Energy Choice Matters

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SouthStar Energy Earnings Rise on Cold Weather, Higher Margins

Colder weather lifted fourth quarter Earnings Before Interest & Taxes from SouthStar Energy Services to $39 million, up from $30 million a year ago, AGL Resources said yesterday.

For fiscal 2009, EBIT was $105 million, up from $77 million a year ago. Operating margin for the year increased to $181 million from $149 million a year ago, reflecting an $18 million reduction in required lower-of-cost-or-market (LOCOM) natural gas inventory valuation adjustments year-over-year. Some $15 million of the improvement resulted from increased contributions from the management and optimization of storage and transportation assets, and from retail price spreads. Increased operating margins for Ohio, Florida and interruptible customers lifted operating margin by $5 million, while increased average customer usage and weather lifted operating margin by $4 million versus 2008.

Partially offsetting these gains was a $13 million decrease in operating margin versus 2008 from a decline in average customer count year-over-year, primarily due to the increasingly more competitive retail market for natural gas in Georgia, and reduced margins associated with a higher number of customers choosing fixed-price plans.

For the year 2009, SouthStar's average customer count in Georgia was 504,000, compared with 526,000 in 2008. Average Georgia market share during the year was 33%, versus 34% a year ago. Aside from the competitive intensity, SouthStar attributed the decrease to economic conditions as well.

SouthStar's average customer count in Ohio and Florida was 103,000 during 2009, down from 122,000 in 2008 (total includes customer equivalents).

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Crane Previews Possible Electric Vehicle Product Offering for Reliant

The plug-in electric vehicle product that NRG Energy expects to offer through Reliant Energy is anticipated to be similar to a minutes contract for a mobile phone, NRG Energy CEO David Crane said yesterday during a Credit Suisse investment conference.

As an example of the type of offering Reliant expects to market to customers with plug-in electric vehicles, Crane suggested a three-year, 15,000 annual mile contract, "that's structured very similarly to a minutes contract for a mobile phone that you would contract for at the point of sale, and which you would pay for at a fixed price per month billed through your home electricity bill."

Crane said that such a product would roughly cost $80-100 per month, versus the $120 per month that a customer driving 15,000 miles per year would typically spend on refueling.

Crane noted that NRG's generation in ERCOT would allow it to offer such a product at a fixed price. Plug-in vehicles would also support higher generation volumes, lifting wholesale prices, and increasing spark and dark spreads.

At the retail level, sales would also increase, lifting margins. Further margins could be extracted by capturing the value of the electric vehicle charging infrastructure and services for home and

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UGI Says POR for PNG, CPG Dependent on Outcome of Gas Division Case, Rulemaking

The Pennsylvania PUC's adjudication of the pending Purchase of Receivables filing at UGI Utilities - Gas Division (UGI - Gas), and the outcome of a pending rulemaking on POR, will determine if UGI elects to pursue POR programs at its two other Pennsylvania LDCs – Penn Natural Gas (PNG) and Central Penn Gas (CPG) – UGI said in a report on progress to standardize choice regulations at all three of its LDCs (A-2008-2034045).

As only reported by *Matters*, UGI has filed to implement a POR program at UGI - Gas only (Only in Matters, 12/7/09). UGI said that a decision to pursue POR at PNG and CPG will depend on the outcome of that proceeding, as well as the PUC's general natural gas POR rulemaking.

While lacking POR, PNG and CPG both have Merchant Function Charges with unbundled supply-related uncollectibles.

UGI reported that uniformity in supplier rules and tariffs has mostly been achieved between UGI - Gas and PNG, while changes have not yet been implemented at CPG due to the timing of its rate case in relation to UGI's acquisition of CPG from PPL.

For example, while PNG, as part of its most recent base rate proceeding, adopted UGI - Gas' transportation and choice rules and regulations, similar rate structures/designations for transportation offerings (e.g., Rate DS, Rate LFD, Rate XD, etc.), and similar balancing options, CPG has yet to make any such changes, though it has expressed its intention to adopt such changes to its tariff as part of its next base rate filing.

