Energy Choice Matters

March 23, 2010

Commerce Energy Intends to Re-Enter Georgia Gas Market By End of the Year

Commerce Energy informed the Georgia PSC that it intends to re-enter the Georgia retail natural gas market by December 31, 2010.

Commerce, now owned by Just Energy, is in the process of updating its technical and financial information with the Commission Staff so that any prior restriction or suspension of Commerce's certificate can be lifted. Additionally, Commerce is implementing new billing and customer service systems which will require successful testing with Atlanta Gas Light prior to any marketing to customers in Georgia.

In November 2006, the Georgia PSC approved the sale and transfer of the majority of Commerce's 6,500 Georgia customers, including its entire residential book, to Georgia Natural Gas (SouthStar). At that time, Commerce said that the only Georgia accounts it would continue to serve would be those associated with its national account commercial and industrial customers. Accordingly, Commerce withdrew from the Georgia residential market, and ceased enrolling new commercial accounts except to continue serving its national account customers.

After Universal Energy's acquisition of Commerce Energy in December 2008, Universal elected to release the remaining Commerce customers from their contracts. As a result, the remainder of Commerce's customers in Georgia transferred to various competitors by the end of April 2009.

Review of Columbia Gas of Pa. POR Proposal Advances Without Hearing

The Pennsylvania PUC's review of Columbia Gas' proposed revisions to its purchase of receivables program is proceeding without hearings as parties reached a stipulation to enter pre-filed testimony into the record without the need for cross-examination or oral surrebuttal (P-2009-2099333).

Although negotiations continue, parties have not yet reached a settlement on the POR program, and are currently scheduled to file briefs consistent with the case's procedural schedule.

As only reported in *Matters*, Columbia's revised POR program would lower the discount rate to 2.25% (1.86% for uncollectibles plus a 0.39% adder to cover implementation costs which will eventually be eliminated) from the current 5.0% (Only in Matters, 4/6/09).

In testimony made part of the record under the stipulation, Columbia said that it is "surprised and dismayed" that the issue of whether Columbia may terminate service to a customer for nonpayment of supplier receivables, regardless of whether they are in excess of Supplier of Last Resort charges, continues to be the "fundamental issue" in the proceeding.

Columbia, along with suppliers, argue that termination for nonpayment of supplier receivables, regardless of their amount, is permissible per Pennsylvania regulations. The Office of Consumer Advocate argues that termination can only be performed for nonpayment of receivables equal to or less than the otherwise applicable SOLR charges. Service cannot be disconnected for nonpayment of charges in excess of the otherwise applicable SOLR charges, OCA contends.

Columbia said in testimony that, should the PUC adopt the OCA's position, and limit termination of customers to nonpayment of charges which are not in excess of the SOLR charges, it will

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Briefly:

Glacial Energy Receives California Electric License

Glacial Energy has received its California registration as an electric service provider, effective March 15. Glacial's entry into California was first reported by *Matters* (Only in Matters, 1/22/10).

Toronto Hydro Energy Services Seeks Ontario Electric Retailer Licence

Toronto Hydro Energy Services Inc. has applied to the Ontario Energy Board for an electricity retailer licence.

TXU Says Oncor In-Home Monitor Distribution Could Provide Lessons for REPs

Oncor's proposed plan to provide up to 500 customers with free in-home electric usage monitors, for customers with advanced meters, should produce important lessons in the interoperability of in-home devices and advanced meters, and such information should be shared with REPs, TXU Energy said in comments supporting Oncor's requested waivers of the Substantive Rules to effect the deployment (38036).

Oncor has proposed the distribution to build confidence in the accuracy of advanced meters

"Oncor's proposed plan to institute a limited deployment of up to 500 in-home monitors should enable the utility to better assess the interoperability of in-home devices with the advanced metering system it has thus deployed," TXU said. While certain devices have been certified to interface with certain utility networks and portals, "TXU Energy's experience indicates that much more testing and lab work must be conducted before devices can be deployed on a 'plug and play' basis."

Specifically, TXU said that the development and release of the Smart Meter Texas web portal requires additional refinement in order to make the provisioning of in-home devices cost-effective and scalable. "Accordingly, Oncor's limited in-home monitor deployment would be expected to produce information helpful to the competitive segment of the market. As REPs continue to develop energy efficiency and conservation products, information gleaned from Oncor's deployment of up to 500 in-home monitors should serve to resolve some of the connectivity and communication issues that must be overcome to facilitate the broad deployment of innovative service offerings by REPs," TXU said.

