

# Energy Choice

# Matters

April 22, 2010

## PPL Proposes Updated POR Discount Rates in Base Rate Case

PPL Electric Utilities has requested to update its Purchase of Receivables discount rates in its current base rate case, to reflect the latest data on uncollectibles (R-2010-2161694).

Currently, PPL purchases residential receivables at a discount of 1.37%, reflecting an uncollectibles rate of 1.32% and a POR administrative factor of 0.05%.

PPL proposed increasing the residential customer discount rate to 1.854%, reflecting an uncollectible accounts expense percentage factor of 1.804% and the same POR administrative percentage factor of 0.05%.

Currently, PPL purchases small commercial customer receivables at a discount of 0.17%, reflecting an uncollectibles percentage of 0.12% and a POR administrative factor of 0.05%.

Under PPL's proposal, the small commercial discount rate would decrease to 0.057%, reflecting an uncollectible accounts expense percentage factor of 0.007% and a POR administrative percentage factor of 0.05%.

As done currently, the uncollectibles factors in each POR discount rate would also be used to set the Merchant Function Charge included in the Price to Compare for that class of customers. The uncollectible accounts expenses were developed from future test year data for the 12 months ending December 31, 2010. PPL said that its budgeted provision for uncollectible accounts expense of \$38.2 million primarily is based on an average of its actual bad debt write-offs for the most recent

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## Conectiv Energy to Liquidate Load Service Supply Contracts; Sells Generation to Calpine

Conectiv Energy intends to liquidate its load service supply contracts and energy hedging portfolio within the next 12 months, parent Pepco Holdings said in announcing that it will sell Conectiv's generating assets to Calpine for \$1.65 billion, plus the value of fuel inventory at closing (estimated at \$50 million).

Included in the sale is Conectiv's generation portfolio of 3,860 MW, plus the 565 MW Delta plant which is in development, for a total of about 4,400 MW. The sale price is equal to \$381/kW.

Pepco Holdings said that the generation asset sale will result in a loss for financial reporting purposes through the next twelve months in the range of \$60 million to \$90 million, after tax.

Pepco Holdings told investors that selling the plants now was preferable since it believes that the energy market is unlikely to improve enough in the foreseeable future to materially improve asset valuation. Pepco Holdings had no plans to invest capital to grow Conectiv Energy, and said that while the full value of Conectiv Energy was never realized in its market valuation, Pepco Holdings was exposed to significant downside risk through the volatility of the business.

The acquisition gives Calpine a sizable entry into the constrained PJM East region, a market in which Calpine said that there is a "strong likelihood" that increasingly stringent environmental regulation will result in the retirement of aging, inefficient coal units. The Conectiv assets' capacity-driven cash flows will also reduce Calpine's sensitivity to gas prices.

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## Connecticut Light & Power 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	12,381	423	12,804	4.8%	1,681
ConEdison Solutions	5,350	2,383	7,733	2.9%	99
Constellation NewEnergy	1,224	8,224	9,448	3.6%	224
Direct Energy Business	127	3,273	3,400	1.3%	82
Direct Energy Services	53,746	7,029	60,775	22.8%	(2,028)
Discount Power Inc	2,745	330	3,075	1.2%	2,555
Dominion Retail	55,274	10,152	65,426	24.6%	320
Energy Plus Holdings LLC	13,742	1,535	15,277	5.7%	3,431
Gexa Energy	294	1,630	1,924	0.7%	86
Glacial Energy	1,799	2,317	4,116	1.5%	(31)
Hess Corporation	282	1,655	1,937	0.7%	3
Integrays Energy Services	42	3,166	3,208	1.2%	40
Liberty Power Holdings	337	422	759	0.3%	177
MXenergy	8,135	1,867	10,002	3.8%	2,859
North American Power and Gas LLC	0	0	0		0
Pepco Energy Services	0	10	10	0.0%	1
Public Power & Utility, Inc	26,630	4,184	30,814	11.6%	253
Rescom Energy, LLC	3,918	1,046	4,964	1.9%	1,724
Royal Bank of Scotland	0	0	0		0
Sempra Energy Solutions	5	1,098	1,103	0.4%	12
South Jersey Energy Company	0	3	3	0.0%	0
Starion Energy Inc	0	0	0		0
Suez Energy Resources NA	17	692	709	0.3%	50
TransCanada Power Marketing	28	2,547	2,575	1.0%	20
Verde Energy Savings	11,239	286	11,525	4.3%	6,529
Viridian Energy	13,136	1,327	14,463	5.4%	1,527
Whole Foods Market Group	0	2	2	0.0%	1
<b>Total All Suppliers</b>	<b>210,451</b>	<b>55,601</b>	<b>266,052</b>	<b>100.0%</b>	<b>19,615</b>

### Aggregate Data

#### Customer Load - Suppliers and CL&P (MWh)

	Residential - SS		Business - SS		Business - LRS		Total CL&P Territory	
	MWh	% of Class	MWh	% of Class	MWh	% of Class	MWh	% of Total
Suppliers	180,173	22.2%	393,616	70.0%	401,138	88.2%	974,927	53.3%
CL&P	632,257	77.8%	168,842	30.0%	53,745	11.8%	854,844	46.7%
Total	812,430		562,458		454,883		1,829,771	

#### Customer Count - Suppliers and CL&P

	Residential - SS		Business - SS		Business - LRS		Total CL&P Territory	
	Customers	% of Class	Customers	% of Class	Customers	% of Class	Customers	% of Total
Suppliers	210,451	19.1%	54,764	46%	837	82.6%	266,052	21.7%
CL&P	892,155	80.9%	64,916	54%	176	17.4%	957,247	78.3%
Total	1,102,606		119,680		1,013		1,223,299	

## **Pa. PUC Gives Working Group 90 Days to Address Statewide Rate Ready Billing**

The Pennsylvania PUC directed PPL Electric Utilities to implement the consensus plan for rate ready billing as contained in the Electronic Data Exchange Working Group report by the proposed deadline of September 30, 2010, in accepting the working group's report (Only in *Matters*, 11/10/09). The PUC approved the report last week but a written order was not immediately published.

