Energy Choice Matters

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Scaled-down Integrys Energy Services Exiting ERCOT Market

Integrys Energy Services is in the process of exiting the retail electric business in ERCOT, CEO Mark Radtke said during an investor conference yesterday.

The ERCOT exit is one of the final exits associated with the strategic review of the Integrys Energy Services business. Parent Integrys Energy Group had previously confirmed that it intended to keep a "portion" of the retail gas and electric books, but did not say, beyond the previously announced sales of the Canadian retail books, what other changes in geographic scope were possible, if any (Only in Matters, 1/20/10).

Aside from exiting the ERCOT electric market, Integrys Energy Services is also exiting the Idaho and Colorado large volume gas supply markets. The scaled down Integrys Energy Services will market electricity or gas in the following 20 states: Connecticut, Illinois, Indiana, Iowa, Kentucky, Maine, Maryland, Massachusetts, Michigan, Minnesota, Missouri, New Hampshire, New Jersey, New York, Ohio, Pennsylvania, Rhode Island, Virginia, West Virginia, and Wisconsin.

For retail gas, Integrys Energy Services projected that 36% of sales would be in Wisconsin, 32% of sales in Illinois, 17% of sales in Michigan, and 15% of sales in Ohio.

For retail electricity, Integrys Energy Services projected that 57% of sales would be in Illinois, 14% in New York, 13% in New England, 11% in the Mid Atlantic, and 5% in Michigan and Ohio, with Radtke describing Michigan and Ohio as only “niche” opportunities.

Radtke said that 2010 will be a rebuilding year for Integrys Energy Services as it reestablishes its presence in the market. For 2010, projected retail gas sales are 118 billion cubic feet, and projected electric sales are 16.5 million megawatt-hours.

In 2011, Radtke projected Integrys Energy Services will reach a steady state of 145 billion cubic

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Energy Plus Holdings Seeks Temporary Waiver of Pa. Budget Billing Requirement

Says it will start serving customers at PPL in March

Energy Plus Holdings, LLC requested a temporary waiver of the Pennsylvania PUC's rules and regulations to the extent that they require an electric supplier not providing billing services to provide budget billing calculations for its residential customer charges to the electric distribution company for consolidated billing.

Energy Plus Holdings said that programming changes to its billing system software required to calculate and transmit budget bill amounts for its charges to residential customers in the PPL Electric territory through PPL's bill ready consolidated billing function likely cannot be completed before September 2010. Thus Energy Plus Holdings requested a waiver of any supplier budget billing obligation until September 2010.

Energy Plus Holdings said that it is currently scheduled to start serving residential and small business customers in the PPL territory in March 2010. Energy Plus Holdings said that it is soliciting

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Duke Energy Ohio Says PUCO Lacks Authority Over Electric POR Discount

The Public Utilities Commission of Ohio should not hold a hearing on changes to Duke Energy Ohio's electric purchase of accounts receivables discount rate because the Commission lacks jurisdiction over the rate, and law requires negotiation between Duke and suppliers to establish the rate, Duke said in an answer to comments from Direct Energy.

As only reported by *Matters*, Direct said that Duke's increase in the POR discount rate was unjustified, and asked PUCO to direct Duke to further justify its proposed changes (Only in Matters, 2/2/10).

Duke countered that under S.B. 3, billing services and the associated purchase of accounts receivable service that suppliers acquire from Duke Energy Ohio are "competitive services," and thus not regulated services subject to the jurisdiction of the Commission. "Duke Energy Ohio is not required to 'validate' any price it charges for a competitive service, and financing [supplier] account receivables is without doubt a competitive service under Ohio law," Duke said.

Duke stressed that it, "chose to offer this service to [competitive] providers on a 'cost' basis consistent with the good faith commitments it repeatedly made, and consistent with those commitments, it chooses to continue that practice today in order to encourage competition. The mathematic formula at issue herein represents a reasonable basis upon which Duke Energy Ohio has determined that cost. No more is required of it - nor can more properly be required of it," Duke argued, adding that it could elect to include a profit component in the discount rate if it so chose.

