancing charges incurred due to an eight-year delay in expanding Daily Demand Metering to customers between 5,000 ccf and 30,000 ccf (Matters, 6/16/09).

CNG testified that as of March 20, 2009, it had installed 4,138 Daily Demand Meters on a combination of firm sales and transportation customers with an annual consumption greater than 5,000 ccf. Of the 4,138 Daily Demand Meters installed, 3,862 Daily Demand Meters are reporting 24 reads per day, 196 are reporting less than 24 reads a day, and 80 are not reporting any daily reads. When Daily Demand Meters data is not available, CNG uses a formulaic estimation using assumptions based on historical monthly data prorated by the number of degree days occurring each day.

Hess Corporation had argued that the Department has not held CNG accountable for its failure to implement previous DPUC Daily Demand Metering orders in a timely manner, which has resulted in prior excessive costs or may result in future excessive costs for marketers. Among other things, Hess urged the Department to establish specific deadlines to meet specific Daily Demand Metering targets. If the deadlines and targets are not met, CNG should be prohibited from imposing balancing charges, penalties, cash out and related charges on marketers, Hess said.

While the DPUC agreed that specific deadlines and targets are appropriate, it concluded that, "the charge prohibitions that Hess suggests are too limited and raise the probability of unintended negative consequences."

Rather, the Department held that CNG shall not charge any customer a Daily Demand Metering fee if the customer has not yet received their Daily Demand Meter, or their Daily Demand Meter does not report a minimum of 23 hourly

reads per day every day in the customer's billing cycle.

The DPUC said that it will not exercise its discretion regarding any potential actions for compliance with previous Daily Demand Metering implementation orders, pending further review and CNG's future performance.

CNG will, however, be required to submit monthly Daily Demand Metering missing read reports as suggested by Hess. The reports shall contain appropriate data to evaluate the Daily Demand Metering system's performance and any Daily Demand Metering charges billed or waived by customer class. "The Department intends to use the report to monitor and form the basis for any changes or remedial action necessary to ensure prudent and efficient management of this historically troubled area," the DPUC said.

The order also accepted, unchanged, the Department's draft findings with respect to interruptible service. Consistent with its draft, the Department declined to expand the minimum stay for interruptible customers switching to firm service to three years, but also declined to modify the current value of service pricing used for interruptible service, which has recently made firm service more economical than interruptible service.

IEP Protests Recovery of Abandonment Costs for Tesla Project

The Independent Energy Producers Association protested an application from Pacific Gas & Electric to recover \$4.9 million in abandoned project costs related to the Tesla generating station, arguing that allowing the utility to be insured against development risk by ratepayer-backed recovery would harm competition (A. 09-06-001).

PG&E had filed for approval to build the Tesla project, a 560 MW natural gas-fired combined cycle plant, last year, purchasing development rights from a merchant development. The utility did not conduct a competitive Request for Offers for the capacity, which it said was needed for reliability reasons, which led to the Commission dismissing the

application (Matters, 11/7/08).

While Commission rules generally hold that cost recovery is only permitted for plant that has been used and useful, an exception was granted for "periods of great uncertainty," specifically the oil crisis of the 1970s. PG&E cited that exception in seeking cost recovery of abandonment costs.

However, IEP noted that more recently, in D.06-05-016, the Commission held that Southern California Edison must face the same cost recovery risks as faced by independent producers. "Independent producers' development costs associated with unsuccessful projects are not recoverable from ratepayers. It is a matter of fairness that SCE assume that same risk, if it chooses to participate [in building new generation," the Commission said in D.06-05-016.

IEP noted that, "When independent power producers ('IPPs') develop a new generating plant, they have to incur costs and make financial commitments. If the project is later cancelled, IPPs have no claim on ratepayer funds for reimbursement of the costs of the abandoned plant; the unrecovered costs are borne by the IPP's shareholders. Imagine the reaction if an IPP asked ratepayers to absorb those abandonment costs of a cancelled project that would never provide a single kWh to customers!"

