Energy Choice Matters
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# Settlement in Columbia of Pa. POR Case Would set Discount at 2.45%

Columbia Gas of Pennsylvania's purchase of receivables discount rate would be set at 2.45% for all customer classes under an unopposed stipulation filed with the Pennsylvania PUC (P-2009-2099333).

As only reported by *Matters*, Columbia had proposed revising its current POR program to, among other things, lower the discount rate from the current 5% to 2.25% (Only in Matters, 4/6/09).

Under the settlement, Columbia would implement the revised POR program nine months after issuance of a final order.

The initial discount rate would be 2.45% for all customer classes, representing Columbia's uncollectible accounts expense ratio in base rates (1.86%) plus a fixed administrative adder of 0.59%. The adder has been increased from the originally proposed 0.39% level due to increased risk Columbia will assume in allowing competitive suppliers to place some small commercial accounts on POR while dual billing others, versus the original all-in/all-out proposal (discussed further below).

Within six months of Commission approval of the POR program, Columbia will provide a good faith estimate of the costs associated with the implementation and administration of the POR program to be recovered through the administrative adder, though the estimate will be for informational purposes only and not binding upon Columbia. The POR program will not include a reconciliation mechanism for uncollectibles.

***Continued P. 5***

# Calif. Draft Would Deny Tracy, Los Esteros Novations and Replacement PPAs

A proposed decision from a California PUC ALJ would deny Pacific Gas & Electric's application to novate and sign replacement contracts with GWF Energy (the Tracy Transaction) and Calpine (the Los Esteros Critical Energy Facility Transaction, LECEF) but would approve the novation and replacement PPA between PG&E and Calpine for the Peakers Transaction (A. 09-10-022 et. al.)

Originally part of the PUC's process to reinstate direct access, PG&E sought approval to replace as a counterparty the Department of Water Resources, and extend and enter into new PPAs, with GWF and Calpine for several facilities. Among these were the following transactions, which contained bundled novations and replacements PPAs. As presented, the novations and replacement PPAs could not be separated in the individual transaction packages:

- The Tracy Transaction (with GWF): Apart from novation, includes a replacement contract for 299 MW for 10 years, with 145 MW of the total representing new capacity
- The Los Esteros Critical Energy Facility Transaction (with Calpine): Apart from novation, provides 289 MW via a 10-year PPA, with 109 MW representing new capacity
- The Peakers Transaction: Apart from novation, provides 502 MW through December 31, 2017, and 325 MW from 2018 through December 31, 2021

The proposed decision would reject the Tracy Transaction and Los Esteros Critical Energy Facility Transaction since they would collectively include 254 MW of new capacity, which exceeds

***Continued P. 6***

## Pa. ALJ Recommends Approving UGI Group 2 Default Service Settlement

A Pennsylvania ALJ has recommended adopting, with minor clarifications, a settlement which would establish an electric default service plan at UGI Utilities for commercial and industrial customers with peak demands of 500 kW or less for the period June 1, 2011 though May 31, 2014, relying on the use of one-year full requirements contracts (P- 2009-2135496).

As only reported in *Matters*, UGI would conduct semi-annual RFPs to procure one-half of the required supply for commercial and industrial customers with demands of 500 kW or less (Group 2 customers) on one-year, full requirements contracts. The RFPs will procure full requirements contracts with 90% of the projected annual Group 2 load priced as a full requirements, load-following service, and the remaining 10% priced as a spot market purchase service (see exclusive 3/10/10 story for greater details).

In recommending approval of the settlement, the ALJ devoted discussion to the settlement's provision that the average of the Fall and Spring Group 2 RFP winning bids shall be posted on UGI's website within five business days of the Commission's approval of the Spring Group 2 RFP results. The PUC itself will have three business days to approve the RFP results. "I believe that these are the kind of provisions the Commission should encourage," the ALJ said.

"[O]nce the bids are approved, there should be a way to give the market some guidance on the range of the winning bids while protecting the confidential information contained in the bidding process. Publishing the average of the Fall and Spring winning bids protects the proprietary information contained in the bids while simultaneously giving the market a signal to guide future suppliers in the bidding process. The only downside to this issue is the fact that this case is limited to Group 2 Customers. Hopefully, similar provisions will be applied to the Group 1 Residential Customers in the near future," the ALJ added.