Additionally, PNG has adopted UGI Gas' No Notice Service and Monthly Balancing Service provisions, while CPG has expressed its intention to do so as part of its next base rate filing.

PNG has also implemented the use of EDI in a manner similar to UGI - Gas. CPG intends to follow this approach and similarly adopt UGI choice rules and the use of EDI when such rules are approved and its systems are able to accommodate its use.

During a collaborative, suppliers had requested the availability of transportation customer use data on a daily basis at no cost at UGI - Gas. Since providing this service would require UGI - Gas to incur lost revenues, UGI - Gas said that will consider meeting this desire in its next base rate case or when an alternative cost recovery mechanism becomes available. UGI - Gas stressed, however, that this issue has not prevented virtually all of UGI - Gas' larger volume customer loads from moving to transportation service.

Suppliers have also asked that all three LDCs adopt end-of-month accounting rules for their pools instead of work day meter reading cycles. UGI said that alignment of all transportation customers to a calendar-month cycle schedule will be considered as part of UGI's next base rate case or when an alternative cost recovery mechanism becomes available.

While suppliers have requested the ability to trade imbalances across all three LDCs, UGI said that it is currently required to maintain separate rates and gas supply portfolios, and cannot engage in transactions that would or could result in cost shifting between companies.

UGI reported that stakeholders in the Best Practices Collaborative examining standardization of practices among the three LDCs have agreed that future revisions should be pursued in the LDCs' base rate cases, as part of the PUC's SEARCH rulemaking, or in LDC-specific workgroups.

Drop in WGES Electric Margins Smaller Than Forecast

Although Washington Gas Energy Services recorded lower electric margins during the first fiscal quarter of 2010 versus the year-ago period, the drop-off was not as large as previously forecast, WGES President Harry Warren said during an earnings call.

Electric margins are looking stronger than expected through January as well, Warren said. In the past two fiscal years, WGES recorded electric margins in the high \$6/MWh range (\$6.84 in 2008 and \$6.68 in 2009), and does not expect to maintain such margins for fiscal 2010.

However, the expected decline will not be as sharp as expected, Warren said, with WGES providing its operating guidance using forecasted electric margins of \$5.25/MWh to \$6.25/MWh. In its November 2009 guidance, WGES expected electric margins of \$4.25/MWh to \$5.25/MWh. WGES now expects an additional \$6.6 million from electric margins versus its November guidance.

Warren reported that the price spread between default service and competitive rates remains strong in its core Mid Atlantic service areas, and that the underlying competitiveness of its traditional service areas looks as though it will remain strong through fiscal 2010. The Maryland market should receive a boost from the expected introduction of Purchase of Receivables, which Warren said may be implemented by this summer.

Migration at PPL Electric has also occurred "much more quickly than expected," Warren added, where WGES has just rolled out its mass market offering.

As only reported by *Matters* yesterday, WGES reported non-GAAP operating earnings of \$7.5 million, versus operating earnings of \$5.8 million in the year-ago quarter. Higher gas margins accounted for about \$3.5 million of the gain, offset by \$1 million in lower electric margins, and \$1 million in higher operating and interest expense.

WGES had 158,100 natural gas customers and 123,800 electric customers as of December 31, 2009.

O&R Survey Finds Customers Satisfied with Gas, Electric ESCOs

Some 74% of gas retail choice customers at Orange & Rockland have a better than average level of satisfaction with their gas supplier, a survey conducted for O&R found (05-G-1494).

Some 87% of competitive supply gas customers have an average or better level of satisfaction with their ESCO, while only 3% of migrated customers were dissatisfied with their ESCO.

Asked their level of satisfaction with their competitive gas supplier on a five-point scale, customers on competitive supply at O&R responded as follows:

(5) Very satisfied	47%
(4)	27%
(3)	13%
(2)	0%
(1) Very dissatisfied	3%
Unsure	10%

For migrated electric customers, some 75% of respondents reported a better than average level of satisfaction with their electric ESCO, while 94% reported an average or better level of satisfaction. Only 2% of customers said that they were dissatisfied with their electric ESCO.

