Energy Choice Matters

April 8, 2010

Md. OPC Urges PSC to Review Entire SOS Admin Charge in Pepco CWC Request

The Maryland Office of People's Counsel has requested that the PSC investigate the entirety of the SOS Administrative Charge at Pepco and Delmarva in response to the utilities' request to raise the amount of cash working capital recovered related to SOS, as OPC said that the current Administrative Charge allows the utilities to recover costs above their verifiable, prudently incurred costs, and allows them to earn "excessive" returns (Case 9226).

As only reported in *Matters*, Pepco and Delmarva sought to increase their recovery of cash working capital (CWC) costs due to the implementation of weekly billing in PJM, as well as the general increase in electric prices since the SOS settlements established the Administrative Charge in Case 8908 (Only in Matters, 3/10/10).

OPC noted that since the settlements in Case 8908 appear to have expired, the Commission must not limit its review of SOS administrative costs to cash working capital. With the exception of uncollectible costs, the rates that make up the Administrative Charge have not been reviewed since 2003, OPC said.

The Administrative Charge, in the amount of 4 mils/kWh, is comprised of four components: a rate of return component of 1.5 mils, an incremental costs component of 0.5 mils, and a SOS uncollectibles component and Administrative Adjustment component, which are both covered by the remaining balance of 2 mils. According to OPC, the Administrative Adjustment is collected from

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Md. PSC Again Takes No Action on BGE Electric POR

The Maryland PSC again took BGE's electric purchase of receivables compliance filing under advisement yesterday with no immediate ruling, as Staff requested additional time to address BGE's opposition to Staff's proposed cash working capital adjustment in the discount rate, and receive additional information from BGE on this issue (see Matters, 4/7/10).

A May 1 start date for POR, as recommended by Staff in advance of today's administrative meeting, is now essentially unfeasible, and the earliest POR may now be implemented would be, optimistically, June 1.

Much of the discussion at the administrative meeting centered on BGE's and Staff's differences regarding cash working capital and whether the discount rate should be reduced to reflect, in Staff's view, BGE's negative cash working capital for POR, as well as appropriate offsets to the discount rate due to late fee revenues collected by BGE.

Additionally, the Commission also addressed the issue of collecting outstanding supplier receivables that will not be purchased by BGE at the start of POR. Several suppliers have asked that BGE purchase such outstanding receivables, but BGE said during the meeting that such a policy change would require four to five months of additional billing system work to implement. In lieu of purchasing such outstanding receivables, the Commission discussed where these outstanding receivables will fall in the payment processing order, and whether any changes should be required.

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United Illuminating Reports March Migration Data

Supplier Accounts as of 3/31/10	March '10 Residential	March '10 Business	March '10 Total	% of Migrated Customers	Change vs. Feb. '10 Total
Clearview Electric	2,743	34	2,777	3.3%	210
ConEdison Solutions	4,411	1,127	5,538	6.6%	(44)
Constellation NewEnergy	407	2,978	3,385	4.0%	9
Direct Energy Business	12	798	810	1.0%	(3)
Direct Energy Services	17,557	2,775	20,332	24.2%	(1,372)
Discount Power	1,241	252	1,493	1.8%	694
Dominion Retail	14,508	1,299	15,807	18.8%	(222)
Energy Plus Holdings LLC	4,019	533	4,552	5.4%	915
Gexa Energy	281	268	549	0.7%	4
Glacial Energy	65	350	415	0.5%	(20)
Hess Corporation	53	521	574	0.7%	57
Integrys Energy Services	8	1,551	1,559	1.9%	(3)
Liberty Power Delaware		50	50	0.1%	0
MXenergy	6,460	553	7,013	8.4%	1,901
North American Power and Gas	185	37	222	0.3%	222
Public Power & Utility	7,416	1,305	8,721	10.4%	1,297
ResCom Energy	1,393	285	1,678	0	838
Sempra Energy Solutions	31	702	733	0.9%	4
Starion Energy	79	38	117	0.1%	117
Suez Energy Resources NA	3	246	249	0.3%	48
TransCanada	8	471	479	0.6%	0
Verde Energy	3,216	88	3,304	3.9%	781
Viridian Energy	3,232	372	3,604	4.3%	255
Total All Suppliers	**67,328**	**16,633**	**83,961**	100.0%	5,688