The ALJ also adjusted the settlement to clarify that Group 1 (residential) and Group 3 (hourly priced) customers remain responsible for administrative costs associated with their supply procurement, in establishing a regulatory asset to recover such administrative costs incurred for Group 2 customers prior to the start of the June 1, 2011 default service period.

## SDG&E Opposes Delay in July 1 NOI Date for Year Two Direct Access

San Diego Gas & Electric is amendable to a modification in accepting Notices of Intent (NOIs) from customers wait-listed for acceptance under the Year One direct access load cap, but does not support the proposed modification from Southern California Edison, TURN and retail suppliers that would delay the submission of Year Two NOIs until July 16, 2010 (R. 07-05-025, Matters, 3/29/10).

Instead of extending the open enrollment window and pushing back the start of the six-month Notice of Intent period for Year Two, SDG&E would maintain a July 1, 2010 start date for Year Two NOIs, while allowing the utilities to process NOIs from wait-listed customers an additional 15 days after the close of the open enrollment window on June 30, 2010. However, SCE and suppliers said that SDG&E's policy would force customers to make an uniformed choice on whether to submit a six-month NOI for Year Two direct access, or wait to see if they are accepted for a Year One switch via the wait list.

As first reported by *Matters*, SCE and suppliers noted that because the PUC ordered for the open enrollment window for Year One direct access to end on June 30, 2010, rather than a full 90 days after opening, customers who have been wait listed and would otherwise receive an opportunity to submit a Year One direct access switch request may be denied because they won't be informed of the availability of space under the cap until after the open enrollment window closes. Specifically, the open enrollment window is only 75 days long, while the window for determining whether any of the initial NOIs submitted on April 16, 2010 will be voided due to a customer not submitting a subsequent direct access service request is a maximum of 80 days (20 days for utility processing plus 60 days to submit a DASR). A

customer on the wait list thus may not receive notice of space made available under the cap due to a voided NOI until July 5, 2010 -- five days after the close of the open enrollment window.

SCE and suppliers proposed rectifying this situation by extending the open enrollment window to July 15, 2010 to accommodate wait-listed customers, with the start date for accepting six-month NOIs to leave utility commodity supply for Year Two of the phased direct access implementation starting July 16, 2010.

While SDG&E does not oppose a narrow modification of the process originally ordered by the PUC in recognition of the wait-list problem, SDG&E opposed SCE and suppliers' proposed delay in the Year Two NOI acceptance date as confusing to customers and posing a challenge for backoffice processes.

SDG&E, "notes that in light of the extremely truncated implementation schedule following issuance of the Commission's DA decision (which itself followed an expedited schedule), SDG&E has already begun to pro-actively communicate with its customers and to update its web-site and other communications to provide customers accurate and timely information on the transition process."

"Thus, every change made to the final implementation adopted by the Commission, no matter how small can result in a series of cascading changes within SDG&E's business processes and computer systems and potentially increase customer confusion," SDG&E said.

In particular, SDG&E said that there are currently no standard customer communication mechanisms in place to ensure that customers would be fully alerted to the important changes proposed by SCE and suppliers to the previously adopted process deadlines.

Rather than extending the open enrollment by 15 days and modifying the date by which customers begin submitting six-month NOIs for Year Two (which SDG&E said will require additional and modified communications to customers that are likely to cause confusion and uncertainty), SDG&E recommended a "simpler" approach that preserves the ability for customers to submit six-month NOIs on July 1, 2010; retains the existing June 30, 2010 open enrollment end-date, and; in lieu of making changes to such dates, simply provides the utilities an additional 15-day period with which to process any NOIs remaining on the wait-list during that period of time.

Under SDG&E's proposal, however, a wait-listed customer would have to choose whether to remain on the wait list, prior to knowing whether Year One space will become available, or opt off of the wait list and submit a six-month NOI on July 1, because the utilities' backoffice systems cannot accommodate the same customer account being on both the Year One wait list and the Year Two NOI list.

SCE, TURN and suppliers called such an outcome, "customer-unfriendly and not in accord with the customer-driven process that the [PUC's original] Decision provides."

