Energy Choice Matters

February 4, 2010

Central Hudson Joint Proposal Would Make Certain Gas, Electric Costs Nonbypassable

A joint proposal submitted by New York PSC Staff, Central Hudson Gas & Electric and Multiple Intervenors would remove several costs from Central Hudson's electric and gas Merchant Function Charge (MFC) Supply Charge, and place them in the MFC Administration Charge, while also taking some costs out of the MFC Administration Charge and placing them into base rates (09-E-0588 et. al.).

The joint proposal essentially adopts changes recommended by PSC Staff, who said that the current MFC structure allows ESCO customers to avoid costs which they should pay (Only in Matters, 11/27/09).

Regardless of commodity, a full service customer is charged both the MFC Administration rate and MFC Supply rate. A retail access customer billed on utility consolidated billing is charged the MFC Administration rate but avoids the MFC Supply rate. A retail access customer on dual billing avoids both the MFC Administration rate and MFC Supply rate.

Under the joint proposal, all costs recovered under the current MFC Administration Charge would be moved to base rates. Such costs include delivery-related credit and collections costs and delivery-related uncollectibles.

A new MFC Administration Charge would then be created, containing supply procurement-related credit and collections costs and 50% of procurement-related call center costs, both of which are currently recovered through the MFC Supply Charge.

Costs for delivery-related advertising and promotions, which are currently recovered through the MFC Supply Charge, would be moved into base rates as well.

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ICC's Elliott Equates Long-Term Contracting to Educated Guess, Absent Analysis

The Illinois Commerce Commission's decision to allow the Illinois Power Agency to procure 3.5% of default service supplies at Commonwealth Edison and Ameren via 20-year renewable contracts amounts to an "educated guess" which, "should not be the criteria under which we obligate ratepayers for a multi-year period," Commissioner Sherman Elliott said in a written dissent of the ICC's January order which was published Tuesday (09-0373, Only in Matters, 12/30/09).

"The IPA's default service procurement practices for ComEd and AIU have a direct impact on competitive wholesale and retail markets, and, ultimately, on consumers' interests. As such, there is legitimate concern about the impact of the electric utilities entering into long-term contracts for which the utilities will receive full cost pass-through protection, thus transferring risk from the utilities to the ratepayers. Such policies may create an untenable investment and negative consequences for Illinois ratepayers and retail and wholesale electric markets," Elliott cautioned.

Elliott noted that in its January 2009 order accepting the initial IPA procurement plan, the ICC rejected the use long-term contracts, citing the lack of sufficient analysis in the record to determine if the potential benefits outweighed the potential costs from such long-term PPAs. In that 2009 order,

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United Illuminating Reports January Migration Data

Supplier Accounts as of 1/31/10	Jan. '10 Residential	Jan. '10 Business	Jan. '10 Total	% of Migrated Customers	Change vs. Dec. '09 Total
Clearview Electric, Inc.	1,914	53	1,967	2.7%	305
ConEdison Solutions	4,491	1,185	5,676	7.7%	(216)
Constellation NewEnergy	408	2,984	3,392	4.6%	(25)
Direct Energy Business	9	796	805	1.1%	31
Direct Energy Services	19,487	2,733	22,220	30.0%	(74)
Dominion Retail	14,761	1,232	15,993	21.6%	(259)
Energy Plus Holdings LLC	2,621	379	3,000	4.1%	981
Gexa Energy	279	260	539	0.7%	80
Glacial Energy	53	386	439	0.6%	5
Hess Corporation	53	467	520	0.7%	(2)
Integrys Energy Services	8	1,554	1,562	2.1%	8
Liberty Power Holdings		50	50	0.1%	0
Mxenergy	4,045	552	4,597	6.2%	230
Palmco Power *	40	7	47	0.1%	47
Public Power & Utility	6,013	1,378	7,391	10.0%	754
ResCom Energy	602	160	762	1.0%	762
Sempra Energy Solutions	31	701	732	1.0%	10
Suez Energy Resources NA	2	183	185	0.2%	(17)
TransCanada	8	471	479	0.6%	(4)
Verde Energy	611	24	635	0.9%	551
Viridian Energy	2,783	254	3,037	4.1%	627
Total All Suppliers	**58,219**	**15,809**	**74,028**	100.0%	3,794

