Energy Choice Matters

November 13, 2009

AEP Texas Files Settlement for System-Wide Advanced Meter Deployment

AEP Texas Central and Texas North have filed an unopposed stipulation to deploy 1 million advanced meters throughout their service territories from 2010 though 2013, with cost recovery through an advanced metering surcharge in effect from the January 2010 billing period through the December 2020 billing period (Only in Matters, 4/21/09).

Under the stipulation, supported by all parties to the case except the Texas Industrial Energy Consumers who do not oppose the settlement, Texas Central would charge Rider AMSCRF (Advanced Metering System Cost Recovery Factor) as follows:

TCC Monthly Fees For Billings Rendered

Rate Schedule	January 2010 - December 2011	January 2012 - December 2013	January 2014 - December 2020
Residential Service	$3.15	$2.89	$2.26
Secondary Service Less Than or Equal to 10 kW	$4.17	$4.17	$4.17
Secondary Service Greater Than 10 kW Non-IDR	$2.05	$2.05	$2.05
Primary Service Non- IDR	$(7.07)	$(7.07)	$(7.07)

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NYSEG "Willing" to Waive Claim on Uplifted UFE from National Grid Meter Error Settlement

NYSEG is "willing" to surrender any amounts owed to it by New York load serving entities which are not in National Grid's subzones but would, under the terms of a settlement agreement, pay for the socialized costs of bad debt related to underbilled Unaccounted for Energy (UFE) from former load serving entities operating in National Grid's subzones, in the event FERC orders such rebilling (EL09-26).

As first reported by *Matters* last year, the case concerns National Grid and NYSEG metering errors dating back to 1999 which resulted in an overstatement in NYSEG's subzone UFE and an understatement in National Grid's subzone UFE, resulting in loads in NYSEG's territory overpaying by about $20 million (Only in Matters, 12/31/08).

A settlement among several parties would prescribe the methodology for any potential rebilling of the affected subzones, leaving to litigation the question of whether rebilling should occur (Matters, 10/7/09).

However, as some load serving entities during the affected time period are no longer operating, the settlement would provide that the amounts allocated to those departed LSEs shall be uplifted across the entire New York ISO market under Attachment U of the NYISO OATT, which contains tariff provisions that socialize bad debt from market participant defaults. The value of the UFE attributable to LSEs that are no longer doing business in the NYISO-administered markets is estimated to be approximately 10,000 MWh.

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N.J. BPU Seeks Comments on BGS Retail Margin

The New Jersey BPU requested stakeholder comments on the potential reduction, phase-out, or elimination of the Basic Generation Service Retail Margin imposed on BGS customers over 750 kW regardless of whether they are on fixed price or hourly service (EO09050351). Specifically, the Board asked:

1. Does the imposition of the Retail Margin still accurately reflect within the BGS price the costs of providing electric service at retail, including marketing costs and administrative expenses, which must be absorbed by third party suppliers.

2. In the event that a commenter proposes a reduction in the Retail Margin, what would be the appropriate level to reflect the costs of providing electric service at retail which must be absorbed by third party suppliers?

3. If the commenter supports phasing out of the Retail Margin, what should be the level of the Retail Margin and the timing of the phase-out?

Comments are due Nov. 20. The Board said it will likely address the Retail Margin at its Dec. 1 meeting.

WGES Earnings Rise on Higher Margins, Customer Count

WGL Holdings reported that its retail energy-marketing segment reported net income for the fourth fiscal quarter of 2009 of $11.3 million, reversing the year-ago loss of $10.1 million. Non-GAAP operating earnings were $6.7 million, versus a non-GAAP operating loss of $574,000 a year ago. WGL Holdings reported results after the market close, and will hold an earnings call today, which *Matters* will cover fully in Monday's issue.

For the fiscal year ended September 30, 2009, the retail energy-marketing segment reported net income of $15.0 million, up from $4.8 million for fiscal 2008. Non-GAAP operating earnings for the year were $25.5 million, up from $12.4 million a year ago.