"TXU Energy expects important lessons to be learned as a result of this limited deployment and recommends that Oncor be required to share information learned during the deployment with REPs," TXU added.

TXU also requested that the Commission require Oncor to clarify whether and how the utility intends to recover the costs associated with the in-home deployments and free meter tests for customers with advanced meters, as it is unclear from Oncor's petition if Oncor intends to seek cost recovery.

In Oncor's second weekly report of 12 smart meters being tested side by side with mechanical meters in Temple, Oncor reported that eight of the advanced meters recorded slightly different cumulative usage than the mechanical meters. In five of the eight cases, the mechanical meter recorded a higher kilowatt-hour usage that the smart meter (in one case, by 5 kWh, in all other cases, by 1 kWh), while in three cases, the smart meter recorded higher consumption by 1 kWh.

CMP Interim Partial Payment Solution Resulted in Re-Allocation to T&D Charges

Central Maine Power's interim solution to properly allocate receivables between Standard Offer and Transmission & Distribution (T&D) charges has resulted in CMP allocating more receivables to T&D charges, rather than Standard Offer charges as expected, CMP said in a report to the Maine PUC (2008-351).

As only reported in *Matters*, the PUC directed CMP to implement billing system changes to ensure that the PUC's existing payment order hierarchy is followed. In cases of partial payments, the PUC requires that the oldest of T&D or Standard Offer charges be paid first, and that in cases of T&D and Standard Offer charges being the same vintage, then T&D charges shall be paid first. However, as CMP had a limited number of vintages in its payment system, charges past 90 days due were treated as the same age, meaning older Standard Offer charges were being supplanted in the payment order by newer T&D charges, since they were treated as being the same age (Only in Matters, 8/3/10).

CMP's interim solution relied on proration of the 90+ day arrearages to ensure that newer T&D charges did not completely supplant older Standard Offer charges. CMP's interim accounting methodology affected aggregate receivables balances only. Under the interim method, CMP recalculated the T&D and Standard Offer partial payments based on the relationship between the T&D delivery revenue and Standard Offer billing totals for each customer class. CMP then applied the recalculated partial payment amounts to the respective aggregate T&D delivery and Standard Offer accounts receivable balances. Individual customer balances, and consequently any account level write-offs, were unaffected by this realignment.

CMP anticipated that under the interim solution, it would reallocate partial payment monies from T&D charges to Standard Offer charges. However, the methodology resulted in CMP reallocating approximately $1.3 million in partial payments from Standard Offer charges to T&D charges for the period July 2009 through February 28, 2010.

"This outcome suggests that customers with 90-day or older balances had been able to reduce or eliminate the T&D portion of that balance such that, without the manual accounting adjustment, CMP would have applied the bulk of any partial payments to standard offer balances. Also, during this period, CMP saw a significant increase in charge-offs for finaled accounts. Many of these customers had high balances and poor payment histories. Removing these customers from the Company's billing system therefore left remaining customers with relatively better payment histories and account balances that are lower and more current," CMP said.

MPS Favors Competitive Option for Green Energy

Renewable energy should be a competitive electricity provider (CEP) option and not part of Maine's Standard Offer electric service, Maine Public Service said in comments to the Maine PUC (2010-46).

As only reported in *Matters*, the PUC has opened an inquiry into creating a green power option under the Standard Offer (Only in Matters, 2/10/10).

MPS said that the renewable option should not be part of the Standard Offer. Rather, MPS said that it, "could envision a process where the CEP[s] provide pass thru billing and they handle whatever pricing mechanism works and bill the customer directly."

However, if the Commission elects to create a green Standard Offer product, then it should be treated the same as the existing Standard Offer with the same rules, MPS said. Additionally, MPS said that allowing customers to switch back and forth on a monthly basis between the green Standard Offer and regular Standard Offer would be, "an administrative nightmare."

MPS also said that a utility bill check-box method for allowing enrollment onto the green option, whether a Standard Offer product or a competitive product, would be difficult to implement and require additional work during cash processing. MPS said that a bill insert solution may be feasible.

Regardless of whether the renewable option is a Standard Offer product or a competitive product, MPS said that there should not be any reduced bill insert charges for promoting the green option. MPS also raised concern about the frequency and size of green option bill inserts, and asked that they be kept at a manageable level given the large number of utility bill inserts that already exist.