** As reported and appearing in UI's migration report*

Aggregate Data

Customer Load - Suppliers and UI (MWh)

	Residential - SS		Business - SS		Business - LRS		Total UI Territory	
	MWh	% of Class	MWh	% of Class	MWh	% of Class	MWh	% of Total
Suppliers	48,962	22.0%	106,895	64.0%	113,773	93.4%	269,630	52.7%
UI	173,880	78.0%	60,223	36.0%	8,026	6.6%	242,129	47.3%
Total	222,842		167,118		121,799		511,759	

Customer Count - Suppliers and UI

	Residential - SS		Business - SS		Business - LRS		Total UI Territory	
	Customers	% of Class	Customers	% of Class	Customers	% of Class	Customers	% of Total
Suppliers	58,219	20.1%	15,566	41%	243	90.0%	74,028	22.6%
UI	231,316	79.9%	22,354	59%	27	10.0%	253,697	77.4%
Total	289,535		37,920		270		327,725	

SS = Standard Service
LRS = Last Resort Service

WGES Reports Higher Earnings on Higher Gas Margins

WGL Holdings reported after the market close yesterday that its retail energy marketing segment posted net income of $7.5 million for the quarter ending December 31, 2009, up from $450,000 a year ago. Non-GAAP operating earnings for the retail marketing segment were $7.5 million, versus operating earnings of $5.8 million in the year-ago quarter.

The increase in non-GAAP operating earnings primarily reflects higher realized margins from the sale of natural gas, due to a rise in margin per therm sold, reflecting lower priced inventory withdrawals and more favorable weather conditions as compared to the same quarter of the prior fiscal year.

Partially offsetting this increase was a decrease in realized electric margins reflecting compression of unit margins as compared to the first quarter of the prior fiscal year. Higher operating expenses related to increased marketing initiatives, primarily from mass-marketing efforts targeted toward residential and small commercial customers, also reduced operating earnings.

During the quarter ended December 31, 2009, the retail energy unit's marketing initiatives resulted in the net addition of 12,600 residential customers.

Washington Gas Energy Services had 158,100 natural gas customers as of December 31, 2009, versus 151,500 as of September 30, 2009 and 135,800 as of December 31, 2008.

WGES had 123,800 electric customers as of December 31, 2009, versus 113,000 as of September 30, 2009 and 63,900 as of December 31, 2008.

WGL Holdings is holding an earnings call today; a full report will follow in tomorrow's issue.

FERC Posts Draft RTO Performance Metrics

FERC released in docket AD10-5 a set of proposed performance metrics and reporting requirements applicable to RTOs, and sought comments on the metrics. The proposal is in response to a September 2008 Government Accountability Office report which recommended that FERC develop standardized measures that track the performance of RTO/ISO operations and markets.

The proposed metrics include:

- Load-Weighted Locational Marginal Prices
- Components of Total Power Costs based on Load-Weighted Locational Marginal Prices (e.g. fuel costs, transmission charges, RTO costs, etc.)
- Load-Weighted, Fuel-Adjusted Locational Marginal Prices
- Congestion charges as per megawatt-hour of load served
- Percentage of congestion dollars hedged through RTO-administered congestion management markets
- Annual actual ISO/RTO administrative charges to members compared with budgeted administrative charges
- Annual actual ISO/RTO administrative charges to members as cents per megawatt-hour of load served
- Percentage of satisfied members

Other data which FERC proposed that RTOs be required to report include:

- Megawatt-hours of unscheduled flows by interface; monthly average hourly integrated and highest hourly value for full year
- Fuel diversity in terms of energy, installed capacity and actual production
- Day-ahead and real-time price convergence in dollars and as a percentage variance

