Energy Choice Matters
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Md. PSC Blasts Lack of Discount Rate in Electric Utility POR Proposals

The Maryland PSC criticized the lack of a discount rate in the supplier Purchase of Receivables plans submitted by each of the investor-owned electric distribution utilities pursuant to RM 17, upset that customers were being asked to foot the bill for implementing and administering needed backoffice systems. The Commission took the utilities' compliance plans under advisement, but did not issue an immediate ruling.

PSC Chairman Douglas Nazarian spent much of a Friday hearing on the utility compliance plans blasting the proposals, noting they would shift all costs, both administrative and bad debt, onto customers. Nazarian called the applications inconsistent with the premise of competition, in which private companies are supposed to bear various business risks.

Suppliers at the hearing were quick to point out that they did not ask for a POR program with no discount rate, informing the Commission that suppliers were not consulted by the utilities in drafting the proposed programs. In several of the POR proposals made through the years by suppliers (including those in Case 9117), suppliers have maintained that an appropriate discount would be suitable. Suppliers also noted they have supported appropriate discount rates in numerous other jurisdictions, upon negotiation with the utilities and other stakeholders.

A discount, suppliers added, would mitigate any cost concerns the Commission has about the POR program, since a properly constructed discount would leave the utility revenue neutral, meaning no additional revenue requirement would be imposed on customers.

If the Commission feels a discount is needed, suppliers suggested that the Commission rule on other aspects of the POR plans, and allow stakeholders to negotiate a discount rate acceptable to the Commission.

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WGL Seeks Approval for Interruptible Daily Balancing in D.C.

Washington Gas Light requested authority to revise certain interruptible tariffs to implement daily balancing because competitive suppliers, "are not paying their fair share of interruptible balancing charges," under current rates, WGL said.

WGL is seeking to implement a daily nomination and delivery requirement for all interruptible delivery volumes, making competitive suppliers directly responsible for shortfalls of deliveries during curtailment, and more clearly delineating the responsibility of an interruptible customer when notice of curtailment or interruption is provided by WGL.

"In other words, without the proposed revisions, firm service customers will continue to effectively subsidize the service received by interruptible delivery service customers," WGL said.

Among other things, WGL said that interruptible daily balancing is designed to mitigate gas cost subsidization that can occur when interruptible delivery service suppliers under-deliver on days when the market price of gas has moved sharply upwards, and over-deliver on days when the market price of gas has moved sharply downward.

"Given the higher level of daily commodity gas price volatility that has been experienced in the

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Disconnects for Non-Pay in ERCOT Rise

The number of disconnects for non-pay completed in ERCOT has increased even as the number of disconnection orders sent by REPs to TDSPs has fallen, data reported by PUCT Staff shows.

Staff's recent report filed in docket 29760 covers the period June 2007 through September 2008. During that time, an average of 900,000 customers received a disconnect for non-pay notice from their REP each month. Of that number, the REP issued a disconnection order to the TDSP in about 140,000 cases per month, or 15%. On average, just 100,000 disconnection orders were completed during the period of June 2007 to September 2008, Staff said.

The number of average disconnections per month is up versus the period April 2006 through May 2007, where average disconnections per month were only 84,000. However, in the 2006-2007 period, REPs issued more disconnect orders to TDSPs on average (208,000 or 24%) and about the same number of disconnect for non-pay notices to customers (867,000).

For June 2007 to September 2008, only 10 critical care customers were disconnected.

During the 2007-2008 timeframe, a reconnect order was received by the TDSP in 84% of the cases in which a disconnect order was executed. In 19% cases where a disconnect order as completed, the disconnect order was followed by a move-out. The numbers do not total 100 due to the submission of multiple reconnect orders.

ERCOT TSPs Seek Twice Annual TCOS Filings

Several ERCOT Transmission Service Providers (TSPs) have petitioned the PUCT to allow TSPs to file interim transmission cost of service (TCOS) filings twice annually rather than once annually, which TSPs said would reduce costs to consumers and help alleviate the adverse financial effects on TSPs that result when new transmission assets are not reflected in rates until well after they enter service (37221).

The request was made by the AEP Companies, Texas-New Mexico Power, Sharyland Utilities, LCRA Transmission Services Corporation and Electric Transmission Texas.

