Energy Choice Matters

April 6, 2010

FirstEnergy Solutions Offering Residential Product to Duke Ohio Electric Customers

FirstEnergy Solutions has launched a residential electric supply offer at Duke Energy Ohio available to the first 25,000 customers who enroll prior to June 30, 2010.

The product for residential RS customers runs through the December 2012 meter reading cycle, and provides a rate 10% off the price to compare for all months except the first and last month, in which the discount is 50% off the price to compare. The price to compare is based on usage, but is 9.69¢/kWh for all RS customers using less than 10,000 kWh annually. For RS customers using 10,000-14,999 kWh annually, the price to compare is 9.49¢ for electric heat customers and 9.86¢ for non-electric heat customers.

Duke's current electric security plan runs through December 2011.

FirstEnergy Solutions' residential product includes a $25 termination fee.

Additionally, FirstEnergy Solutions is offering a residential product at Ohio Edison, Toledo Edison, and Cleveland Electric Illuminating which is priced at 5% off the Standard Service Offer generation rate for the rest of 2010.

The Duke territory had been the only Ohio service area to see non-aggregation residential offers from an electric supplier. Previously, Dominion Retail had been offering Duke residential customers a fixed rate of 6.55¢ through December 2011, though the most recent offering of the rate was limited to 25,000 customers enrolling through March 12, and the product is no longer available through Dominion Retail's website.

Ga. PSC Approves Waiver Allowing SouthStar to Offer Prepaid Product

The Georgia PSC granted the petition of SouthStar Energy Services (Georgia Natural Gas) for a waiver of Commission Rule 515-3-3-.01(e), relating to service disconnections, to facilitate the offering a prepaid natural gas product. The PSC approved the waiver request in March but did not publish a written order until April 2.

As proposed, SouthStar's prepay program will initially be offered to new customers only, due to required changes in its backoffice systems to offer prepaid service to existing customers. SouthStar intends to have these needed upgrades completed later in 2010 so that it can offer its prepaid product to existing customers. All new customers will be eligible for prepaid service, except for customers who refuse a credit check or who have three or more shut-offs for nonpayment with SouthStar.

Customers will be required to pay the first month's estimate prior to establishing service with SouthStar. The estimate will be based on the premises' historical consumption, Dedicated Design Day Consumption Factor, customer service charge, and any applicable service establishment charges. Once service is established, customers will be billed based on Atlanta Gas Light's meter reading schedule.

In addition, the prepay bills will contain an estimated prepaid amount for the upcoming months' service. Prepay customers will have 20 days from the date the bill is mailed to pay their pre-pay

Continued P. 6

Md. Staff Recommends Approving BGE Electric POR Plan with Lower Discount Rates

Maryland PSC Staff have recommended adjusting downward Baltimore Gas & Electric's proposed electric purchase of receivables discount rates to reflect adjustments related to late fee revenues offsetting uncollectible costs, the class allocations of POR implementation costs, and updated choice enrollments. The Commission is to address BGE's electric POR compliance plan at its April 7 meeting.

Staff's resulting discount rates are 0.5055% for residential customers, 0.3570% for SOS Type I-eligible customers, 0.2116% for SOS Type II-eligible customers, and 0.0460% for Hourly Service customers. With these adjustments, Staff recommended acceptance of the BGE POR plan.

Staff's proposed discount rates compare to BGE's latest proposal of 1.39% for residential customers, 1.27% for Type I customers, 0.68% for Type II customers, and 0.24% for Hourly Service customers.

That National Energy Marketers Association called Staff's changes to BGE's proposal generally consistent with its vision for a cost-based discount rate construct, and supported approval of Staff's recommendations by the Commission.

NEM continued to recommend, however, that BGE purchase suppliers' outstanding receivables as part of its POR program in order to provide a smoother transition to the POR program. "This measure would help minimize potential consumer confusion that the transitional multiple billing process could entail," NEM said.

Alternatively, NEM suggested that, at a minimum, a consumer education campaign should explain the multiple billing scenario which will arise if BGE does not purchase outstanding receivables, and how consumer billing and the billing format will change following adoption of the POR program. "It is critical at this stage of development of Maryland's retail choice program that consumers be informed about impending changes in industry practices to set accurate expectations and minimize confusion," NEM said.

Energy Plus Holdings LLC, Gateway Energy Services Corporation, Interstate Gas Supply, and Maryland Gas & Electric, Inc. also submitted comments in support of Staff's revisions to BGE's program. The Staff's discount rate, "will enable BGE to recover fully the costs of its POR program while it opens the door to active competition immediately among suppliers licensed to operate in the State," the Maryland energy marketers said.

