Energy Choice Matters

March 15, 2010

IDT Energy Earnings Lower on Customer Churn

Income from operations at IDT Energy for the quarter ending January 31, 2010 (second quarter of fiscal 2010) was $11.8 million, down from $16.4 million a year ago, as customer churn and the associated decrease in sales mitigated the impact of higher gross margin versus the year-ago period.

As of January 31, 2010, IDT Energy served approximately 366,000 meters, comprised of 158,000 gas and 208,000 electric meters. That compares to 408,000 as of January 31, 2009, a 10% decline year-over-year but only 1.7% lower than the 372,000 meter total as of October 31, 2009 (159,000 gas, 213,000 electric).

IDT said that it has slowed its churn rate and is seeing an increase in the rate of gross meter acquisitions following its previously reported sales and marketing restructuring (Only in Matters, 10/28/09). The churn rate, which was lower due to lower prices in addition to the revamped sales force, was 2.6% for the second quarter, compared to 5.0% in the year-ago quarter, and 2.7% in Q1 2010.

Gross meter acquisitions for the quarter were 28,000 compared to 68,100 in the year-ago quarter and 13,600 during Q1 2010.

IDT Energy expects to return to net meter growth during the latter part of fiscal 2010, but does not anticipate returning to the gross acquisition levels attained during the early part of fiscal 2009.

IDT said that it has begun to "test" several new markets outside of its New York base for potential growth opportunities. "[W]e are evaluating potential opportunities to expand into other states, where IDT's energy business model and capabilities can be adapted to a deregulated retail energy markets without compromising on our conservative risk policies," said IDT CEO Howard Jonas during an

Continued P. 6

PPL Seeks to Defer Reconciliation of Supply Costs

Instead of implementing reconciled supply rates beginning April 1, 2010, PPL Electric Utilities has requested that the Pennsylvania PUC allow it to begin its quarterly Generation Supply Charge (GSC) reconciliation process with the third quarter of 2010 (for the application period July 1, 2010 through September 30, 2010), which would reflect all experienced over/undercollections from February 1, 2010 through April 30, 2010. PPL further proposed deferring the January 2010 undercollection, caused by the proration of January bills, until the GSC rates to become effective in January 2011 (M-2009-2145482).

PPL's competitive bridge plan requires quarterly reconciliations of the GSC to collect what are expected to be "small variances" in revenues and actual supply costs. Originally, PPL filed on March 1 to reconcile an undercollection of $125.5 million, an amount which PPL termed "substantial." However, PPL moved to withdraw its requested reconciliation, and defer such amounts to future periods, because the $125.5 million, "is not representative of a true over/undercollection," for several reasons.

First, the reconciliation process reflects only experienced revenues and expenses, PPL noted.

Continued P. 7

Briefly:

Palmco Power Receives Ohio Electric License

The Public Utilities Commission of Ohio granted Palmco Power an electric supply license to serve all customer classes in all service areas (Only in Matters, 2/8/10).

Unified Energy Services Receives Ohio Broker License

The Public Utilities Commission of Ohio granted Unified Energy Services an electric broker/aggregator license to serve all customer classes in all service areas (Only in Matters, 2/9/10).

Utility Management Services Seeks Ohio Broker License

Utility Management Services, Inc. applied for an Ohio electric broker/aggregator license to serve commercial, mercantile and industrial customers in all service areas. Utility Management Services, founded in 1998, provides utility bill auditing and rate consulting services primarily to businesses in North Carolina, South Carolina, Virginia, and Georgia, and is a licensed aggregator in Virginia.

Patriot Energy LLC Seeks Md. Broker License

Patriot Energy LLC applied for a Maryland electric broker/aggregator license to serve all customer classes at all of the investor-owned utilities. Patriot said that its primary focus will be government and large commercial accounts. Atlantic Energy Resources sales account manager David Mott is the majority owner of Patriot Energy LLC. Atlantic Energy Resources principals Kenneth Abner and Patrick Hall have minority stakes in Patriot Energy LLC. Patriot Energy LLC is not related to New England-based Patriot Energy Group.