Aggregate Data

Customer Load - Suppliers and UI (MWh)

	Residential - SS		Business - SS		Business - LRS		Total UI Territory	
	MWh	% of Class	MWh	% of Class	MWh	% of Class	MWh	% of Total
Suppliers	42,181	25.0%	115,935	67.4%	111,912	93.0%	270,028	58.6%
UI	126,436	75.0%	56,080	32.6%	8,392	7.0%	190,908	41.4%
Total	168,617		172,015		120,304		460,936	

Customer Count - Suppliers and UI

	Residential - SS		Business - SS		Business - LRS		Total UI Territory	
	Customers	% of Class	Customers	% of Class	Customers	% of Class	Customers	% of Total
Suppliers	67,328	23.2%	16,391	43%	242	90.3%	83,961	25.6%
UI	223,003	76.8%	21,549	57%	26	9.7%	244,578	74.4%
Total	290,331		37,940		268		328,539	

LRS = Last Resort Service; SS = Standard Service

Data as reported by UI

Positive Energy Says It Is Providing Marketing Services to Suppliers

Aggregator Positive Energy Electricity Supply, "also provides marketing services in Connecticut for Electric Suppliers," in addition to its licensed electric aggregator business, Positive Energy said in reply to a Connecticut DPUC interrogatory.

"In its electricity marketing business, Positive Energy solicits customers on behalf of Licensed Suppliers, the enrollment of such customers being conditioned on the applicable Licensed Supplier enrolling the customer," Positive Energy said.

Positive Energy did not address in its response how this activity squares with the Department's prior finding, regarding Levco Tech (06-08-03), that, "an aggregator is an agent for the customer that it represents in negotiations with an electric supplier" (see Matters, 12/4/08). In March 2009 in Docket 99-09-21RE01, the DPUC further clarified that, "as evident by the express language of this statute, electric aggregators must negotiate prices of electric generation services with the electric suppliers on the customers' behalf. Thus, electric aggregators must act as the customers' agents. As customers' agents, aggregators may not simultaneously be agents or representatives for electric suppliers" (Only in Matters, 3/12/09).

Positive Energy's response was in reply to an interrogatory regarding its relationship with Freedom Choice Energy, LLC, which is seeking an aggregation license (Only in Matters, 3/31/10). Positive Energy said that, effective January 29, 2010, Positive Energy engaged Freedom Choice Energy, LLC as an exclusive agent for Positive Energy's electric marketing business.

"The arrangement provided for Freedom Choice to act on behalf of Positive Energy solely as an independent contractor. Positive Energy supplied to Freedom Energy a supply of Positive Energy enrollment forms together with regular, current price information with respect to electricity being offered by the applicable Licensed Supplier through Positive Energy. Also, prior to the engagement, Positive Energy provided Freedom Choice personnel with instruction concerning the customer enrollment process. Freedom Choice was instructed that it did not have authority to identify itself as Positive Energy but could inform customers that Freedom Choice 'represented' Positive Energy," Positive Energy said. This arrangement means that some customers went through two, differently named, agents prior to transacting with their competitive load serving entity.

Under the arrangement, Freedom Choice earns a sales commission: (a) in a fixed amount when Positive Energy receives confirmation that the customer has been accepted and scheduled by the Licensed Supplier; and (b) on a kWh basis when payment is received on an ongoing basis by Positive Energy from the applicable Licensed Supplier.