Both the quarterly and yearly improvements were primarily due to higher natural gas margins, reflecting a rise in margin per therm sold, and higher electricity margins, due to increased electric sales volumes. Partially offsetting these favorable trends were higher operating expenses related to increased marketing initiatives designed to take advantage of unique marketing opportunities that arose during the current fiscal year.

Total promotional, marketing and customer acquisition expenses for both gas and electric customers were $6.2 million higher on a pre-tax basis for fiscal year 2009 than in the prior fiscal year, and were $1.7 million higher during the quarter ended September 30, 2009 versus the same quarter in the prior year. The increase in expense arose primarily from mass-marketing efforts targeted toward residential and small commercial customers.

Washington Gas Energy Services reported 151,500 gas customers as of September 30, 2009, up from 148,800 as of June 30, 2009.

WGES reported 113,000 electric customers as of September 30, 2009, up from 98,900 as of June 30, 2009.

Total customer count at September 30, 2009 was 264,500 up from 247,700 as of June 30, 2009 and 195,100 a year ago.

N. Y. PSC Approves RG&E Fossil Divestiture

The New York PSC approved the divestiture plan of Rochester Gas & Electric to sell off RG&E's fossil assets, a condition of Iberdrola's purchase of RG&E's parent, Energy East (07-M-0906).

The assets include RG&E Stations 3 and 9, each consisting of an 18 MW combustion turbine; RG&E's Allegany Station, a 62 MW combined cycle gas-fired facility; RG&E's Russell Station site, where a coal-fired generation facility was recently retired; and the Carthage Station, a 63 MW combined cycle gas-fired facility owned by Cayuga Energy Inc., a competitive subsidiary of Energy East. Iberdrola will offer the five assets for sale as a single bundle, but will consider bids for alternatives to the preferred bundling.

The generation assets are to be sold at auction, in a two-stage process. After indicative bids are received and evaluated in the first stage of the process, final binding bids will be obtained and evaluated in the second stage. Bidders will be instructed to price the Carthage plant separately. The sale of the Russell site is contingent upon remediation, by either demolishing or rehabilitating the existing structures on the site; assumption of all environmental liabilities at the site; and acceptance of a consent judgment and order RG&E entered into with the state Department of Environmental Conservation that establishes environmental conditions for any new generation that might be built at the site.

The plan provides for extensive consultation with Department of Public Service Staff. Staff will be permitted to review the bid evaluation methodology and assumptions, and the selection from the first stage indicative bids of the bidders eligible for the second stage binding bidding process.

If the bids obtained in the auction are priced at less than the current net book value of the assets, the auction process would be suspended. RG&E would then petition the Commission for guidance on the next steps it should take.

Under the plan, RG&E would be permitted to retain 10 percent of the net proceeds realized from the auction up to a maximum pre-tax ceiling of $5 million. The plan also sets forth accounting protocols for the treatment of auction proceeds. Because the Carthage plant is a merchant facility owned by a competitive subsidiary of Energy East and its costs have never been reflected in regulated utility rates, the divestiture plan provides for separate accounting of the proceeds related to its sale.

Staff noted that there is no need to force prematurely the negotiation of a power purchase agreement to the potential detriment of ratepayers in connection with the sale. Once the sale is concluded, the parties may negotiate such agreements when the price will be more readily obtainable, Staff said.

Michigan PSC Accepts Consumers' Tariff Filing Over Energy Michigan Protests

The Michigan PSC accepted electric tariffs filed by Consumers Energy to implement the Commission's recent rate decision, denying protests from Energy Michigan and stating that Energy Michigan's arguments are better addressed through rehearing (U-15645, Only in Matters, 11/3/09).

Among other things, Energy Michigan noted that for new education rates, the distribution per kWh charge net of the education credit is different – and higher – for retail open access (ROA) customers than for bundled education customers. "This means that since per kW maximum demand rates are the same for ROA and bundled service, ROA Education customers will pay more for delivery service than bundled customers," Energy Michigan said.