Addressing BGE's proposed discount rates, Washington Gas Energy Services called the rates "unreasonably high" and said that they, "will not result in a workable POR program meant to accomplish the Commission's policy objective of encouraging the entry of retail suppliers, thus enhancing the supply options available to customers."

"Poorly designed programs will defeat this purpose, and may even push existing suppliers out of the market, causing Maryland consumers to be denied the opportunity to save money. While it is important to get POR in place as quickly as possible, WGES believes it is more important that the programs be designed to achieve the critical goal of increasing supplier participation and the offers available to customers. To do otherwise would create a situation that is even worse than what exists today and perhaps cause suppliers to make investments in other jurisdictions," WGES said.

WGES stressed the contrast between PPL and the Maryland utilities, both of which are in PJM and use laddered, full requirements SOS procurements. However, PPL has seen residential migration near 30% in just a single quarter since the end of rate caps, while Maryland residential migration is a mere 5% after five or more years of market-based rates. With POR being the key difference between the markets, WGES estimated that retail choice has so far resulted in a savings of $34 million at PPL (assuming an average residential annual usage of 11,000 kWh and 10% off the 10.45¢ price to compare).

As to the specifics of BGE's proposal, WGES called BGE's risk factor "arbitrary and unsubstantiated," and argued that BGE is compensated for the stated risk of cash flow timing through other mechanisms (such as the assessment of late payment fees). WGES also questioned BGE's contention that the percent of supplier revenues that ultimately is uncollectible could be greater than BGE's and the combined supplier-BGE uncollectible rate. Suppliers are currently at a collections disadvantage to BGE because of their inability to disconnect the customer from service, WGES said.

WGES further said that it is "very concerned" that the proposed discount rates outlined in BGE's compliance filing do not, at least in the short-term, reflect the true costs associated with collections for bad debt. "For example, the Hourly-Service discount rate is almost double the underlying bad debt rate," WGES said.

"WGES also understands that development costs incurred in adding POR functionality to BGE's existing systems must be recovered. WGES is very concerned that the allocation of these costs uniformly over the revenue of shopping customers pushes the discount rate for commercial customers to a level that is unacceptable to these customers, forcing them to ask suppliers to dual bill them," WGES added.

TXU Offering New Texas Wind Plans, Launches New Logo

TXU Energy has launched several new 100% Texas wind plans as part of a new branding campaign that includes a new logo.

At Oncor, TXU's 100% Texas wind product is priced at 12.0¢/kWh fixed for 14 months, 12.4¢ fixed for 12 months, and 12.6¢ fixed for 24 months. Also at Oncor, StarTex Power is offering a 100% Texas wind plan for a fixed rate of 10.0¢ for 12 months, and Direct Energy is offering a 100% Texas wind plan at 11.3¢ for 12 months. Reliant Energy is offering a 100% Texas wind plan at a monthly variable rate which is currently 12.4¢, or at a fixed rate of 13.7¢ for 12 months (the latter offer is not on Power to Choose but is on Reliant's website).

TXU's new "Texas Choice" suite of products also provides customers with the opportunity to receive three percent cash back on their annual electricity purchases in the form of a Visa prepaid card. TXU said that it is the only electricity provider that offers cash back loyalty rewards based on customers' annual electricity purchases.

TXU will support its new brand positioning through an integrated marketing campaign, which includes a mix of television, radio, print, online and outdoor advertising across the state.

TXU has also updated its residential referral program which provides customers with $50 in bill credits per referral completed through TXU's online program (up to $599 annually).

Calif. PUC Draft Would Clarify CCA Cost Responsibility Surcharge Issues

The California PUC has issued a comment resolution which would address several issues related to the Community Choice Aggregation (CCA) Cost Responsibility Surcharge (CRS) and the utilities' tariff filings to implement various decisions related to the CRS. The CRS includes several nonbypassable fees for which departing load remains responsible.

Specifically, the draft resolution would direct Pacific Gas & Electric and Southern California Edison to make various changes in their advice letter filings implementing their CRS tariff, while the resolution would approve San Diego Gas & Electric's Advice Letter (AL) 1881-E.

PG&E would be required to modify its CCA CRS tariff to incorporate the vintaging methods adopted since it filed AL 3002-E, including new generation charges, the treatment of negative indifference amounts, and the criteria used to assign a vintage year. The inclusion of such information in the tariff will provide potential CCAs with a realistic understanding of the actual CCA CRS prior to their formal commitment to provide CCA service, the draft resolution said.