According to Positive Energy, Freedom Choice determined that it would solicit customers both through face-to-face meetings and through the use of a call center for telephone solicitations. "During March 2010, Positive Energy became aware that there had arisen a significant number of customer complaints concerning Freedom Choice's operations, particularly with respect to the call center operations. On March 24, 2010, Positive Energy informed Freedom Choice that Positive Energy would not accept for forwarding to a Licensed Supplier any customer application that was not the result of a face-to-face meeting, with a hard-copy enrollment form," Positive Energy said. Positive Energy said that it has not accepted for forwarding any call center originated enrollments from Freedom Choice since that time.

Few Cites Surge Protection as New Service Offering from Reliant

Reliant Energy President Jason Few affirmed Reliant's previously provided outlook during a Bank of America Merrill Lynch conference yesterday.

Few reiterated that Reliant is targeting 2% annual organic growth in residential customer count and volumes, equivalent to about 1.5 TWh annually. Additionally, as Few said at NRG Energy's November investor day, Reliant will explore opportunistic business acquisitions (Matters, 11/23/09).

Reliant affirmed that it expects to extend the lifetime value of a customer through smart meter innovation, projecting a 20% increase in tenure through smart offerings.

Few further reiterated Reliant's strategy of entering "adjacent spaces" to the electric commodity to increase customer stickiness, specifically citing surge protection services during his remarks. Such new revenue sources from home service bundling, electric vehicle ecosystem infrastructure, and service bundling is seen as contributing a potential $6.5 million to $65 million in annual gross margin.

Reliant's long-term target for rebuilding its commercial and industrial portfolio remains approximately 35 TWh, and Few reiterated Reliant's new ability, under NRG, to engage in joint ventures with large customers (such as distributed generation and cogeneration).

Beyond 2010, Few provided Reliant's base case as 55 TWh in volumes annually, with unit margins of $15/MWh, gross margin of $800 million, and EBITDA of $300 million. In that projection, Reliant assumes 1.5 million mass market customers (20 million MWh), of which half are month to month and half are on a 12-month fixed rate. The projection also assumes 30-35 million MWh of commercial and industrial sales, from 66,000 meters.

Few presented Reliant as having a market-leading 26% market share in ERCOT on a combined residential and commercial/industrial basis, versus 21% for TXU Energy, 10% for Direct Energy, 9% for GDF Suez Energy Resources North America, and 4% for Constellation NewEnergy.

Briefly:

Dominion Retail Updates Duke Ohio Electric Offer

Dominion Retail has updated its residential (RS) offer at Duke Energy Ohio, and is now offering a fixed price of 5.99¢/kWh through the December 2011 meter read date. The rate is 37% lower than Duke's price to compare of 9.61¢/kWh (for certain customers; the price to compare varies by usage). Dominion Retail's offer ends May 21, 2010 and is limited to the first 15,000 customers who enroll. FirstEnergy Solutions earlier this week launched a residential offer 10% off the price to compare for all months through December 2012, except the first and last month, in which the discount is 50% off the price to compare (Matters, 4/6/10).

U.S. Gas & Electric Receives Maryland Gas License

The Maryland PSC granted U.S. Gas & Electric (d/b/a Maryland Gas & Electric) a natural gas supplier license to serve all customer classes at Baltimore Gas & Electric (Only in Matters, 10/27/10).

Eisenbach Consulting Seeks Ohio Broker License

Eisenbach Consulting, LLC applied for an Ohio electric broker/aggregator license to serve all customer classes in all service areas.

Genesis Energy International Seeks Ohio Broker License

Genesis Energy International LLC applied for an Ohio electric broker/aggregator license to serve commercial and industrial customers in all service areas. In addition to brokering, Genesis Energy International focuses on energy efficiency services including lighting retrofits and HVAC upgrades.

DPUC Will Not Re-open Liberty License Docket

The Connecticut DPUC voted not to re-open Liberty Power Holdings LLC's licensing docket after Liberty filed an updated bond in the amount of $250,000 and is now in compliance with applicable security requirements (see Matters, 3/29/10).