Duke said that its program differs from other POR programs (and thus may have a higher discount rate) because the Duke program is based upon a "bill it and buy it" timeframe. "A receivable billed yesterday on behalf of Direct Energy, for instance, is typically purchased from Direct Energy no later than today. In contrast, Duke Energy Ohio understands that [competitive] suppliers in other states typically do not receive payment for their receivables until a date much closer to the date that the end-use customer's payment will be due," Duke said.

"Because Duke Energy Ohio pays [competitive] providers for their receivables on virtually an immediate basis, Duke Energy Ohio must necessarily finance the receivable over a larger number of days than necessary under these other state's programs," Duke said in explaining the derivation of the cost of capital in its formula.

PG&E Says Limits on Utility CCA Communication Would Deny Information to Customers

A petition from the City and County of San Francisco which urged the California PUC to prevent the investor-owned utilities from marketing to retain potential community choice aggregation (CCA) customers would, "deny customers the opportunity to obtain information from sources other than the CCA regarding the advantages and disadvantages of electric services available to them in the competitive marketplace," Pacific Gas & Electric said in opposition to the petition (R. 03-10-003).

The San Joaquin Valley Power Authority, however, called San Francisco's proposals necessary as, "PG&E is now actively and aggressively marketing against CCA programs with the force and vigor that only the nation's largest electric utility can muster."

As only reported in *Matters*, San Francisco brought the petition due to PG&E's various actions to thwart the development of CCAs, including a ballot measure that would require the vote of two-thirds of residents in a CCA for the aggregation to be formed; distributing marketing materials to potential CCA customers warning of dangers from CCAs; and encouraging local officials not to pursue CCAs (Only in Matters, 1/14/10). Specifically, San Francisco is seeking to modify D.05-12-041, which had found that marketing limits on utilities regarding CCAs were not required as no utilities, at the time of the decision, were opposed to CCA formation.

PG&E, however, stressed the importance of utility communications regarding CCAs, especially as CCAs are opt-out under AB 117. While San Francisco said that the marketing restrictions are necessary to prevent a utility from leveraging its monopoly status in newly competitive segments of the market, PG&E countered that, "utility marketing and communications to customers regarding proposed CCA programs help balance the provision in the CCA law that automatically enrolls customers in a CCA program even if they never make an affirmative choice to do so."

"Given that many utility customers - no one knows how many - may treat any [opt-out] notices from a CCA as 'junk mail' that gets thrown away or recycled, the Commission should be encouraging, not limiting, efforts to communicate with customers," PG&E said.

"If anything, the Petition's approach to restricting or barring consumer access to information and marketing materials would increase, not decrease, customer confusion and ignorance of the facts. The Petition would prohibit utilities from communicating up-front to consumers on basic facts for comparison, including cost information and comparisons of the utility's and CCA's energy procurement strategies," PG&E added.

Moreover, PG&E said that any prohibition on marketing or communications funded by shareholders would violate the utility's protected free speech under the U.S. and California Constitutions. The relief requested by San Francisco is, "far outside the scope of the Commission's regulation and supervision of CCA programs as well as the Commission's general mission under the Public Utilities Code to ensure that public utility rates and services are just, reasonable and in the public interest," PG&E said.

"Nothing in the Public Utilities Code, including the CCA statute, provides for the Commission to regulate utilities' activities in the legislative or political arena, as long as those activities are not funded by ratepayers," PG&E said.

"The communications by PG&E and the PG&E-backed coalition to voters and elected officials are not 'marketing,' as the Petition alleges. Those communications are on public policy and political matters, in the same mode as any other public debate on political issues of concern to citizens, voters and their elected officials. A utility should not be - and may not lawfully be - barred from providing its views and communicating to elected officials and citizens on public issues of concern," PG&E added.

The Utility Reform Network supported San Francisco's petition, arguing that under PG&E's corporate structure, all funds are derived from ratepayers. "The Commission needs to understand that in recent years this is a false distinction for PG&E and PG&E Corp. Whether deemed PG&E funds (above- or below-the-line) or funds controlled by the holding company, all of the funds come from the revenues collected through regulated rates," TURN said, citing PG&E's most recent Annual Report to its shareholders which shows that the operating revenues of PG&E Corp. are identical t those of utility PG&E for 2004-2008.

TURN argued that California law also directs the investor-owned utilities to, "cooperate fully with any community choice aggregators."