Additionally, FERC noted that some stakeholders have suggested several additional metrics, such as:

- Total number and/or megawatt-hours of offers mitigated per transmission zone and/or by generation unit type for the year
- Number of times prices are flagged and checked; number/size of market price corrections

FERC Grants Clarification on ISO-NE FCA De-list Issue

FERC clarified that under highly exceptional circumstances, such as new laws or regulations that compel resources committed to the ISO New England Forward Capacity Auction to make unforeseeable capital expenditures that will not be recovered, "resources could seek extraordinary relief from ISO-NE, and, if that fails, make a filing with the Commission under section 206," in ruling on rehearing requests regarding compensation for resources whose de-list bids into the capacity market are rejected for reliability reasons (ER08-1209).

FERC's prior FCA orders eliminated the ability for resources with a capacity supply obligation to retire upon 60 or 180 days notice, which prompted the rehearing requests. The Commission denied the rehearing requests regarding the de-list procedures under the FCA. However, FERC granted clarification on an issue raised by Mirant.

Mirant had argued that resources face the possibility that, between an FCA and the capacity commitment period governed by that FCA (about four years), new laws or regulations may be enacted that will require resources to incur unforeseeable capital expenditures in order to be able to provide capacity during the capacity commitment period, which the resource will not be able to recover. Mirant contrasted the FCA de-list rules with prior market rules that provided a mechanism for resources to manage the risks of new laws or regulations by allowing the retirement their units upon only 60 or 180 days notice to ISO-NE. Mirant asked for rehearing of the issue, or clarification that resources that are needed for reliability and are required to incur capital costs as a result of changed laws and regulations that are enacted during the time period between an FCA and the relevant commitment period, may petition the Commission for recovery of such costs.

FERC first noted that, if such broad changes in laws or regulations should occur, their impact would not be limited specifically to resources that sought to de-list and were not permitted to do so for reliability reasons (the only resources whose capacity compensation is at issue in the instant proceeding). Rather, such legal or regulatory changes would be likely to affect a broad range of resources that have capacity commitments for a future capacity commitment period.

The Commission clarified that, "in that highly exceptional circumstance, this entire class of resources could seek extraordinary relief from ISO-NE, and, if that fails, make a filing with the Commission under section 206." The Commission would then address such a filing on its merits.

Briefly:

PUCT Approves Amendment to Reach Energy REP Certificate

The PUCT granted Reach Energy a REP certificate amendment to reflect the transfer of ownership to Kenneth Watson, a former manager in the telecom industry (37698, Only in Matters, 11/20/09). Although Reach has outstanding debts with several TDUs, Reach said that its new ownership will pay all outstanding debts contingent upon the certificate amendment being approved. According to PUCT filings, Reach owes approximately $32,860 to Oncor, $71,238 to CenterPoint, and $1,124 to AEP Texas Central.

O&R Submits Expanded Hourly Pricing Tariffs

Orange & Rockland submitted tariff changes at the New York PSC to implement the previously ordered expansion of the mandatory hourly pricing cutoff to 500 kW, effective May 1, 2010 (Only in Matters, 2/13/09).

Integrys Energy Services to Sell REC Business to EDF Trading

Integrys Energy Services has agreed to sell its Environmental Markets business to EDF Trading North America, LLC for an undisclosed sum. The Environmental Markets business, which requires immaterial collateral support, largely consists of a portfolio of long-term REC contracts with generators and wholesale buyers. The sale does not involve Integrys Energy Services' renewable solar or landfill gas projects owned by Integrys or its subsidiaries. In addition, the transaction does not include any REC used to serve Integrys Energy Services' retail customers. Integrys expects to close the sale in March 2010.

Enbrook Seeks Maine Broker License

Enbrook LLC applied for a Maine electric aggregator/broker license serving all sizes of non-residential customers at Bangor-Hydro Electric and Central Maine Power. Principal Michael Parquette, who will lead Enbrook's

Maine efforts, spent several years in business development for Integrys Energy Services. Enbrook was founded in 2009 and currently brokers in New Hampshire.