Philadelphia Councilman Proposes Energy Cooperative

Philadelphia Councilman Darrell Clarke has introduced a measure that would create a city electric supply cooperative to procure power for municipal loads, and to aggregate residential and commercial customers and retail power to those customers. Clarke said that the cooperative, a five-member city energy authority, would procure power directly from the wholesale market, and is needed to mitigate expected price increases with the end of rate caps at PECO on January 1, 2011.

Complainants Drop Email Request in Gexa Complaint Case

The variable rate complainants against Gexa Energy in PUCT docket 37569 have withdrawn their request for Gexa to produce email correspondence between several Gexa employees and other REPs and REP trade associations in which the term "variable rate" or similar terms were used (Only in Matters, 3/8/10). Complainants withdrew the discovery request in light of Gexa's objections, and the complainants' belief that any information discovered is likely to be simply duplicative of evidence already available.

NJR Energy Services Wins RFP for Duke PIPP Supply

Duke Energy Ohio filed for PUCO approval to enter into a contract with NJR Energy Services to provide natural gas supply to Percentage of Income Payment Plan (PIPP) customers. Duke conducted an RFP asking suppliers to submit a Supplier Bid Credit which would be passed through to the PIPP customers as a discount to the Expected Gas Cost. Duke reported that it received three bids: one each from BP Energy Co. and Total Gas & Power, both with a Supplier Bid Credit of -$0.021/Dkt, and the other from NJR Energy Services with a Supplier Bid Credit of -$0.0025/Dkt.

BHE Parent to Acquire MPS Parent

Emera and Maine & Maritimes Corporation announced an agreement under which Emera will purchase all outstanding shares of Maine & Maritimes common stock for $45 per share in cash (approximately $77 million), representing a 40 percent premium based on Maine & Maritimes' closing share price on March 11, 2010. Maine & Maritimes will become a wholly owned subsidiary of Emera under the transaction. Emera is the parent of Bangor Hydro-Electric, and Maine & Maritimes is the parent of Maine Public Service. "This merger is an important next step in Emera's strategy of growth and integration within the Northeast market, by geographically expanding our service territory in Maine to the New Brunswick market," said Emera CEO Chris Huskilson. Emera contemplates that both MPS and Bangor Hydro will continue to operate separately and serve their customers in their respective service territories. Approval from the Maine PUC and FERC is required.

Luminant, PUCT Staff File $25,000 LaaRs Settlement

PUCT Staff and Luminant filed a stipulation under which Luminant would pay an administrative penalty of $25,000 for failing to deploy any of its 46 MW of Load acting as Resource obligation within 10 minutes of ERCOT instruction during the February 26, 2008 frequency event. The amount of the penalty was determined after the PUCT ruled in response to a certified question that each megawatt of a shortfall cannot constitute its own violation with an associated penalty, and that the failure to meet ERCOT's instructed LaaRs deployment is a single violation, regardless of the megawatt shortfall (see Matters, 1/15/10).

FERC Approves $4 Million Capacity Release Settlement with Noble Energy

FERC approved a stipulation with Noble Energy, Inc. under which Noble will pay a civil penalty of $4 million and disgorge $160,000, plus interest, in profits to resolve alleged violations of the posting and bidding requirements for released capacity (33 Bcf), the shipper-must-have-title requirement (9.5 Bcf), and the Commission's prohibition against certain buy/sell transactions (0.6 Bcf).

Maryland Energy Marketers Coalition Urges Lawmakers to Expand Education Effort to Gas

In testifying in support of Maryland HB 1372, which would require various PSC and utility consumer education efforts relating to electric choice, the Maryland Energy Marketers Coalition said that the bill's, "approach makes so much sense that MEMC believes the legislation should also apply to the natural gas market, thereby expanding benefits to all ratepayers."