Columbia ... from 1

withdraw its proposed revisions to its voluntary POR program and continue with its existing voluntary POR program, which does not terminate customers for nonpayment of purchased receivables and provides for Columbia to set the POR discount rate at its sole discretion.

OCA testified that a "vibrant" competitive market for residential customers has developed in New York, where termination is limited to nonpayment of charges which are not in excess of default service. Furthermore, OCA argued that Columbia, with its current POR discount rate of 5% with no termination, is second only to Peoples Natural Gas for the level of customer migration in Pennsylvania (which does not have a POR program). OCA noted that statewide residential gas migration is only 6.97%, but is 18% at Columbia and 28% at Peoples. Thus, OCA contended the proposed revisions to Columbia's POR program are not required to create a workably competitive market.

Citing the PUC's interim POR guidelines, Columbia argued that Commission has already considered the OCA's arguments concerning termination and concluded that, "natural gas supply service, whether it is purchased from an NGDC [natural gas distribution company] or an NGS [natural gas supplier], is a basic service, and that the charges for such service are basic service charges. For this reason, an NGDC may terminate service to a customer for non-payment of NGS supply charges."

While OCA noted that its termination protection is in place at Duquesne Light, Columbia countered that the Duquesne Light POR program resulted from a non-precedential, negotiated settlement. Since that time, Columbia noted that the PUC has approved termination of electric supplier receivables, regardless of whether they exceed default service charges, at PPL.

Moreover, Columbia said that the OCA's proposal to limit termination for nonpayment of charges not in excess of SOLR charges would be prohibitively costly to implement. "The cost of implementation is nearly impossible to determine due to the complexities associated with managing such a concept, given quarterly changes to the purchased gas cost rates, tracking of payments and customer movement from CHOICE to sales and vice versa. The situation would only be exacerbated in the event that monthly PGC changes are implemented, as has been suggested in the Commission's March 26, 2009 Order in Docket L-2008-2069114 in the SEARCH proceeding," Columbia noted.

Columbia said that it performed a rough analysis of the anticipated time associated with the required programming changes and believes that it would take a minimum of approximately 4,000 programming hours to implement the solution in a rudimentary fashion. "In all likelihood, it would probably take twice that time once the programming effort began and we start to determine how the changes ripple throughout the system. It is our experience that major changes to linear programming (i.e., processes that take place over time) also require substantial testing and validation due to the changes that occur in other parts of the system," Columbia said.

Columbia said that it would need to create extra data elements throughout the CHOICE Repository to store the "shadow bill" amounts, essentially duplicating the same 30, 60, 90, 120, and 180 arrears fields that the marketers have so Columbia could track the customer's balances in a linear manner over time as though the customer were using Columbia for their CHOICE service. It would also be necessary to update Columbia's billing and adjustments systems to post shadow bills to the repositories. In addition, Columbia would need to revise the "Cash" system to update the new shadow bill fields when posting the payment on the supplier balances. Significant changes to Columbia's credit and collection processes and information systems to take into account the shadow bill fields would be necessary as well. The supplier balances in excess of the termination amount would need to be removed right before charge off would occur, requiring more programming, Columbia reported. Columbia would further be required to develop and implement a reporting process to track and tally these amounts each month.

Columbia further said that it understands that Duquesne Light spent $1 million to implement billing system changes to provide that customers are not terminated for nonpayment of charges in excess of default service. "Columbia's cost could easily exceed that because Columbia's customer information system also provides billing services to four other states using many of the same programming code," Columbia said.

"Columbia does not have unlimited financial resources, and it is currently focused on making substantial and sustained investments in replacing large portions of its distribution system. It is not willing to divert those resources to an unnecessary major reprogramming of its billing system," required to implement the OCA's recommended termination provisions. Thus Columbia said that it would withdraw its revised POR plan if the Commission accepts OCA's position.

OCA cited several snapshot pricing comparisons in different jurisdictions, showing supplier rates in excess of the SOLR charge, as supporting why the termination protection is essential. Interstate Gas Supply, Shipley Energy Company, and Dominion Retail countered that many natural gas suppliers, in many locations, offer longer-term fixed price contracts to customers. "In many cases these contract prices can periodically exceed the default service rate. And in some rare cases, they could exceed default rates for extended periods. The obvious fact that [OCA] neglects, is that customers agree to these rates, and the rather obvious conclusion that customers apparently recognize a benefit in such contracts. The other rather obvious flaw in [OCA's] reasoning is the lack of evidence as to whether any customers actually signed up for any of the 'offers' that were the subject of the [OCA] analysis. Such information is critical and is not present," the suppliers said.