"[U]nder SDG&E's proposal, customers would have to opt off the wait-list to try to secure a spot for 2011 before knowing whether the [open enrollment window] wait-list process would provide them an opportunity to transfer to DA in 2010," SCE and suppliers noted. Customers would thus not be fully informed when submitting a Year Two NOI whether there is room for Year One direct access under the wait list, in contrast to the suppliers' recommended method under which customers would know if their wait list bid had been accepted or rejected before being required to submit a Year Two NOI.

## Accenture Says Suppliers Not Trusted on Energy Efficiency

A global study by Accenture said that only 29% of consumers trust their electricity providers to advise them on actions they can take to optimize their electricity consumption. The online survey of 9,108 consumers in 17 countries included 1,505 respondents in North America. Accenture said that trust is lowest in deregulated markets such as Germany (10% of respondents), Sweden (16%) and the United Kingdom (17%) and highest in regulated markets (though only at around 50%).

Other service providers fared worse, Accenture said. Only 20% of consumers said

they trust online service providers to advise them on actions they can take to optimize their electricity consumption, and even fewer - 13% - said they trust retailers, equipment manufacturers, cable television or telecommunications companies to do so. The most trusted sources of energy-efficiency advice are environmental associations and academic/ scientific associations, cited by 53% and 51% of respondents, respectively.

Additionally, Accenture said that one-third of respondents would be discouraged from using electricity management programs if it would give their electricity provider greater access to their personal electricity consumption data. About 41% of respondents cited their energy provider selling, at a profit, the electricity that customers saved as a deterrent to using electricity management programs.

Accenture said that only 16% of consumers would allow electricity providers to remotely limit their use of certain household appliances if they have no option to reverse the action taken by the provider and if no price discount were offered. Price discounts increase that figure:

- 24% said they would give utilities such control when offered a price discount of 10%; and
- 35% said they would give utilities such control when offered a price discount of 20%

# *Briefly:*

**Patch Energy Services Seeks Md. Broker License**

Patch Energy Services LLC applied for a Maryland electric aggregator/broker license to serve all customer classes in all service areas, though it will focus on non-residential customers. Principal Don Patch was Director of National Accounts at Pepco Energy Services.

**BidURenergy Registers as New Hampshire Aggregator**

BidURenergy, Inc. registered with the New Hampshire PUC to provide electric aggregation services in all service areas.

**Report: Calpine Close to Purchasing Conectiv Assets**

Calpine is reportedly close to acquiring Conectiv's assets for $1.5 billion, Reuters said yesterday, though a deal is not final. Calpine has about 24,800 MW, none of which is in PJM East, while Conectiv has 3,845 MW in PJM. Calpine recently cited expansion into the Mid-Atlantic as a near-term goal (Matters, 2/26/10).

**N.Y. PSC Approves O&R Tariffs to Implement Expanded Hourly Pricing**

The New York PSC approved additional tariff changes filed by Orange & Rockland that are part of its plan to lower the cutoff for Mandatory Hourly Pricing to customers with demands that exceed 500 kW effective May 1, 2010 (from the current 1,000 kW cutoff). The tariff changes implement the requisite metering charges applicable to hourly pricing customers (07-E-0949).

**Conn. Bills Referred to Committee**

HB 5505 (portfolio procurement) was referred to the Connecticut House Committee on Appropriations yesterday, while HB 5507 (POR elimination, customer referral elimination, wet signature, etc.) was referred to the Connecticut House Committee on Judiciary (Matters, 4/13/10).

**NM Energy of Texas to Relinquish REP Certificate**

NM Energy of Texas, LLC filed to relinquish its Texas REP certificate, stating that it has not served customers since 2006.

**Cargill Power Markets Files Transmission Service Complaint Against PNM**

Cargill Power Markets, LLC filed a complaint against Public Service Company of New Mexico at FERC alleging that PNM's processing of transmission service requests (TSRs) is unjust and unreasonable and unduly discriminatory and/or preferential, in violation of Section 206 of the Federal Power Act. Cargill alleged that PNM processes its transmission service queue in a manner that violates the OATT by improperly granting invalid TSRs while denying a valid TSR from Cargill Power Markets. Specifically, Cargill alleged that a proper request for Extended Yearly service was denied by PNM due to PNM allegedly applying a non-standard fixed vs. sliding distinction to multi-year service requests,

which is not contained in the NAESB Standards. Cargill also alleged that PNM improperly set aside capacity for transmission delivery service for generation projects solely based on a project's interconnection request.