For bundled service customers, the Rate GPD per kWh variable distribution charge net of the discount decreased 48.8%, but for retail access education customers, per kWh, the variable distribution charge net of the education discount increased 93.5%. "When all per kW fixed and per kWh delivery charges are examined, it can be seen that the total delivery charge for ROA customers net of Education Discount is greater than that of full service customers by approximately 9.4%," Energy Michigan noted.

"These facts are important primarily because they demonstrate an illogical result. ROA Education and full service Education customers are paying different distribution charges even though the cost to provide distribution service to these customers should be exactly the same. In the face of this illogical result it must be concluded that there is a flaw in the model supporting these results," Energy Michigan said.

Energy Michigan also objected to applying a year-long level discount to seasonally differentiated bundled education rates.

"The result of applying a year-long level discount to seasonally differentiated rates is that Education customers contribute greatly varying percentages of the production fixed costs on the Consumers system during the year. This variation in contribution to costs cannot be justified under accepted ratemaking principles and clearly disadvantages non-participating customers," Energy Michigan said.

Briefly:

Co-exprise Receives Ohio License

The Public Utilities Commission of Ohio granted Co-exprise, Inc. an electric broker/aggregator license to serve commercial, mercantile, and industrial customers in all service areas (Only in Matters, 10/9/09).

Midwest Utility Consultants Receives Ohio License

The Public Utilities Commission of Ohio granted Midwest Utility Consultants, Inc. an electric broker/aggregator license to serve residential, commercial, and industrial customers in all service areas.

Champion Energy Says Pa. Focus is on PPL, Duquesne, PECO

Champion Energy Services announced yesterday it was awarded a Pennsylvania electric supply license, as first reported exclusively in *Matters* several weeks ago upon the PUC's order (Only in Matters, 10/16/09). Champion, whose license authorizes it to serve commercial customers over 25 kW, industrial customers, and governmental customers in all service areas, said it will initially focus on PPL, Duquesne Light, and PECO. As only reported by *Matters*, Champion recently received an Ohio electric license as well (Matters, 10/6/09).

Texas Power Launches Renewable Product

Texas Power is offering its first renewable product (Texas Power Pure), a 100% renewable month-to-month plan.

RESA/SCMC Back Staff Recommendation to Keep Central Procurement for N. Y. RPS

In separate comments, the Retail Energy Supply Association and Small Customer Marketer Coalition both expressed support for the New York PSC Staff's finding that the current central procurement model for the Renewable Portfolio Standard should be maintained (03-E-0188). RESA said that it would be inefficient to abruptly migrate to a model where compliance obligations are imposed on individual load-serving entities, and noted that the central procurement model is competitively neutral. As only reported by *Matters*, Staff has recommended maintaining the current centralized procurement method using NYSERDA, and also opposed an RPS tier dedicated to utility-owned resources (Only in Matters, 10/28/09).

EFH Exchange Offer Only Trims Debt by $100 Million

Energy Future Holdings' $3 billion exchange offer only attracted $357.5 million in existing notes, exchanged for $256.6 million in new notes, and trimmed debt by only $100 million, far short of the original target of $2 billion. EFH also failed to win necessary consents to approve amendments it had proposed in the consent solicitation, and will not put into effect any of the proposed amendments, most of which related to its ability to issue debt.

N.Y. PSC Approves N.J.-N.Y. Cable

The New York PSC approved the New York portion of a 6.6 mile, 345 kV AC, submarine electric cable system and associated cable and interconnection equipment, which will connect a new 512 MW natural gas generation plant in Bayonne, N.J. to the existing Consolidated Edison Gowanus substation in Brooklyn. The project is expected to come on-line in the fourth quarter of 2011. PSC Chairman Garry Brown cited potential price reductions among the benefits of the line.