TSPs noted that semi-annual filings are already permitted to streamline the recovery of transmission costs by distribution companies through the transmission cost recovery factor (TCRF) rate mechanism set out in PUC SUBST. R. 25.193.

Aside from allowing TSPs to earn their authorized rate of return, TSPs said that semi-annual filings will benefit customers because financially healthy TSPs will have access to capital markets on more favorable terms and at predictably lower rates, which translates into lower customer rates over time.

The TSPs also asked that interim TCOS cases be made eligible for administrative approval and, if uncontested, approved by an Administrative Law Judge (ALJ) without the need for an order from the Commissioners.

Novation of DWR-Sempra Generation Contract Rolled into Global Settlement Talks

Discussions to novate to Southern California Edison a power supply contract between the California Department of Water Resources and Sempra Generation have been wrapped into global settlement discussions between Sempra Generation and the California parties relating to disputes arising from the 2000-01 energy crisis, SCE said in a monthly novation progress report.

SCE reported that is unclear what, if any, impact such settlement discussions will have on the timing of the novation of the Sempra Generation contract.

San Diego Gas & Electric, which is not responsible for novating any "priority" contracts (those either lacking novation clauses, with the most time remaining, or subject to litigation that will make novation more challenging) said that all parties have agreed to novate SDG&E's DWR contracts as-is. SDG&E reported that it has developed a timeline to complete such novations prior to the PUC's January 1, 2010 deadline should progress be made on novating the priority contracts. However, SDG&E said it will not novate contracts until such time, as there is no need to assume additional balance sheet liability prematurely by novating the contracts if other contracts are not novated (as all contracts must be novated to reinstate direct access).

But SCE also reported that JP Morgan, which has contracts which are allocated to both SDG&E and SCE, has indicated it wishes to complete all novations at once. Given that SDG&E may not be pursuing active novation of its JP Morgan contract as it is non-priority, SCE said it cannot pursue meaningful novation of its contracts with JP Morgan.

Daily Demand Metering Provisions in SCG Draft Order Similar to CNG Measures

The Connecticut DPUC issued a draft decision in Southern Connecticut Gas' rate case that, from a retail marketing perspective, mirrors most of the proposed findings in a revised draft decision recently issued for sister LDC Connecticut Natural Gas (Matters, 7/6/09).

As is the case at CNG, Hess had protested SCG's lack of progress in deploying and implementing Daily Demand Meters for customers between 5,000 ccf and 30,000 ccf.

In its draft, the Department would require SCG to waive the Daily Demand Metering charge for customers who either have not yet received a Daily Demand Meter, or whose Daily Demand Meter does not report a minimum of 23 hourly reads per day every day in the customer's billing cycle. However, the DPUC would not require SCG to waive balancing charges, penalties, cash out and related charges on marketers caused by SCG's delay in implementing accurate Daily Demand Metering.

Although SCG would be required to file enhanced monthly missing read reports, the draft would not mandate any specific timelines or milestones related to Daily Demand Metering deployment. The Department said in its draft that it intends to use the to Daily Demand Metering reports to monitor and form the basis for any changes or remedial action necessary to ensure prudent and efficient management of the historically troubled area.

The draft would also reject SCG's proposal to impose a three-year minimum stay on interruptible customers switching to firm service. The DPUC would also decline to alter the value of service pricing used in interruptible service, which due to recent events in the energy markets, has made firm service more economical than interruptible service.

CAISO Says "Appropriate" Unsecured Credit Limit to be Implemented By November

The California ISO asked FERC not to impose a strict deadline for lowering the maximum unsecured credit limit to $50 million because the ISO is conducting an evaluation of the $50 million threshold in light of the new Market Redesign and Technology Upgrade market (Matters, 6/26/09).

Several generators asked FERC to direct CAISO to explain why the lower credit limit was not a part of CAISO's accelerated payment application, requesting that FERC direct CAISO to institute the lower limit if need be (ER09-1247).

CAISO said it anticipates completing its review and taking action as necessary so that the "appropriate" maximum unsecured credit limit amount is in effect coincident with the November 1, 2009 implementation date for payment acceleration. Accordingly, it asked FERC not to immediately require it to lower the limit to $50 million as requested by generators.