Asked their level of satisfaction with their competitive electric supplier on a five-point scale, customers on competitive supply at O&R responded as follows:

(5) Very satisfied	33%
(4)	42%
(3)	19%
(2)	0%
(1) Very dissatisfied	2%
Unsure	4%

Among all O&R customers, the survey found no change in the level of awareness of electricity deregulation versus the 2008 survey, with 78% of customers aware of electric choice in 2009 versus 79% in the 2008 survey.

Among residential electric-only customers, about seven in ten (69% vs. 72% in 2008) were aware of electric deregulation. For business electric-only customers, awareness stands at about nine in ten (89% vs. 85% in 2008).

Among O&R natural gas customers, awareness of natural gas deregulation was also on par with last year, at 73% versus 71% a year ago.

O&R's fall 2009 survey included, on a weighted basis, 489 combination and electric-only customers (333 residential and 156 business).

Reliant Launches Seasonally Priced Product

Reliant Energy has launched a new seasonal rate plan designed specifically for customers with electric heat, which includes a lower price in the high-usage winter and summer months and a slightly higher rate during low-usage months, to help to smooth customer bills throughout the year.

Current pricing is below:

Service Territory	Winter/Summer ¢/kWh	Spring/Fall ¢/kWh
CenterPoint	11.8¢	12.4¢
Oncor	10.8¢	11.4¢
AEP TCC	11.9¢	12.5¢
AEP TNC	10.8¢	11.4¢
TNMP	11.3¢	11.9¢

Seasons are defined as follows:

- Winter: December 1- February 29
- Spring: March 1- May 31
- Summer: June 1- August 31
- Fall: September 1- November 30

Illinois AG Files Unopposed Motion to Abate FERC Docket on Taylorville Energy Center

The Illinois Attorney General submitted an unopposed motion asking FERC to hold in abeyance a request from Christian County Generation LLC for a declaratory order on its proposed return on equity and capital structure (EL10-27, Matters, 1/25/09).

Christian County Generation is a joint venture of Tenaska and MDL Holding Co. which is developing the Taylorville Energy Center clean coal plant, which is being built under Illinois law which requires utilities (up to a cost cap) and alternative retail electric suppliers (with no cost cap) to purchase output from the plant on 30-year PPAs.

The Attorney General asked that the case be held in abeyance until the Illinois General Assembly takes action, pursuant to 20 ILCS 3855/1-75(d)(4)(iii), to approve the terms under which Illinois utilities and retail electricity suppliers may be required to purchase electricity from the Taylorville Energy Center. The Illinois General Assembly is expected to take action on the sourcing agreements to be signed by the coal plant and LSEs during the spring legislative session that is scheduled to end on May 31, 2010, the Attorney General said.

Briefly:

Constellation NewEnergy Rejoins RESA

Constellation NewEnergy has rejoined the Retail Energy Supply Association. Constellation NewEnergy had previously been a RESA member in the middle part of the previous decade. "As the scope and depth of RESA's advocacy has expanded from that of a single-region electric advocacy organization to that of a multi-region and federal electric and gas advocacy association, Constellation's entry to RESA could not come at a better and more appropriate time," said Jay Kooper, President of RESA. Constellation NewEnergy's membership maintains RESA's membership rolls at an even dozen, after former member RRI Energy, which no longer has a retail book, did not renew membership after the end of 2009.

RBS Would Receive Pa. Electric License Under Initial Decision

An initial decision by a Pennsylvania ALJ would grant the Royal Bank of Scotland plc an electric generation supplier license to serve commercial customers over 25 kW, industrial customers, and governmental customers in all service areas. RBS' application, filed in 2008, was mired in a contested proceeding due to protests from two private individuals (both of which were later withdrawn), one of whom had a dispute with RBS affiliate Citizens Bank, and another of whom objected to RBS' financial fitness given its then-recent bailout by the British government in 2008.