EnergyConnect Reports Lower Earnings

Demand response provider EnergyConnect Group reported lower net income for the three months ended October 3, 2009, of $528,000, versus net income of $2.1 million for the three months ended September 27, 2008. Gross profit was lower at $3.1 million versus $5.2 million in the year-ago quarter. Revenues were $10.3 million, versus $11.5 million a year ago. EnergyConnect CEO Kevin Evans said that the relatively flat revenue despite weaker power prices reflects business won in the capacity markets.

NYISO Sees Adequate Supplies for Winter

The New York ISO said it would have adequate winter supplies, projecting demand at 24,998 MW with available supply of 41,055 MW. The forecast is slightly higher than last year's actual demand of 24,673 MW but below the record winter peak of 25,541 MW.

AEP Texas AMS ... *from 1*

Texas North's Rider AMSCRF would be as follows:

TNC Monthly Fees For Billings Rendered

Rate	1/10-12/11	1/12-12/13	1/14-12/20
Residential	$3.15	$2.77	$2.35
Secondary ≤ 10 kW	$4.40	$4.40	$4.40
Secondary >10 kW Non-IDR	$1.46	$1.46	$1.46
Primary Non- IDR	$0.22	$0.22	$0.22

TCC and TNC would begin charging the rider for the advanced metering system (AMS) as of December 30, 2009 (the beginning of the January 2010 billing month), provided that the PUCT approves the stipulation as filed at or prior to its December 2 open meeting, and REPs have been given 30 days notification of the surcharge. Should the Commission not act on the stipulation at its December 2 open meeting, the surcharge would take effect at the beginning of the first full billing month after the Commission has approved the stipulation, provided that not less than 30 days notification has been given to the REPs. The surcharge is scheduled to last 132 months.

Under the stipulation, an initial 5,000 advanced meters would be deployed in the City of Portland to provide the opportunity to identify and resolve any problems or issues with hardware, software, or processes before beginning full-scale commercial deployment.

Full-scale commercial deployment of advanced meters will then commence in the second quarter of 2010 for TCC in the City of Corpus Christi, and the second quarter of 2010 for TNC in the City of Abilene. After completion of the initial full deployment in Corpus Christi and Abilene in 2010, the companies plan to continue full deployment of the meters in a sequence that will enable them to eliminate manual readings in an entire meter reading area.

TCC plans to install 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.

A complete geographic schedule can be found in the stipulation posted in docket 36928. Timing for other areas of note at TCC include Q1-2011 for Aransas Pass (40,000 meters), Q4-2011 for Victoria (30,000 meters), Q1-2012 for Harlingen (54,000 meters), Q2-2012 for McAllen (49,000 meters), Q3-2012 for Pharr (29,000 meters), Q4-2012 for Weslaco (47,000 meters), Q2-2013 for Laredo (81,000 meters), and Q3-2013 for Karnes City-Kenedy (53,000 meters).

At TNC, San Angelo would see deployment of 50,000 meters over four quarters in 2011, with about 12,500 meters deployed each quarter of the year.

AEP Texas will be able to support prepaid service (consistent with P.U.C. SUBST. R. 25.498) for customers with AMS provisioned meters with remote connect/disconnect capability no later than April 30, 2010.

The stipulation calls for $1.2 million in capital costs and $3.8 million in operations and maintenance costs to be spent on customer education efforts. Aside from information on real-time pricing and energy consumption management, the education efforts will include information on how the competitive market works and how to shop for a Retail Electric Provider. AEP Texas will also spend $1 million to provide in-home electricity monitors to low-income customers.

TCC and TNC shall file applications to implement new discretionary service charges reflecting the cost reductions in providing such services as advanced meters are implemented no later than September 30 annually, beginning with September 30, 2010.