Columbia noted that both suppliers and Columbia are buying gas in the same marketplace. Consequently, if a supplier's prices are consistently substantially above or below Columbia's SOLR rate, that supplier will not be in business for a long time, Columbia said.

Moreover, "[b]y entering into a contract with an NGS, customers have voluntarily elected an unregulated price and, as a result, they have freely assumed the risk that the NGS prices may, at times, be above or below the effective regulated SOLR rate. Despite the fact that the customers voluntarily assumed both the potential benefits and risks of such contracts, [OCA's] proposal would effectively alter the nature of the contract and change the agreed-upon benefits and risks under the contract," Columbia testified.

Other Issues

Interstate Gas Supply, Shipley Energy Company, and Dominion Retail (NGS Parties), in a prehearing memo, noted that Columbia's pro forma tariffs included a provision which would require a supplier enrolling a customer telephonically to record the customer reciting their zip-plus-four zip code. The NGS parties noted that such a recitation is not currently required, nor was it addressed in Columbia's petition. Suppliers objected to the requirement as unsupported and burdensome. Columbia clarified in testimony that the inclusion of the zip-plus-four requirement in the tariff sheets was in error, and said that it does not intend for there to be any such requirement.

Under Columbia's voluntary POR proposal, it would retain the ability to withdraw the program if it is forced to further unbundle its rates beyond the current unbundling, which includes uncollectibles.

The Office of Small Business Advocate opposed any cessation of debate regarding future unbundling, as, "a POR program does not obviate the need for an NGDC to establish a cost-based gas supply charge that reflects all costs that are deemed appropriate by the regulator." Columbia may very well incur other costs related to its gas supply service that are not currently included in the gas supply charge (and are rather included in base rates), OSBA said.

The NGS Parties similarly urged the PUC to reject the provision that allows Columbia to terminate the POR program if Columbia is ordered to engage in further unbundling, stressing that suppliers need certainty that the POR program will continue in order to make investments in Columbia's service area.

Columbia noted that there are currently proposals that would unbundle costs such as the cost of gas supply acquisition. "As the SOLR, Columbia must stand ready to provide gas supply to CHOICE eligible customers, even if those customers chose service from an NGS. Unbundling in such instances would adversely affect Columbia's ability to recover its cost of service. Therefore, if unbundling proposals are going to continue to be made, Columbia must reserve the right to respond to such proposals, including the right to terminate its voluntary POR," Columbia said.

Columbia said that it too requires certainty, in the face of continued proposals for further unbundling. "Columbia is equally concerned with uncertainty in the CHOICE and POR areas. Columbia has volunteered to modify its POR program, to respond to marketer desires in that regard. However, Columbia is interested in seeing an end to ongoing debates about other possible costs to unbundle. If those debates on unbundling are going to be ongoing, the marketers must understand that Columbia will likewise consider that the issue of whether the voluntary POR will continue is also an open issue," Columbia said.

Columbia would only purchase receivables from basic supply service under its POR program. The Retail Energy Supply Association has argued that the purchased receivables should include carbon-neutral gas supply and related attributes. Columbia testified that under the Commission's Interim POR Guidelines, an LDC may only purchase receivables associated with natural gas supply service charges and no other services that may be provided by suppliers. "To the extent that a customer freely selects an NGS that provides a natural gas supply that is derived from carbon-neutral commodity products, such natural gas supply charges would be included under the proposed POR program. However, any receivables that are not associated with natural gas supply service charges would be excluded under the proposed POR program. Similarly, carbon offsets would not be included in the proposed POR program," Columbia said. The OCA opposes inclusion of carbon attributes in the purchased receivables.

RESA has also opposed Columbia's proposed all-in/all-out requirement for participation in POR. Columbia has cited the potential for cherry-picking good credit customers for dual billing, as well as logistical issues, in supporting its proposed all-in requirement. Columbia said that absent an all-in requirement, it would need to treat a supplier who had some customers single billed and other customers separately billed as two separate suppliers. "This would require duplication of administrative efforts including separate accounting for each NGS group, separate billings, separate reporting and separate record keeping," Columbia said.