Granting PG&E cost recovery would be inappropriate as well, IEP argued, because the plant was abandoned, "because PG&E failed to meet the minimum showing required to proceed with a utility-owned power plant outside of a competitive solicitation."

"In effect, PG&E would be rewarded for disregarding the protections the Commission adopted to ensure the integrity of its policies favoring competitive processes," IEP said.

PECO Residential Super Peak Program to be Run by Third-Party

PECO's energy efficiency and conservation plan required by Act 129 includes optional super peak Time of Use programs for residential and commercial/industrial customers taking default service.

Under the residential program, customers will

be charged a super peak for 100 peak hours in the summer, roughly equal to 2.5 times the existing rate, though a final determination has not been made. The program would not be introduced until after the expiration of rate caps on January 1, 2011.

PECO said it will use an outside contractor to implement and market the plan.

A commercial and industrial super peak program, largely similar to the residential program, will also be offered. The commercial program will be targeted to customers under 500 kW. However, PECO said it will market the commercial program itself, unlike the residential program.

Both super peak programs are only open to customers on default service.

PECO's conservation plan does not include real-time pricing as statute contemplates such pricing is to be offered in conjunction with smart meter deployment.

PECO also applied to offer a demand response aggregator program to achieve 150 MW of load reduction. Under the program, PECO would sign performance contracts with third-party conservation service providers who would aggregate commercial and industrial customers. PECO would issue an RFP for the program in the first quarter of 2010, if approved by the PUC.

Direct load control programs for residential and commercial customers, administered by third parties, would also be offered.

Most third-party conservation service providers for PECO's programs have not been selected yet, but PECO said it has contracted with Ecos Consulting to implement its Compact Fluorescent Lamps program. PECO also contracted with Global Energy Partners to develop its conservation plan, with the Brattle Group acting as a subcontractor on development of the peak demand reduction programs.

NYSEG/RG&E Bottlenecks Would Impact 10% of Wind, Assuming 100% Availability

NYSEG and Rochester Gas & Electric transmission facilities potentially bottle some

10% of maximum wind energy potential in the region, a Generation Interconnection Bottled Generation study by PowerGEM said (07-M-0906).

However, that 10% figure, representing approximately 5 million MWh, is based on 100% operation of some 5,750 MW of intermittent wind resources. PowerGEM noted that capacity market analysis factors ranging from 0.1 to 0.5 are commonly used to adjust for the intermittent nature of wind resources, and a capacity factor of 0.2 has been used for New York deliverability studies.

Most wind projects in New York did not appear impacted by NYSEG/RG&E transmission limitations, PowerGEM said.

Even when discounting wind power's availability, PowerGEM identified about a dozen bottleneck transmission facilities that could potentially be improved in a cost-beneficial manner. However, PowerGEM reported that such improvements may not make wind available statewide due to bottlenecks in other service areas, which were not studied.

Briefly:

Constellation Energy Projects & Services Seeks Pa. License

Constellation Energy Projects and Services Group applied for an electric supplier license in Pennsylvania as a broker/marketer, serving all sizes of non-residential customers.

TFS Energy Solutions Seeks D.C. Licenses

TFS Energy Solutions applied for electric and natural gas broker-aggregator licenses in the District of Columbia.

PG&E Withdraws Affiliate Waiver Request

With the announcement that Christopher Johns will serve as Pacific Gas & Electric's president effective August 1, PG&E asked to withdraw its application at the California PUC for a waiver of Affiliate Transaction Rule V.E., as Peter Darbee, Chairman and CEO of parent PG&E Corp., will no longer dually serve as head of the utility. PG&E asked that the temporary waiver granted also expire effective Aug. 1. While PG&E initially intended to have Darbee serve both roles due to the minimal nature of PG&E's non-

utility activities, it said in its withdrawal motion that numerous major energy policy issues at the federal level such as climate change, carbon markets, energy efficiency, renewable energy, transmission siting, electric vehicles, and the smart grid have increased the demands on Darbee in areas critical to PG&E and its customers.