AEP Texas' advanced meters meet various PUCT standards regarding communication and settlement data. The residential and non-residential advanced meters to be deployed have the capability of recording multiple channels of consumption data and storing that data in the ANSI C12.19 tables within the advanced meter. The interval length for load profile will be programmable for 1, 5, 15, 30, or 60 minute intervals. The advanced meters have the capability to interact with home area network (HAN) devices in a customer's premises. The

HAN enabling device in the advanced meter has the capability to communicate with up to five HAN devices in the home, provide pricing signals from REPs, and support demand response, pre-payment options, and other communications.

TCC's total estimated revenue requirement for the deployment is $291.708 million, which reflects a reduction of $21.21 million due to the application of System Integration Agreement refunds to the revenue requirement pursuant to a final order in Docket No. 36924 (see below).

TNC's total estimated revenue requirement for AMS is $68.40 million, which reflects a reduction of $8.54 million due to the application System Integration Agreement refunds to the revenue requirement pursuant to a final order in Docket No. 36924 (see below).

The stipulation was signed by AEP Texas, Staff, the Office of Public Utility Counsel, the Steering Committees of Cities Served by TCC and TNC, Alliance for Retail Markets, CPL Retail, WTU Retail, Reliant Energy, REPower, TXU Energy, and Texas Energy Association for Marketers.

Reallocation of Trading Margins

Due to a FERC order directing the reallocation of trading margins from AEP East to AEP West, AEP Texas and other stakeholders reached a unanimous stipulation to refund the excess margins to customers (Only in Matters, 4/18/09). The stipulation preserves AEP's right to seek appeal of FERC's determination of the trading margin allocation.

Barring any modification to FERC's order, however, TCC customers would be refunded $33.9 million, while TNC customers would be refunded $12.2 million, representing reallocated margins from 2000 through 2006.

As noted above, the bulk of the margins will be used to trim the costs recovered under the advanced metering surcharge. However, as customers with interval data recorder meters are not subject to the AMS surcharge, these customers would receive credits, passed through from AEP to their REPs, for their share of the refunds.

Eligible transmission-level, IDR-metered customers would receive a one-time refund. All other IDR-metered and unmetered classes would receive their refunds over a two-month period.

A REP that receives credits for transmission-level IDR-metered customers and provides the specified credited amount in full to each ESI-ID for which a credit was received shall remit the amount to the ESI-ID no later than 10 business days after receipt of the credit from the electric utility.

Using the Texas SET 810 02 transaction process, TNC and TCC shall remit credits to REPs for all ESI-IDs in TCC's and TNC's IDR-metered and unmetered classes, excluding TCC's Transmission Voltage Service ESI-IDs. These credits shall be remitted to REPs using SAC 04 charge code of CRE020. Credits for TCC's Transmission Voltage Service ESI-IDs will be executed via a wire transfer or similar process.

NYSEG ... from 1

That provision of the settlement drew protests from several parties, including the Long Island Power Authority Consolidated Edison, and Central Hudson Gas & Electric, filing jointly.

"Attachment U is not intended to remedy billing errors dating back ten years after participants have left the market and been returned their collateral. The purpose of the tariff provisions implementing this credit policy is to protect active customers from losses resulting from the financial failure of individual market participants by requiring them to meet certain creditworthiness requirements ... These provisions were not intended to provide a remedy for billing disputes affecting customers that are no longer participating in the NYISO-administered markets and have been returned their collateral," LIPA, ConEd and Central Hudson said. The three utilities said that use of the bad debt tariff would unfairly shift of costs to LSEs not in the affected subzones.

Anticipating these concerns, NYSEG said that it, "is willing to surrender any claims to the amounts owed by these entities," which are not in the National Grid subzones and would only be allocated costs due to the uplift, and not from the direct rebilling of the affected subzones.

LIPA, ConEd and Central Hudson said that FERC should memorialize NYSEG's commitment in any order accepting the settlement, including directing the settling parties to refile the settlement with NYSEG's commitment included.

FERC Staff supported the settlement as filed. The New York Association of Public Power opposed the settlement for allocating a portion of the UFE to their members on the National Grid system.