The National Energy Marketers Association, also testifying in support of HB 1372, sought to clarify that any offers to be included (to the extent practicable, per the bill) with the supplier list sent to customers should be "representative" offers, to facilitate consumer understanding that rates are subject to change due to market conditions and other factors.

The Retail Energy Supply Association reiterated its support for the bill (Matters, 2/19/10), and responded to criticisms levied by the PSC, as RESA again stressed that the proposed education requirements, "are by no means intended to substitute for individual competitive electric supplier marketing efforts in Maryland." The Commission has opposed the education measures as subsidization of retail suppliers.

RESA said, however, that the education efforts are needed so customers have a "trusted public service resource" to verify information on electric choice.

RESA further reiterated that funding would be accomplished through the Commission assessment, and not a direct customer surcharge. To the extent any Commission assessments are recoverable in rates, RESA said that the costs for creating and maintaining a modest customer choice education website and producing short public service announcements, "would be modest enough to cost ratepayers a grand total of a fraction of a penny on their bills."

NYSEG, RG&E Submit Block Bidding Implementation Plan

NYSEG and Rochester Gas & Electric have submitted an updated implementation plan for their energy efficiency Block Bidding Program under which competitive providers may bid via RFP to meet a block of the utilities' energy efficiency portfolio standard requirements (08-E-1129).

The Block Bidding Program, covering 2010-2012, is designed to create additional ways for customers to achieve electric and gas energy savings, and allow interested suppliers to offer energy efficiency reductions that would increase total electric and gas savings above the levels expected from the programs otherwise approved by the New York PSC for implementation prior to the Block Bidding solicitation. Specifically, the Block Bidding Program offers opportunities for ESCOs, performance contractors, management companies, and customers to submit proposals that show significant reductions in energy use and increase the efficiency of any electric end use in one or more commercial, municipal, or industrial facilities in either or both of the companies' service territories.

Third-party competitive providers and customers will submit bids in response to an RFP, and NYSEG and RG&E will execute service agreements with the successful bidders. The successful suppliers will be accountable for delivering the savings as bid.

The RFP will be a sealed-bid, pay-as-bid auction, and proposals must exceed a minimum bid size of 100 MWh and cannot exceed the targeted goal of 8,270 MWh for each company.

Notices of intent are due March 19, and bids are due April 26. The customer hosts or third-party suppliers must recruit their participating customers by the time their bids are proposed to NYSEG and RG&E.

All non-residential NYSEG and RG&E electric customers that pay the energy efficiency portfolio standard system benefit charge are eligible to participate in the Block Bidding Program as savings suppliers or as host customers for third party suppliers. Any electric end-uses, usage behaviors, or usage processes may be targeted by these proposals, unless specifically prohibited by the Commission. Examples of activities excluded from the Block Bidding program are demand response activities that produce reductions in electric peak loads but little energy savings; savings from residential customers; savings from new construction; savings from solar thermal or micro Combined Heat and Power; and any applications being considered under another NYSERDA, RG&E or NYSEG program.

New Brunswick Power Generation Seeks Additional Extension to File SIL Study

New Brunswick Power Generation Corporation requested an additional 90 days to respond to a January 15, 2010 FERC deficiency letter which found that New Brunswick Power Generation's justification for market-based rate authority in the Northern Maine Independent System Administrator region was "not in compliance with ... the requirements of Order No. 697."

Specifically, FERC's deficiency letter faulted New Brunswick Power Generation for not conducting a Simultaneous Transmission Import Limit (SIL) study to obtain values used in its Delivered Price Test (DPT), as instead New Brunswick Power Generation attempted to rely on values from regional reports (EL09-32). FERC directed New Brunswick Power Generation to file the requisite Simultaneous Transmission Import Limit study and revised Delivered Price Test within 30 days. New Brunswick Power Generation has already received a 30-day extension of the requirement, until March 18, 2010.

New Brunswick Power Generation now says more time is needed due to the ongoing prospect of its acquisition by Hydro-Quebec.