**Champion Energy Services Officially Announces Pa. Residential Entry**

Champion Energy Services officially announced its entry into the Pennsylvania residential market yesterday, as first reported in *Matters* on 4/16 (licensure) and 4/19 (pricing).

## Columbia ... *from 1*

POR will be mandatory for suppliers using Columbia's consolidated billing. Furthermore, the settlement retains the all-in/all-out requirement for POR participation in the residential class.

A competitive supplier that chooses Columbia's consolidated billing option for its Rate SCD (Small Commercial Distribution) accounts would be required to sell its accounts receivables to Columbia. Effective 18 months after issuance of a final order, a supplier may choose Columbia's consolidated billing option or issue its own bills (dual billing) for all or a portion of its Rate SCD Choice accounts. If a supplier elects to issue its own bills for all or a portion of its Rate SCD customers, those dual billed accounts cannot be included in POR, though other accounts billed on utility consolidated billing may be included in POR. The 18-month delay in providing the small commercial part-in/part-out option to suppliers is due to billing system modifications needed to implement the mechanism.

Per the stipulation, Columbia will purchase only receivables associated with natural gas supply charges and no other services that may be provided by competitive suppliers. The natural gas supply charges eligible under the POR program will not include any charges associated with the following: carbon based attributes, including value added green products such as carbon offsets; termination fees; energy efficiency service or equipment; a non-recurring charge billed by a supplier for calling the supplier's call center or negotiating a payment plan; security deposits charged by a supplier; or other equipment or services provided by a supplier, such as heating equipment repairs or maintenance policies.

The Retail Energy Supply Association's proposal to include carbon neutral products under purchased receivables is withdrawn from the instant proceeding but without prejudice to RESA's ability to pursue the issue in another Commission proceeding.

Suppliers participating in Columbia's POR program must agree not to reject new customers based upon credit issues or payment histories, nor may they require a separate security deposit.

Columbia would have the right to terminate a customer for failure to pay the full amount of purchased receivables and require full payment for reconnection in accordance with the service termination provisions of Chapter 14 of the Pennsylvania Public Utility Code and Chapter 56 of the Commission's regulations.

The settlement provides that Columbia's POR proposal did not intend to require competitive suppliers to include the customer's zip-plus-four zip code in the enrollment confirmation when the supplier enrolls a customer telephonically, and Columbia's proposed tariffs have removed that inadvertent requirement.

In the event that either Columbia or a supplier were to declare bankruptcy, the non-bankrupt party may elect to terminate consolidated billing, and such election shall become effective for customer billing 90 days following the election. If consolidated billing is terminated by a supplier's election, the supplier may not return to consolidated billing for one year following the effective date of such election. If consolidated billing for an individual supplier is terminated by Columbia's election, the supplier may not return to consolidated billing until it emerges from bankruptcy.

Columbia's provision of a POR program is voluntary and Columbia retains discretion to terminate the program. However, the stipulation provides that in the event that Columbia decides to terminate the program, Columbia shall provide at least three months advance notice to all parties to the POR proceeding and to any natural gas supplier participating in the POR program.

Columbia said in its statement of support that any further attempts by parties to "unbundle" other costs from Columbia's base rates, which could place Columbia at an unacceptable risk of stranded costs, could prompt it to re-evaluate and elect to terminate the POR program. Columbia retains the right to propose changes to the POR program in the future, subject to Commission approval.

The settlement was signed by Columbia, the Office of Consumer Advocate, the Office of Small Business Advocate, Interstate Gas Supply, Shipley Energy Company, Dominion Retail, and the Retail Energy Supply Association, though OCA did not join (but does not oppose) the stipulation's provision regarding customer termination, while RESA did not join (but does not oppose) the settlement's treatment of receivables related to carbon offsets. The Office of Trial Staff and Columbia Industrial Intervenors do not oppose the settlement.

## ***Novation ...*** ***from 1***

the new capacity authorized by D.07-12-052 (the long term planning decision) by 231 MW.

"We conclude that it is unjust and unreasonable for PG&E's ratepayers to pay for more capacity than PG&E's authorized need, particularly given the substantial costs involved. PG&E's electric rates have risen faster than inflation in recent years. It is unreasonable to exacerbate this trend by imposing unneeded costs on ratepayers, especially at a time when California residents are struggling with high unemployment and stagnant incomes," the ALJ found.