The ISO also said that weekly invoicing, as suggested by Calpine, would not be appropriate at this time, as stakeholders have said that they need time to verify the proposed semi-monthly process first. The CAISO does plan to ultimately invoice on a weekly basis.

Briefly:

Avalon Energy Services Seeks Md. Broker License

Avalon Energy Services applied for a Maryland electric broker license to serve non-residential customers at the four investor-owned utilities as well as Choptank Electric Cooperative and Southern Maryland Electric Cooperative. Elisa McDonnell, previously an engineer at Oklahoma Natural Gas and an entrepreneur, is president of Avalon Energy Services. James McDonnell, former CFO and senior vice president at Pepco Energy Services, is COO at Avalon. James McDonnell has also held various positions at the

Columbia Energy Group, including at its Columbia Energy Services subsidiary.

The Legacy Energy Group Seeks Md. Broker Licenses After Six Years of Operations

Virginia-based The Legacy Energy Group, LLC, applied for Maryland electric and natural gas brokering licenses at the PSC, though it has been brokering in the state since January 2003. Legacy said it was unaware broker licenses were required in Maryland until an electric supplier informed Legacy that the supplier could not serve one of Legacy's clients if Legacy did not have a broker license. Legacy reported its total Maryland revenues as $160,000 for electricity and $10,000 for gas. Legacy said it has 12 active customers in Maryland with 87 accounts. Legacy is seeking licenses to serve non-residential customers at the four investor-owned utilities for electricity, and at Baltimore Gas & Electric, Washington Gas Light and Columbia Gas for natural gas.

National Power Source Granted Ohio Broker License

The Public Utilities Commission of Ohio granted National Power Source an electric aggregation and power broker license to serve commercial, industrial and mercantile customers in all service territories (Matters, 6/9/09).

Electric Advisors Receives D.C. Gas License

The District of Columbia PSC granted Electric Advisors a license to act as a natural gas broker.

PUCT Opens Docket on HB 1822 Disclosures

The PUCT opened project 37214 for a rulemaking to implement changes to customer disclosures as required by HB 1822. Among other things, the law alters the timelines and method of informing customers of the expiration of a fixed-price contract.

DPUC to Issue Second Draft on Billing Error Statute

The Connecticut DPUC informed parties that it intends to issue a second draft decision on July 13 regarding the Office of Consumer Counsel's request for a declaratory ruling regarding the Department's interpretation of Conn. Gen. Stat. §16-259a (billing errors). OCC has argued that the statute limits the amount of time over which load serving entities may bill a customer for a billing error, but utilities and retail suppliers have agreed with the DPUC's interpretation that the law only limits the time during which a billing error may be discovered (to one year), with no limit of how long it takes to collect any corrected charges (Matters, 7/1/09). The Department's original draft simply stated that the DPUC's interpretation of the statute has been well articulated, declining to issue a declaratory ruling.

MISO Files for NERC Penalty Allocation Mechanism

The Midwest ISO filed at FERC a proposal to allow it to allocate the costs of penalties incurred by the ISO for violations of reliability standards and other penalties assessed by federal and state regulators. Similar to other RTOs, MISO would seek FERC approval to directly assign and bill penalty costs to the offending entity when such responsibility can be determined. For penalties whose responsibility cannot be determined, or that are due to MISO's own actions, MISO would seek Commission approval to recover penalty costs from all customers and market participants pursuant to a FERC-approved methodology. Unlike several eastern RTOs, MISO's proposal would not allow market participants who have been assigned a penalty from NERC or a regional entity that was ultimately caused by MISO to assign such penalties to MISO.

BTU QSE Services to Pay $5,000 Under NERC Settlement

The North American Electric Reliability Corporation (NERC) submitted a settlement at FERC under which BTU QSE Services would pay a penalty of $5,000 for violations of reliability standards relating to developing written guidelines for making operating personnel aware of sabotage events, and including such guidelines in the operator procedures manual.