Castlebridge Energy Group Receives Md. Broker License

The Maryland PSC granted Castlebridge Energy Group, LLC an electric broker license to serve all classes of customers at the four investor-owned utilities, Choptank Electric Cooperative, and the Southern Maryland Electric Cooperative (Only in Matters, 10/12/09).

Energy Professionals Receives Md. Broker License

The Maryland PSC granted Energy Professionals, LLC an electric broker license to serve all customer classes at the four investor-owned utilities, Choptank Electric Cooperative, and the Southern Maryland Electric Cooperative

Champion Energy Services Signs Contract with Texas A&M

Champion Energy Services has secured a 24-month contract to provide electricity to the Texas A&M University System beginning in September 2011. Stephen F. Austin State University is also included in the contract. Fifteen percent of the supply will be in the form of Texas wind RECs. Separately, Champion said that it has signed as a lead sponsor for West University Little League, the largest little league charter in the U.S.

WGES Says 10,000 Customers in Md., D.C., Del. on Renewable Plan

Washington Gas Energy Services said yesterday that it has signed more than 10,000 residential customers in Maryland, the District of Columbia, and Delaware to its 50% or 100% CleanSteps WindPower product.

Just Energy Income Fund to Convert to Corporation

Just Energy Income Fund said yesterday that it plans to reorganize its income trust structure into a high dividend paying corporation, and it is currently anticipated that unitholders will be asked to approve the reorganization at the Fund's annual and special meeting of unitholders scheduled for June 29, 2010. The reorganization is prompted by a 2006 Canadian government policy which will impose a tax on income trusts effective 2011.

NJR Energy Services Adjusted Earnings Fall on Lower Volatility

NJR Energy Services, which includes some industrial customer supply among its wholesale marketing and asset management activities, reported lower adjusted earnings of $2.5 million during the first quarter of fiscal 2010 (ending December 31, 2009), down from $9.4 million in the same period last year. The decrease was due primarily to lower basis spreads that contributed to a decline in the value of its transportation portfolio. In addition, NJR Energy Services said that there were fewer opportunities to optimize its assets on a daily basis as a result of lower volatility in the marketplace caused by weak demand and an oversupply of natural gas, particularly in the Northeast. The adjusted earnings metric excludes all unrealized, and certain realized, gains and losses associated with derivative instruments. On a GAAP basis, net income was $27.6 million, versus $10.9 million a year ago.

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With such changes, the new MFC Administration Charge will include the commodity-related credit and collections component and 50% of commodity-related call center costs, plus Administrative and General (A&G) and rate base items associated with each component. These costs are bypassable for customers on dual billing, but must be paid by customers on bundled service or ESCO service with utility consolidated billing.

The new MFC Supply Charge will include commodity-related procurement costs, 50% of the commodity-related call center costs, commodity-related advertising and promotion costs, and related A&G expenses and rate base items allocated to each component. These costs are bypassable for all ESCO customers regardless of billing option, and must be paid by bundled service customers.

Hourly Pricing

The joint proposal calls for the extension of mandatory hourly pricing for full service customers to customers with demands of 300 kW or greater, from the current 500 kW cutoff. The joint proposal does not provide a timeline for when the 300 kW threshold would be implemented, but calls for Central Hudson to file an implementation plan within two months of a Commission order accepting the joint proposal. Staff has said that the expansion of mandatory hourly pricing to customers above 300 kW should occur in early 2012.

Based on Staff's testimony during the case, Central Hudson has 108 customers that have a demand level above 300 kW, but below 500 kW. Of these 108 customers, 66 receive their commodity from an ESCO, so 42 full service customers would be switched to the hourly pricing tariff under the joint proposal. Approximately 100 of the 108 customers would require the installation of an interval meter to record each individual customer's hourly consumption.