"And in absolute disregard of those state laws, Pacific Gas and Electric Company (PG&E) is actively engaged in various campaigns and other efforts to subvert community choice aggregation (CCA). The Commission needs to rapidly and forcefully shut down PG&E's efforts in this regard," TURN alleged.

Citing recent reports that PG&E may refuse to provide distribution service to the Marin Energy Authority CCA, TURN said, "Just when it seems that the utility has taken its failure to cooperate as far as it can go, PG&E proves its willingness to take the campaign one step further."

PG&E claimed that it has been cooperating with the Marin Energy Authority's CCA program implementation activities, "consistent with the requirements of the statute and CPUC policy decisions implementing the statute." PG&E noted that D.05-12-0941 provides that, "[w]here the CCA fails to conform to approve[d] utility tariffs, the utility shall decline to initiate service to the CCA," and said it, the Marin Energy Authority and PUC Staff have been engaged in discussions related to various "concerns" PG&E has with the Marin Energy Authority's implementation plan.

The San Joaquin Valley Power Authority (SJVPA) also supported San Francisco, stating that its own CCA, "has been stymied and disrupted by continuing efforts by Pacific Gas and Electric."

"SJVPA has invested millions of dollars in its CCA program, relying on the express representations made by PG&E before the Commission that its cooperation in regard to CCA programs could be expected. As all CCA parties are now acutely aware, these representations have rung hollow, at best. PG&E is now actively and aggressively marketing against CCA programs with the force and vigor that only the nation's largest electric utility can muster. It should not surprise the Commission that PG&E's actions have resulted in casualties. In June 2009, based largely on PG&E's unending assaults, SJVPA's Board of Directors suspended the implementation of SJVPA's CCA program," SJVPA said.

SJVPA believes that, had the measures proposed by San Francisco been implemented earlier, SJVPA would have had a reasonable chance of actually implementing its CCA program.

Reciting a list of past actions (such as PG&E arguing in public forums that the joint and several liability provision of the required CCA service agreement would result in extreme risk to each SJVPA member for the combined liabilities of all SJVPA members, and claiming that the CCA bond for SJVPA would be an astounding $140 million [the PUC set the initial bond at $100,000]), SJVPA said that, "PG&E's efforts have clearly been focused on creating obstruction and uncertainty."

"Each time an issue was raised, SJVPA was forced into a lengthy and costly process to overcome the obstacle in order that CCA implementation activities could move forward. PG&E clearly understands that obstruction and uncertainty will draw time and financial resources of local governments away from the core objective of CCA implementation. In the case of SJVPA, these activities also prevented local governments and energy suppliers from reaching a required level of certainty necessary to proceed with multi-year energy contracts. This continued activity on the part of PG&E, combined with credit market uncertainties and financial condition of SJVPA members, led to the temporary suspension of SJVPA's CCA program in June, 2009," SJVPA added.

"PG&E has demonstrated that there are no limits to the amount of resources that will be utilized to obstruct, delay and derail efforts to implement CCA programs. Local governments are simply unable to compete with the level of competition brought by PG&E's aggressive campaign to prevent CCA from actual implementation," SJVPA added.

Both Southern California Edison and San Diego Gas & Electric opposed San Francisco's petition, citing the improper restrictions of free speech as well as procedural and evidentiary deficiencies for the requested relief. Both stressed, however, that they have no plans to market against CCAs.

Briefly:

Public Power & Utility Seeks Conn. Gas Registration

Public Power & Utility has submitted a registration to serve as a competitive natural gas supplier in Connecticut. Public Power & Utility has primarily focused on electricity marketing to this point.

South Jersey Energy Company Prepares for UI Market Entry

South Jersey Energy Company completed EDI testing with United Illuminating in January. South Jersey Energy Company currently has a handful of accounts at Connecticut Light & Power.

DTE Energy Supply Seeks Illinois Electric License

DTE Energy Supply, Inc. has applied for an Illinois alternative retail electric supplier license. A copy of DTE Energy Supply's application was not available yesterday.