"It was the hope of the parties at that time to have a definitive agreement in place by March 2010. On February 26, 2010, however, the government of New Brunswick announced that its provincial legislature will begin debating the matter later this month, with the hope of completing the legislative process by mid-May 2010," New Brunswick Power Generation reported.

"NBP Generation's personnel have been deeply involved in due diligence and other activities related to this Hydro-Québec matter. It was NBP Generation's hope earlier this year that these burdens would lighten in time to provide a response to the January 15 Letter by the extended deadline of March 18, 2010. In view of the recent announcement of the New Brunswick government, however, it appears that the burdens on NBP Generation's personnel will continue for several months," New Brunswick Power Generation said.

"In addition, until it is determined whether the

HQ transaction will proceed (and in what form), it will remain unclear whether a response by NBP Generation to the January 15 Letter will serve any materially useful purpose. Indeed, it is possible that the HQ transaction will ultimately result in the termination or relinquishment of NBP Generation's market-based rate authority, in which case, NBP Generation respectfully submits, the need for the information requested in the January 15 Letter becomes moot," New Brunswick Power Generation added.

ABATE, Suppliers Urge Mich. PSC to Lift Restrictions on Customer Participation in RTOs

Additional "command and control" load management programs are not an acceptable course of action for Michigan given their inherently high costs, the Association of Businesses Advocating Tariff Equity said in comments to the Michigan PSC in a docket the Commission opened to inform its report to the legislature on load management (U-16198).

ABATE favors PSC action to lift all restrictions on voluntary participation in the demand response programs being developed by the Midwest ISO. Currently, wholesale market participation by non-load serving entities is prohibited until the Commission completes an investigation.

"Voluntary demand response programs could result in some savings for the system as a whole and for participating customers without any adverse impact on non-participating customers in the form of added surcharges to pay for the new program. ABATE supports these types of voluntary programs that provide a 'win-win' outcome for all parties," ABATE said.

"Direct participation in RTO DR programs offers a potentially valuable opportunity to Michigan electric customers with no obvious down side," Energy Michigan agreed.

Constellation NewEnergy reported that the financial rewards of customer participation in RTO markets can be significant. "In our experience, consumers can earn between $30,000 and up to $100,000 per MW/yr, depending on the wholesale market. This is very important, as Michigan businesses are in a global marketplace. Michigan employers are at a significant competitive disadvantage when they cannot avail themselves of the same cost cutting and revenue generating tools available to their competitors via demand response," Constellation said.

Constellation stressed that third-party aggregators of retail customers (ARCs) will likely play a large role in implementing demand response resources because of their ability to achieve economies of scale, implement new technology, and provide demand response services to customers that take retail electric service from multiple LSEs. "ARCs can also provide a competitive check on LSEs in the provision of demand response to customers," Constellation said. ARCs, Constellation noted, do not face a disincentive, as some LSEs do, in helping their customers to reduce their loads, due to the potential under-collection of transmission and distribution revenues.

"The best and most effective way in which the Commission can promote load management, actively pursue increasing public awareness of load management, engage in regional load management efforts and work with residential, commercial and industrial customers to reduce annual demand and conserve energy is by eliminating utility barriers to customer participation in RTO demand response programs, and allowing the competitive market to provide products and services that meet the needs for our changing economy and environment," Energy Michigan added.

Furthermore, Energy Michigan argued that lifting the 10% cap on retail choice would promote increased load management activity by stimulating competition for electric customers through the offering of competitive demand-side products. "If retail competition is increased, electric providers will increase product offerings such as DR [demand response] programs which provide value to the customer and an opportunity for profit to the provider. In a monopoly setting or with direct MISO level participation curtailed or prohibited, there is little incentive for an incumbent utility to offer innovative and cost effective DR options," Energy Michigan said.

Citing its substantial investments in its energy optimization programs to reduce the annual demand for energy, plus the potential for advanced metering to further promote conservation, Consumers Energy said further legislation or additional regulatory requirements to promote load management are not necessary. Detroit Edison said that it is waiting documentation to clarify the impact of wholesale market participation on retail customers before it can determine its support for such programs.