Survey Says Customers Unaware of Rate Cap Rolloff at Remaining Pa. Utilities

A survey conducted by market research firm TRC of electric customers at Met-Ed, PECO, Penelec and West Penn Power (Allegheny) found that 40% of customers in these markets say they have not seen, heard, or read anything about rate caps expiring on January 1, 2011. According to TRC, some 75% of customers say that they have not received any information specific to the rate cap issue from their utility provider. "Among those that do remember receiving information about this issue, only one-third think it was helpful, provided tips for saving energy, was easy to understand, or showed that the utility is looking out for its customers," TRC said. TRC's survey included 1,208 electricity consumers, with approximately 300 per each utility provider.

Maine Issues Draft Contracts for Community Energy Projects

The Maine PUC issued for comment in Docket 2010-118 draft standard contracts -- one for projects less than 1 MW and another for projects 1 MW and larger -- to be used by renewable generators developed under the Community-based Renewable Energy Pilot Program. The program allows a qualified generator to enter into a long-term contract for the output of the facility with a transmission and distribution utility, or to select a renewable energy credit multiplier.

PECO Announces Third Default Service Procurement

PECO announced the start of its third procurement for default service supplies for the period beginning January 1, 2011. PECO seeks to purchase full-requirements supply for residential and all categories of commercial and industrial customers, as well as winter peak and one, two and five-year length base-load block energy supply for residential customers. Final bids for the current solicitation are due May 24 (www.pecoprocurement.com).

Pepco ... *from 1*

SOS customers, and such money is then paid out to all distribution customers in the rate class.

"This accomplishes a transfer of money from SOS customers to customers who have switched suppliers. The level of the transfer depends on the amount of the cost of uncollectibles and the percentage of customers that have switched from SOS to third party suppliers," OPC said.

OPC, "submits that the Administrative Adjustment, and the transfer of funds from SOS customers to customers who have switched suppliers associated with the collection and return of the Administrative Adjustment, is inequitable to SOS customers. This mechanism is not mandated by the PUC Article; it is a creation of the Settlement Agreement and the Commission order adopting that agreement. This provision should also be reviewed to determine if it is justified."

Give the passage of time, and actual experience with conducting SOS procurements, all components in the Administrative Charge should be examined, OPC said, adding that the utilities, "should not be permitted to 'cherry pick' those components, or portions of components, which are subject to review and examination."

"Consideration of [a] single element alone, without a contemporaneous examination of all of the underlying components of the Administrative Charge - including the Companies' incremental costs in providing SOS, the Administrative Adjustment, a determination of the required rate of return, and a determination of the effect of any modification to the Companies' recoveries of CWC revenue requirements on their respective rates of return - may result in a distortion of the impact of the Companies' request on the SOS rates," OPC added.

OPC said that its preliminary analysis shows that the 0.5 mil/kWh charge on residential customers for incremental costs to provide SOS results in Pepco collecting approximately $2.7 million from its residential customers per year. According to Pepco's incremental cost report filed with the Commission on September 1, 2009, in Case 8908, OPC said that Pepco's incremental cost for providing SOS for all customer classes was $1.4 million.

Similarly, OPC said that Delmarva's collection for incremental costs is approximately $1.1 million per year from residential customers while its actual incremental costs, according to its filing with the Commission on September 1, 2009 in Case 8908, is $0.8 million for all customer classes.

Furthermore, OPC said that the current return component in SOS rates, 1.5 mils/kWh, results in Pepco collecting approximately $8 million per year and Delmarva collecting approximately $3.2 million per year from their residential customers. "Given the experience that has been gained in providing SOS, the level of direction and review of the procurement process provided by the Commission, and the fact that the utilities pass through all wholesale power costs to customers, OPC submits that these levels of return are excessive and should be reviewed," OPC said.

BGE POR ... *from 1*

Additionally, suppliers suggested that, at the very least, BGE could include any outstanding amounts on the utility consolidated bill (rather than reverting to dual billing by the supplier), even if the amounts are not purchased by BGE, to reduce customer confusion resulting from two bills. BGE still opposed this mechanism, however, saying that it would be acting as a collection agent for the supplier under such a scenario.