Other Provisions

The joint proposal does not mention provisions for capacity release, which Staff had suggested revising such that Central Hudson releases capacity to marketers at its Weighted Average Cost of Capacity.

The joint proposal holds that treatment of gas balancing will continue per the 2006 Rate Plan.

Under the joint proposal, the existing Energy Cost Adjustment Mechanism and Gas Supply Charge mechanism, and the allocation of Power Purchase Agreement costs/benefits, will continue per the 2009 Rate Order.

The existing retail access migration-related lost revenue mechanism would also continue per the 2009 Rate Order, in which fifty percent of retail access migration related lost revenue is collected through the Supply Charge component of the Merchant Function Charge, which is avoided by retail access customers, and fifty percent is collected through the transition adjustment paid by all customers.

The joint proposal covers three rate years, starting July 1, 2010.

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the ICC encouraged a thorough investigation of the issue, but Elliott noted that, "[t]here is no evidence that a full investigation or analysis of the costs and benefits of multi-year renewable contracts as requested by this Commission was performed prior to the filing of the 09-0373 procurement Docket." Despite the absence of the evidence requested by the Commission in 2009 as required to support long-term contracts, the ICC, in its 2010 order, nevertheless approved the procurement of 3.5% of supplies via long-term contract.

"The majority was persuaded by the agreement reached by many of the parties in the proceeding; however, the agreement was not reached in an open and transparent process that provided sufficient analysis in the record to determine if the potential benefits outweigh the potential costs, as was directed in the Commission's 08-0519 Order," Elliott added. Since the long-term contracting provisions were a "last minute" addition to the procurement plan submitted after the ICC ruled hearings were not required, "many questions still remain unanswered that, in my opinion, should be addressed before the Commission allows the IPA to procure long-term renewable contracts that will obligate ratepayers to those costs for two decades," Elliott said.

Elliott noted that the supplement to the procurement plan containing the request for long-term contracts contained no analysis or fundamental view of the market showing that the long-term contracts are in the best interests of consumers. Significantly, the IPA failed to: (i) articulate the alleged imminence of a carbon price risk; (ii) articulate what specific price risk any federal carbon control will impose on Illinois consumers (or the basis for this assertion); (iii) provide any analysis of how this alleged carbon price risk compares to what costs will be imposed upon Illinois consumers as a result of entering into 20-year PPAs; (iv) demonstrate how it will ensure maximum benefit to the citizens of Illinois; and (v) demonstrate how implementing the recommendations in the Plan satisfies the obligations imposed upon the IPA in Section 1-5A of the IPA Act to, "develop electricity procurement plans to ensure adequate, reliable, affordable, efficient, and environmentally sustainable electric service at the lowest total cost over time, taking into account any benefits of price stability."

"In short, many important questions and assumptions remain either unanswered or unsubstantiated, including the ultimate question: Are long-term renewable energy contracts in the best interests of Illinois consumers," Elliott said.

In particular, as the future of potential federal carbon legislation is uncertain, "[a]ny attempts to hedge against this phantom carbon price would be an educated guess at best, and this should not be the criteria under which we obligate ratepayers for a multi-year period, notwithstanding the present economic recession," Elliott added.

Acquiring long-term renewable resources impacts customer choice as more customers switch to retail electric suppliers, Elliott noted. "It is unclear whether bundled customers are required to make up the difference for those customers who have switched to [suppliers], or if customers who have switched to [suppliers] will be required to continue paying for the 20-year contracts along with the alternative compliance payment contained in Section 16-115D of the PUA, thus charging customers twice for renewable energy procurement. If it is the latter, then those customers will be purchasing more renewable energy than is required of them, thus hampering the incentive for customer switching, which is antithetical to the Commission's policy of promoting competition. In addition, there are alternative retail suppliers in other jurisdictions that provide a renewable or 'green' energy product offering. What will be the effect of this policy on their participation in the Illinois Retail market," Elliott asked.