New Brunswick Power Generation Seeks Rehearing of NMISA Order

New Brunswick Power Generation Corporation filed for rehearing of FERC's June order directing New Brunswick Generation to file an analysis showing it does not have horizontal market power in the New Brunswick System Operator (Maritimes) balancing authority area if it wishes to retain its market-based rate authority in the U.S. portion of the Maritimes area (Matters, 6/11/09). New Brunswick Generation mainly reiterated arguments considered by FERC in its June decision (such as Sharyland Utilities' non-jurisdictional status), but also said that if the Commission's latest determination that sales in the Northern Maine Independent System Administrator region is viewed broadly, "then any generator making a sale virtually anywhere in Canada could be considered in United States interstate commerce by virtue of Canada and the United States being interconnected via numerous transmission lines." Such a result could cause many entities, which currently presume themselves to be non-jurisdictional, to fall under the jurisdiction of the Commission unnecessarily, New Brunswick Generation said, asking FERC to clarify which generation in Canada interconnected to the United States is relevant to the Commission's market screen tests.

Md. POR ... *from 1*

Commissioners also demanded that suppliers commit to entering the market if it approves the utility POR plans. As the supplier panel at the hearing included two trade organizations that cannot speak for individual members' competitive intentions for various reasons (including anti-trust concerns), and an existing Maryland electric supplier, there was not much opportunity to hear from prospective suppliers. A representative from MXenergy did confirm earlier comments that the retailer would enter the Maryland electric market upon the introduction of POR. Energy Plus Holdings has also said in a filing that it would enter the market with POR (Matters, 7/2/09).

Other aspects of the POR filings did not generate as much pushback from the Commission. Commissioners appeared unconcerned with the utilities' proposed implementation timelines, and were not sympathetic to expanding POR to include charges other than basic supply service.

WGL ... *from 1*

wholesale natural gas market over the past several years, the tendency to adjust deliveries due to gas price changes, instead of load changes, has become more pronounced," WGL said.

Also, under-deliveries by suppliers may result in storage being drawn down more heavily than anticipated in the heating season, causing WGL to reach a storage ratchet (the point where storage deliverability is reduced) more quickly than would have occurred without the interruptible customer activity, WGL said.

Supplier under-deliveries when the cost of gas is high requires WGL to buy additional quantities of swing gas at that higher price, raising the cost to firm service customers, WGL said.

WGL further applied to raise the fee for interruptible balancing from the current $0.002 per therm to $0.006 per therm due to cost increases in offering the service which are currently being borne by firm service customers.

WGL said that the daily balancing regime would lower costs to suppliers since the program is in use in its Maryland and Virginia service areas. Introducing the program to the District would make operations simpler for suppliers across WGL's three territories, reducing costs since suppliers would not have to maintain separate systems for various WGL service areas.

Among the concerns expressed by suppliers in Maryland and Virginia prior to the introduction of interruptible daily balancing was that WGL needed to provide suppliers with adequate detail on its calculation for the Interruptible Customer Daily Required Volume (DRV). WGL said that time has shown concerns over penalties and tolerance levels turned out to be moot, as no supplier has been penalized for being out of compliance with the tolerance levels during five years of operating the interruptible daily balancing program.

Under WGL's proposal, suppliers not delivering within the daily tolerance levels will be subject to a penalty of $10 per dekatherm during normal operating conditions, and $25 per dekatherm during balancing curtailments or operational flow orders. Additional charges for incremental gas costs and/or pipeline penalties could be added to the penalty charges.

Upon WGL curtailing balancing services, suppliers would be charged $25/dekatherm for deviations from Daily Required Volume in the direction of the event called (e.g. per dekatherm of over-deliveries if WGL declared conditions to be long and vice versa).

The proposed changes would affect Rate Schedules 3 (Interruptible Sales Services), 3A (Interruptible Delivery Services), and 6 (Small Commercial Aggregation Pilot).

The Commission rejected similar tariff changes in 2008 for lack of workpapers supporting the modifications.

WGL's new filing retains an earlier proposed clause which states, "On a daily basis, the Company, in its sole discretion, may limit customer delivery service volumes to the amount of gas that is delivered to the city-gate for the customer's account," which drew opposition from suppliers in its previous application.

WGL said that economic curtailments of interruptible customers are appropriate under circumstances when more expensive gas supplies would be required to meet firm customer load.