UI Reports Standard Service Suppliers

United Illuminating reported that, for the first half of 2010, its Standard Service wholesale suppliers are Conectiv Energy Supply, Constellation Energy Commodities Group, Hess Corporation, Sempra Energy Trading, and Shell Energy North America. For the second half of 2010, UI Standard Service wholesale suppliers are Conectiv Energy Supply, Constellation Energy Commodities Group, Hess Corporation, NextEra Energy, and Sempra Energy Trading. UI also reported that it has filled 80% of its 2011

Standard Service supplies and 20% of its 2012 Standard Service supplies.

NYISO Notes Six-Month Limit Approaching for Extra-Tariff Mitigation Measures

The New York ISO suggested that quick action by FERC regarding its request to impose extra-tariff mitigation on three generators would avoid a lapse in the NYISO's current imposition of those measures on the generators, and possibly avoid the need for NYISO to re-apply to impose those measures (ER09-1682, see Matters, 9/7/09). When it sought to impose the measures on the generators in September 2009, NYISO sought a waiver of the standard six-month limit applicable to mitigation measures, but FERC has not acted on the waiver request, or the underlying mitigation. NYISO noted that March 9, 2010 will represent six months from the start of the mitigation. In a letter to FERC yesterday, NYISO did not explicitly seek any relief from FERC in the form of an expedited ruling on its original waiver request, or in the form of a new application to impose mitigation measures beyond March 9, but merely cited the six-month limit as approaching, while noting that swift FERC action would resolve the temporal issue.

Integrys ... from 1

feet of gas sales and 19 million megawatt-hours of electric sales.

In comparison, for 2008, Integrys Energy Services recorded 336 billion cubic feet of retail gas sales and 16.5 million megawatt-hours of retail electric sales.

The Canadian gas market had represented just under 50% of Integrys Energy Services' retail gas volumes, accounting for the significant drop-off in gas sales.

While Integrys Energy Services had previously been one of the major growth drivers of its parent, Radtke said that the scaled down business will pursue controlled growth, targeting 6% to 8% income growth from the retail marketing business beyond 2011.

Along with maintaining the scaled down retail portfolio, Integrys Energy Services will also continue to pursue renewable projects, particularly distributed solar and landfill gas projects. Integrys Energy Services will invest $80 million in these efforts in the next two years.

Integrys Energy Services retains some 240 MW of legacy central station merchant generation which is essentially held for sale, and will be divested as opportunities arise.

Energy Plus ... from 1

these customers through controlled, direct marketing channels.

The Commission's Chapter 56 regulations require that a gas, electric, or steam heating utility rendering bills, "shall provide its residential ratepayers with an optional billing procedure which averages estimated utility service costs on a 10-month, 11-month or 12-month period to eliminate, to the extent possible, seasonal fluctuations in utility bills."

In 1998, the Commission explicitly held that electric generation suppliers "who provide billing services" are subject to the Chapter 56 budget billing regulations, and must provide budget billing.

However, in 1999, because four rate ready utilities informed the Commission that their billing systems were technologically incapable of performing budget billing for competitive supplier charges through utility consolidated billing, a PUC Secretarial Letter held that, "even when the [supplier] is not providing billing services, it is not necessarily relieved of the obligation to furnish the monthly budget bill amount to the [utility]." The Secretarial Letter further directed that, on an interim basis, suppliers were required to set the initial amount of the budget for generation services, monitor usage, and make periodic adjustments as necessary, and handle the reconciliation.

Energy Plus Holdings said that PPL's bill ready system cannot automatically provide budget billing for competitive supplier charges, and reported that PPL has developed an interim solution similar to the solution provided for rate ready utilities in the 1999 Secretarial Letter (requiring suppliers to furnish budget billing data).

Both the PUC's 1998 budget billing order and 1999 Secretarial Letter provide that suppliers may request a temporary exemption from the requirement if the supplier will experience unreasonable hardship as a result of complying with the budge billing requirements.

Due to limitations in its current billing software, Energy Plus Holdings said that it is unable at present time to make the necessary, substantial, and costly programming changes to permit it to calculate budget bill amounts for its PPL residential customers and to transmit such data to PPL via EDI. Energy Plus Holdings said that it expects to complete a solution that will allow its billing system to provide budget billing data to PPL via bill ready format by the end of August 2010.

Energy Plus Holdings said that it is informing prospective residential customers in PPL's territory that it is unable to provide budget billing for its charges until the billing period beginning in September 2010.