Furthermore, the draft directs PG&E to adopt SCE's tariff language regarding vintaging. SCE had proposed the following CCA CRS vintaging cycle via AL 2109-E-A:

"A CCA CRS vintage is determined based on when the CCA commits to begin providing CCA service to customers. CCAs may formally commit to begin providing generation service to a group of customers by:

(1) Entering into a Binding Notice of Intent (BNI) with a utility during each utility's Open Season process, as described in Rule 23.2 for PG&E and SCE; and Rule 27.2 for SDG&E;

(2) Through a mutually agreed upon binding commitment date, set outside of the Open Season process;

(3) Initiating service to CCA customers (i.e. "cut-over" customers to CCA service)."

Furthermore, the comment resolution directs the utilities to clearly state in their respective CCA tariffs that their CCA CRS includes: the Department of Water Resources Bond Charge, the Power Charge Indifference Adjustment, and the ongoing Competition Transition Charge, plus the Energy Cost Recovery Charge for PG&E. The Power Charge Indifference Adjustment (PCIA) shall vary by customer class in the same proportion as the ongoing Competition Transition Charge for CCA customers.

PJM Submits Tariff Changes to Clarify Non-Pool Nature of Non-Energy Bilateral Transactions

PJM submitted a series of tariff revisions at FERC to clarify that bilateral transactions regarding ancillary services (Regulation, Synchronized Reserve, and Day-ahead Scheduling Reserves), Financial Transmission Rights, Auction Revenue Rights, and capacity in the Reliability Pricing Model are non-pool transactions, in order to reduce credit risk exposure to PJM members.

The tariff revisions clarify that in such bilateral transactions, the parties to the transactions are entirely responsible for performance of the bilaterals; the transactions do not expose the PJM pool to the risks of defaults; and PJM will not mutualize such defaults among the PJM members. The use of the PJM scheduling tools does not effect a novation or any sort of "sleeving" of the transaction to the PJM pool, PJM said.

The clarifications will also enable market participants, particularly affiliated companies, to employ PJM's eTools to effect a bilateral matching of what was previously one participant's purchase from the PJM pool and a separate participant's sale into the PJM pool. "By matching the purchase and sale bilaterally, market participants can elect to manage themselves the credit exposure created, in particular, by the purchase, and avoid the financial security collateral that would otherwise be required by PJM to secure the exposure resulting from the purchase out of the pool. These changes, accordingly, represent an opportunity for market participants to reduce credit costs and permit them greater efficiency in deploying capital to support their transaction activity," PJM said.

Briefly:

Pocket Communications Founder Involved in New Texas REP

Endless Power, LLC applied for a REP certificate at the PUCT, seeking to use the trade name Monongahela Communications LLC. Two of Endless Power's principals, Enda Flynn and Morris Miller, are managing directors at technology and management consultant Connell Curtis Group. A third principal, Paul Posner, is founder and CEO of Pocket Communications, a Texas-based cellular services provider specializing in pay-as-you-go plans. As of 2009, Pocket Communications had 300,000 subscribers in South Texas and New England, and more than 120 company-owned stores, plus retail distribution at over 40 H.E.B. locations and more than 250 independent dealers. Endless Power said Dale Saladino, a 25-year energy industry veteran, would meet the requirement for prior retail electric experience. Endless Power did not provide information in its application confirming whether this individual is the same Dale Saladino who has had previous stints as a consultant with QSE Services, ERCOT, Central Power & Light and CSW Energy Services. ePsolutions will provide various backoffice services and transaction management.

Start-up Choice Energy, LLC Seeks Conn. License

Start-up Choice Energy, LLC applied for a Connecticut electric supplier license to serve all customer classes. Managing Partner Michael Needham was most recently Vice President of Direct Sales at American Enterprise, a national network of 20,000 agents representing American Republic and World Insurance. Needham was previously in sales at MCI

Communications. Managing Partner Brent Hood has a background in business development and sales in various IT and telecomm companies, including a competitive local exchange carrier. Hood also worked in sales at MCI. Energy Services Group will handle EDI transactions for Choice Energy, LLC.

Eric Alam Rejoins Skipping Stone as Principal

Skipping Stone formally announced yesterday that Eric Alam, an early founder of the consulting firm, has rejoined the company. Alam will be leading the Houston office as a Principal and will focus on client growth across Skipping Stone's practice areas that include natural gas, power, renewables, demand response, energy technologies, and sustainability. Alam, a 25-year energy industry veteran, spent the last five years as Executive Vice President of Sales and Operations for World Energy, and Senior Vice President at Commerce Energy. Alam has held leadership roles with EnTrade (Tenneco), Enron, and PennUnion (Pennzoil).