FERC Posts Draft Demand Response Action Plan

FERC posted for comment its Draft Report of the National Action Plan on Demand Response (AD09-10).

The plan calls for a federal agency to implement various grant and communications programs, assisted and informed by a coalition of stakeholders, composed of the federal, state, and local governments, utilities, load-serving entities and other demand response providers, RTOs/ISOs, commercial and industrial customers, consumer advocates, and interest groups.

Among other things, the federal agency would develop a web-based clearinghouse to serve as the centralized location for collecting all publicly available information on demand response, including regulatory documents, program reports, general demand response information, and communications material.

The federal agency would also, subject to funding, oversee a national demand response grant program. The purpose of the demand response grant program would be to fund the development, testing through pilots, implementation, and evaluation of demand response innovations. "Because innovations can emerge from a variety of sources, any legal entity, public or private, should be eligible to apply for a grant. The federal agency, with Coalition input, should oversee the grant review process, in alignment with the DOE programs already in existence, including recruiting qualified people to serve as reviewers," the draft plan states.

Other responsibilities of the federal agency would include administration of a communications program (tailored to local demand response programs), as well as providing technical assistance to states.

The draft reiterates an earlier finding in FERC's national assessment of demand response that in 35 of the 50 states (plus the District of Columbia), dynamic pricing currently has no impact on load. Either dynamic pricing rates are not being offered in those states or customer participation rates are too low to produce significant impacts. In 15 states, dynamic pricing is estimated to have an impact of 1 to 2 percent of peak demand; in one state, it has an impact of 3 percent. The National Assessment also found that, with greater inclusion of these price-based demand response programs in the mix of possible options, the total potential for demand response would be far greater. The total potential could range between 14 and 20 percent of peak demand, or 138,000 to 188,000 MW, depending on whether dynamic pricing was deployed on an opt-out basis or a universal basis.

IDT ... from 1

earnings call. As only reported in *Matters*, IDT has recently received Pennsylvania gas and electric licenses, and has pending Maryland gas and electric licenses (Only in Matters, 1/15/10).

Gross margin for IDT Energy increased to 26.9% for the quarter, from 24.3% a year ago. IDT reiterated that such gross margins are not likely sustainable for the long-term, though gross margin should remain above IDT's historical expectations of 10% to 12%.

Selling, general and administrative expenses for IDT Energy were lower at $4.5 million versus $5.8 million a year ago, primarily due to decreases in customer acquisition costs, compensation expenses, and Purchase of Receivables fees.

Revenue for the quarter was $60.7 million, versus $93.9 million a year ago.

PPL ... from 1

As of March 1, 2010, the only experienced data is for the single competitive bridge plan month of January 2010, following expiration of the generation rate cap. "Because many customer bills issued in January 2010 were prorated for usage which occurred in December 2009, or prior to implementation of the GSC, billed revenue under the GSC for January 2010 reflects only about half of the revenue that typically would be derived from a full, non-prorated billing month," PPL said. However, generation supply-related costs incurred for January 2010 reflect a full month of customer electricity usage.

"This difference between prorated billed revenue and actual incurred costs creates a significant undercollection for the month of January 2010," PPL said. Although proration of bills can always create some over/undercollections, a full year's reconciliation of revenues and costs will generally balance out, because the proration effects are reflected in the first and last months of each annual reconciliation, PPL added.

Furthermore, PPL Electric noted that the transition from a capped generation rate to a competitive market has created "temporary billing issues" that make uncertain the reliability of the booked January GSC revenues.

"Because of the many changes to PPL Electric's billing system that were required for the transition to competition, the substantial and rapid number of customers electing service from electric generation suppliers in January, and the increasing number of new suppliers whose rates had to be incorporated in consolidated bills, PPL Electric has experienced a number of billing errors in January, resulting in bills that were inaccurate or not rendered. These errors are being corrected; however, these revenue corrections will not appear on the Company's books until subsequent months," PPL said.