Ontario Energy Board Develops Separate Enforcement Process

The Ontario Energy Board announced a revised policy and procedure for its regulatory compliance responsibilities, including a separate enforcement process. Going forward, all units of Regulatory Policy & Compliance will be engaged in the Board's compliance and monitoring responsibilities. Compliance will be more clearly delineated from enforcement, and a separate enforcement process has been created. The Board said that a clear delineation between compliance and enforcement is important, and enhances its ability to monitor and enforce the OEB's rules and codes. "It also provides clearer guidance to licensees and other stakeholders regarding the range of compliance and enforcement procedures available to the Board. The establishment of a distinct enforcement process reinforces the Board's commitment to consumer protection," the Board said.

Consumers Applies to Reconcile Restructuring Implementation Costs

Consumers Energy has sought approval from the Michigan PSC for reconciliation of electric restructuring implementation costs, including approved carrying costs. Consumers Energy proposed surcharges applicable to both bundled customers and retail open access customers to reconcile the cost recovery, since both customer types were charged to recover such costs. Specifically, Consumers sought to refund an over-recovery of \$1.47 million plus interest at 7% from June 1, 2009 to the mid-point of the month of the refund through a one-month negative surcharge to residential customers. Consumers would also refund an over-recovery of \$6.18 million plus interest at 7% from June 1, 2009 to the mid-point of the month of the refund through a one-month negative surcharge to large commercial and industrial customers. For

small commercial and industrial customers, Consumers would collect an under-recovery of \$2.13 million plus interest at 7% from June 1, 2009 to the mid-point of the month of recovery through a 36-month positive surcharge in the amount of \$0.001115.

Nicor ... from 1

interested in Nicor Services' products or services, the call center representative explicitly states during the confirmation process that such products or services are provided by an affiliate of Nicor Gas, and that the customer is not required to purchase them from Nicor Services to continue receiving the same quality service from Nicor Gas.

For such use of the LDC call center, as well as the LDC website, Nicor Gas said it receives a fair and equitable recovery of costs it incurs in providing resources to affiliates, per the operating agreement. "Accordingly, Nicor Gas customers are not subsidizing these operations through distribution rates," Nicor Gas said. Allowing affiliates to use such services at a fair price lowers the costs that need to be recovered by ratepayers, Nicor Gas added.

Unitil ... from 1

Currently, Unitil purchases underground storage supplies equal to about 22% of total gas volumes needed to meet peak season customer requirements in roughly equal increments over a seven month period.

Unitil would use physical purchases exclusively for its Purchasing Plan, rather than any type of financial instrument.

Unitil said its plan is similar to plans approved for New England Gas, Nstar and KeySpan. The only area in which Unitil's proposal materially differs is that its purchasing would be over a shorter duration, as other purchasing plans span 12 months. Unitil attributed the shorter purchasing horizon due to its smaller load.

Though only covering sales volumes, Unitil said that transportation customers will also benefit from the Purchasing Plan as the plan will help them compare the cost of sales and transportation service. "Frequent rate changes caused by the exceptional volatility of gas prices

can be confusing to customers and make it difficult for customers to make educated buying decisions," Unitil said.

The Purchasing Plan, "also provides a more accurate and consistent price signal for investments in conservation because the prices are indicative of long term trends rather than short-term volatility," Unitil said.

Publication Note

Energy Choice Matters published an issue July 3. Stories included:

- PUCT Denies Request for Emergency Disconnect Moratorium, Will Revive Rulemaking
- Energy Transfer Subsidiary to Enter ERCOT Retail Market
- Constellation Asks for FPO Customer Lists at NYSEG/RG&E
- PUCT May Use Discretion on Compliance Issue Raised by Conflict Between New Law, Disclosure Rule
- NEM Says Market Pricing, Unbundling Must Accompany PPL Market Design Reforms
- Md. PSC Approves Licenses for Four ABCs Operating Without Licenses, Levies Assessments
- IDT Energy Signs Agreement Making BP Energy its Preferred Supplier
- And More