The primary reason PG&E used to justify the procurement of more new capacity than authorized by D.07-12-052 is to hedge the risk of project delay and failure. However, the ALJ noted that the Commission addressed this issue in D.07-12-052 and concluded that the utilities should hedge this risk by deferring the retirement of existing power plants. "We see no reason to deviate from our prior holding," the draft states.

PG&E had argued that the independent evaluator (IE) endorsed PG&E's strategy of contracting for more capacity than authorized by D.07-12-052 to hedge the risk of project delay and failure, drawing a rebuke from the ALJ. "We are troubled that PG&E hired an IE to express an opinion on this matter. D.07-12-052 states the 'purpose of an IE … is to ensure a fair, competitive procurement process.' Thus, it is beyond the scope of the IE's responsibility to opine on whether PG&E should contract for more capacity than authorized by D.07-12-052. Therefore, we accord no weight to the IE's opinion on this matter. Further, because PG&E used an IE for an improper purpose, PG&E may not recover the costs it incurred to obtain the IE's opinion on this matter," the ALJ said.

Aside from exceeding PG&E's authorized capacity procurement, the ALJ concluded that the net market values of the new capacity in the Tracy Transaction and Los Esteros Critical Energy Facility Transaction "are markedly worse" than the winning bids in PG&E's 2008 long-term request for offers. The new capacity, the ALJ said, would be, "a poor deal for ratepayers."

"We recognize that the Tracy Transaction and the LECEF Transaction have many benefits, including the novation of DWR contracts, improved fuel efficiency, brownfield development, lower emissions, and the positive net market value of many of the contracts that comprise these Transactions. However, these benefits are outweighed by the negative net market value of the Upgrade PPAs," the draft order states.

The ALJ would also affirm that the novation decision (D.08-11-056) requires that any new capacity above what is being novated must be reviewed for consistency with the long-term planning criteria that were adopted in D.07-12-052.

"Because the Tracy Transaction and the LECEF Transaction must be approved in their entirety or rejected in their entirety, our rejection of the Tracy Upgrade PPA and the LECEF Upgrade PPA requires that we also reject the two Transactions," the ALJ said.

However, the ALJ said that there is no reason why the Tracy Novation Agreement, the Los Esteros Critical Energy Facility Novation Agreement, or substantially similar agreements, could not be submitted for approval on a standalone basis. "Therefore, as contemplated by D.08-11-056, PG&E should work with DWR to novate the existing DWR-GWF Contract and

the DWR-LECEF Contract to PG&E. We expect the novation to be accomplished expeditiously, as both contracts contain clauses that allow the contracts to be novated to PG&E upon DWR's request," the draft order holds.

The draft order would affirm that PG&E may seek approval of either the Tracy replacement PPA or the Los Esteros Critical Energy Facility replacement PPA if one of PG&E's currently planned resources fails to come online, which would leave PG&E short on capacity.

The proposed decision would approve the novation and replacement agreement for the Calpine Peakers Transaction, finding that PG&E's long-term procurement plan assumed the availability of the Peakers' capacity, and that the price in the PPA is reasonable.

The ALJ noted that the Peakers Transaction did not originate from a competitive bid and said that the PUC, "strongly favors the procurement of long-term PPAs through a competitive process that is open and transparent in order to ensure that the cost of the PPAs is reasonable."

"That did not occur with the Peakers PPA, which is disconcerting given the large amount of capacity involved, the length of the contract, and the considerable costs. However, the record of this proceeding contains two market-based benchmarks for assessing if the cost of the Peakers PPA is reasonable," the ALJ said.

Specifically, the Division of Ratepayer Advocates reported that the average cost of the Peakers PPA over the 11-year contract is within the range of prices of the winning bids from PG&E's most recent intermediate-term RFO, while PG&E's calculations also show that the Peakers PPA has a positive net market value, which suggests that the contract is a good deal for ratepayers.

The proposed decision would grant PG&E's request to recover any future stranded costs associated with the Peakers PPA from customers, including departing load customers. PG&E would be permitted to recover stranded costs from departing load customers via a non-bypassable charge in accordance with D.04-12-048 and D.08-09-012.