GSE Consulting, Great Lakes Energy Seek Md. Licenses

GSE Consulting applied for Maryland electric and natural gas broker licenses to serve commercial and industrial customers in all service territories. GSE subsidiary Great Lakes Energy LLC also applied for an electric broker license to serve commercial and industrial customers in all service territories.

DPUC Approves UI Procurements

The Connecticut DPUC approved United Illuminating's procurement of Standard Service supplies for a portion of 2011 and 2012, and its procurement of Last Resort Service supplies for the three-month period beginning April 1, 2010. UI must post retail rates for Last Resort Service for the period April through June 2010 no later than February 19, 2010.

TAC Approves Amended NPRR 206

ERCOT's Technical Advisory Committee yesterday approved NPRR 206 (Day-Ahead Market Credit Requirements) as revised by Luminant's February 1 comments and further amended by TAC, with direction to the Market Credit Working Group to provide a proposal to TAC for a conservative nodal market start paradigm for the first 60 days of Day Ahead Market operation (Only in Matters, 1/19/10). NPRR 206 was approved by a vote of 22-6, with one abstention.

TAC Rejects NPRR 091

A motion to approve an amended version of NPRR 091 (Scarcity Pricing and Mitigated Offer Cap) failed at ERCOT's Technical Advisory Committee yesterday by a vote of 8-13, with 8 abstentions (Only in Matters, 2/2/10).

Enbrook Receives Maine Broker License

The Maine PUC granted Enbrook LLC an electric aggregator/broker license to serve all sizes of non-residential customers at Bangor-Hydro Electric and Central Maine Power (Only in Matters, 2/4/10).

COMPETE Coalition Reaches 400 Members

The COMPETE Coalition said this week that it has surpassed the 400-member mark, reporting that it experienced a 43 percent increase in membership in 2009. Nearly a quarter of all membership are businesses and commercial and industrial end users, COMPETE said. The most recent customer member is WinCo Foods LLC, an employee-owned supermarket chain with over 70 stores on the West Coast.

Fulcrum to Withdraw Three Unused REP Certificates

Fulcrum Power Services, LP (REP certificate 10125) and affiliates Sitara Energy and Himalaya Power filed to withdraw their REP certificates at the PUCT, as none of the three have ever served retail customers. The withdrawals do not affect Fulcrum Retail Energy LLC (d/b/a Amigo Energy, certificate 10081).

PUCT Approves Trade Names for Iluminar Energy

The PUCT granted the application of Iluminar Energy to add the trade names AllTex Power & Light and Premium Power & Light to its REP certificate (Only in Matters, 1/14/10).

Dirigo Energy Group Receives Texas Aggregation License

The PUCT granted Dirigo Energy Group an electric aggregator certificate to pool residential, commercial and industrial customers.

PUCT Recognizes Change in Poco Energy Group Name

The PUCT approved an amendment to Poco Energy Group's aggregation certificate to reflect a name change to Summit Energy Services, Inc. d/b/a Kentucky Summit Energy.

CenterPoint Sets Date for REP Meeting

CenterPoint Energy scheduled its 2010 Competitive Retailers General Workshop for March 4 in Houston.

SouthStar ... from 1

While executives expect the aggressive competition in Georgia to continue, SouthStar did see some positive signs in recent months that its decline in market share has started to turn around. Additionally, the migration of customers to lower-margin fixed priced products has stabilized, with customers on such contracts holding steady in the low 20% range of SouthStar's portfolio.

SouthStar's Georgia firm volumes for 2009 were 40 Bcf, versus 41 Bcf a year ago. Ohio and Florida volumes were up at 11 Bcf versus 7 Bcf in 2008.

Operating expenses at SouthStar during 2009 increased $3 million to $76 million, due to higher marketing and compensation costs, partially offset by lower customer care costs and reduced bad debt expense.

SouthStar will continue to focus its growth strategy on the Ohio market in 2010.

Reliant ... from 1

highway, which Crane termed the "park spread." Such electric vehicle services would also create a new customer acquisition channel for the retail supply business.

Crane said that because of the value-added nature of the electric vehicle services, they would be high margin while also high volume, and thus superior to the traditional high volume, low margin retail model.