Utility Exchange Receives Conn. Aggregator License

The Connecticut DPUC granted Utility Exchange, LLC an electric aggregator certificate to serve residential, commercial and industrial customers (Only in Matters, 1/6/10).

Texas ALJ Issues Briefing Order on Uniform Commercial Code

A Texas ALJ has issued a briefing order regarding the PUCT's authority over provisions of the Uniform Commercial Code incorporated into REP contracts. Consistent with the Commission's direction at last week's open meeting (see Matters, 4/2/10), an ALJ directed parties to brief the question: "Does the Commission have jurisdiction to grant a remedy where a REP incorporates provisions of the Uniform Commercial Code into its terms of service?" The order came in a complaint against Gexa Energy concerning rate changes in its variable rate contract (37569)

Maine PUC Approves PP&U Request to Relinquish Small Volume Eligibility

The Maine PUC granted Public Power & Utility's request to relinquish its authority to sell to residential and small commercial customers as a competitive electricity provider (Only in Matters, 4/1/10). Public Power & Utility retains the authority to market to medium and large non-residential customers.

Entergy to Unwind Infrastructure Created for Nuclear Spin-off

Entergy announced yesterday that it will unwind the business infrastructure associated with its proposed separate non-utility nuclear generation and nuclear services companies, "while it evaluates and works to preserve its legal rights." Entergy made the decision to unwind the internal organizations created for Enexus Energy Corporation and EquaGen LLC to eliminate dis-synergies related to the spin-off and redirect its efforts into other strategies as soon as possible in 2010, given the potential for the legal process to continue for an extended period. The New York PSC recently denied the spin-off of the nuclear units into a merchant company. "While we do not have an order from the New York State Public Service Commission, we believe there are serious questions with regard to the basis for the Commission's March 25th decision to reject the spin-off transaction given the dialogue at the Commission's meetings over the last few months and will preserve all of our legal rights. That being said, we will leave that to the attorneys to figure out. We are moving forward on the business side to create and capture value unrealized today," said Entergy CEO J. Wayne Leonard.

IDT Regains Full Compliance with NYSE Listing Criteria

IDT Corporation, parent of IDT Energy, said yesterday that it has regained full compliance with the New York Stock Exchange's quantitative continued listing standards as a result of its, "consistent positive performance with respect to the original business plan submission and the achievement of compliance with the NYSE's $100 million market capitalization requirement at the end of its business plan period on March 30, 2010." As of March 30, 2010, the final day of the compliance period, IDT's market capitalization was $140.9 million, and its 30 trading day trailing average market capitalization through and including March 30 was $120.8 million. Previously, on April 9, 2009, IDT was notified by the NYSE that it had regained compliance with the NYSE's minimum share price continuing listing standard.

New Brunswick Power Generation Submits Updated Delivered Price Test

New Brunswick Power Generation Corporation submitted an updated delivered price test in connection with its application for FERC marketed-based rate authority for the Northern Maine Independent System Administrator area, contending that the updated results show that NBP Generation's indicated market share exceeds 20 percent only in the Winter Off-Peak period (23.4%) and, in this period, NBP Generation is not pivotal and the market concentration is less than 2,500 points (under the Hirschman-Herfindahl Index). Accordingly, NBP Generation said that it meets FERC's horizontal market power tests for market-based rate authority in the New Brunswick System Operator market (EL09-32). While FERC had requested a Simultaneous Import Limit study, NBP Generation used simultaneous Total Transfer Capability values in lieu of SILs, which NBP Generation said is permitted per Order 697.

Calpine to Sell Two Colorado Units to Xcel

Calpine will sell two gas-fired units near Denver to Xcel Energy's Public Service Company of Colorado utility for $739 million. The plants currently provide power to Xcel under PPAs. Included in the sale are the 621-MW combined-cycle Rocky Mountain Energy Center and the 310-MW simple-cycle Blue Spruce Energy Center.

SouthStar ... from 1

amount prior to disconnection of service. The customer will be available for disconnection if the bill is not paid within 25 days from the date the bill is mailed. As required by Commission Rule 515-3-3-.02(B), each prepay bill will contain the required Disconnection Notice.

SouthStar will make available at least one reasonable payment arrangement in writing before service is disconnected. The payment arrangement requires 75 percent of the unpaid balance up front and the remainder over the next 10 days.

After 12 consecutive months of timely payment history, customers on SouthStar's prepay plan may switch to another price plan for which they are eligible.