Granting PPL until the proposed September 30, 2010 deadline obviates the need for a truncated implementation of rate ready billing, with fewer features, that would have been required if the PUC had ordered an accelerated implementation.

Beyond PPL, the PUC ordered that issue relating to the use of the Electronic Data Exchange Working Group Report as a statewide business model shall be referred to the Retail Markets Working Group (RMWG), which shall prepare a report to be submitted to the Commission within 90 days. Currently, only PECO and PPL lack any form of rate ready billing.

"It is appropriate that the RMWG discuss this issue due to the fact that provisions for billing services not covered by purchase of receivables programs were referred to the RMWG and that Rate Ready billing belongs in this category," the PUC said.

In developing its recommendation, the Retail Markets Working Group shall consider: (1) Electric Generation Supplier (EGS) business needs for a uniform approach to rate ready billing; and (2) Electric Distribution Company billing system capabilities to respond to this approach.

Commission Staff was directed to submit an independent recommendation to the Commission following its receipt and review of the Retail Markets Working Group report.

## **BGE Details Process for Legacy Electric Supplier Receivables**

Baltimore Gas and Electric memorialized with the Maryland PSC the process it intends to use

to address outstanding electric supplier receivables that it will not purchase once it commences its electric Purchase of Receivables program, which is still awaiting final Commission approval. As only reported by *Matters*, the treatment of such receivables drew discussion at the April 7 administrative meeting (Only in *Matters*, 4/8/10).

BGE said that once POR starts, all prior electric supplier arrearages, regardless of the age, will remain on BGE's bill for 120 days. During that time, these outstanding receivables will be subject to the current payment posting priority and partial payments will be posted to those accounts in accordance with that posting priority. If the application of these partial payments results in supplier charges becoming in arrears, customer payments made on the account will be applied prior to the current utility charges in accordance with the payment posting priority. BGE will not take collection or termination action on any supplier arrearages incurred prior to the implementation of POR.

After 120 days, any electricity supplier charges billed by BGE prior to the implementation of POR will no longer be billed by BGE and will be returned to the suppliers at the time that the customer's bill group is being processed, BGE said.

## **FERC Accepts Interim Solution for Load Modifying Resource Participation in MISO VCA**

FERC has accepted the Midwest ISO's interim solution to allow the participation of load modifying resources in the Module E voluntary capacity auction (VCA), by deeming such resources to be universally deliverable during the interim period, though the Commission ordered MISO to file a permanent solution regarding load modifying resource participation by August 27, 2010 (ER08-394).

"This will provide the Midwest ISO and stakeholders with sufficient time to review this order and finalize the plan for ensuring the deliverability of load modifying resources in the voluntary capacity auction," FERC said of the August 27 deadline for a permanent solution.

Under the approved interim solution, MISO

will require load modifying resources to certify the following in order to be deemed to be universally deliverable:

(1) The laws or regulations of the relevant electric retail regulatory authorities do not preclude the customers aggregated in the load modifying resource from participating directly in the Midwest ISO's markets; and

(2) The load modifying resource will be responsible for and will indemnify and hold harmless any LSE that acquires such load modifying resources through the voluntary capacity auction for any and all penalties or other charges that the Midwest ISO would assess if the load modifying resource does not perform during an emergency.

The Midwest ISO also plans to monitor the use of load modifying resources in the voluntary capacity auction for reliability purposes. In particular, the Midwest ISO will make sure that the load serving entity serving the load associated with the load modifying resource is meeting its resource adequacy obligations with a larger quantity of universally deliverable planning resources than the quantity of load modifying resources that the market participant is seeking to offer into the voluntary capacity auction. The Midwest ISO also plans to review the auction's capacity tracking tool to prevent any double counting of load modifying resources.

The interim plan will allow load modifying resources which are able to provide capacity to the load serving entity in whose zone the resource is located to help that load serving entity meet its resource adequacy requirements. Because the affected load modifying resources are already interconnected and, under the interim mechanism, their participation is limited to the zone in which they are located, FERC found that it is reasonable to consider such resources as deliverable to those zones under the interim proposal.

FERC denied protests which argued that deeming load modifying resources to be universally deliverable will harm reliability, as the Commission said that the certifications enumerated above which such resources must make answer reliability concerns.

Regarding Detroit Edison's concern that load modifying resources could shift revenue sufficiency guarantee charges or potentially

other costs to load serving entities, FERC agreed that cost shifting can be an important issue. However, Detroit Edison did not show how potential cost shifts would occur under the interim mechanism, the Commission said.

## ***Briefly:***

### **Advantage Energy LLC Seeks Conn. Aggregation License**

Advantage Energy LLC applied for a Connecticut electric aggregation license to serve all customer classes in all service areas. Principal Richard Bush is CEO of Connecticut Home Services, a residential remodeling services company, and is also an owner in several other real estate related ventures.

### **Prospect Resources Seeks Pa. Electric Broker License**

Prospect Resources, Inc. applied for a Pennsylvania electric broker/marketer license to serve all sizes of commercial, industrial and governmental customers in all service areas. Prospect Resources is also seeking a Pennsylvania gas broker license (Only in Matters, 4/9/10).

### **Conn. DPUC Approves CL&P Last Resort Service Procurement**

The Connecticut DPUC approved Connecticut Light & Power's procurement of Last Resort Service supplies for the three-month period beginning July 1, 2010. Retail rates must be posted by May 16, 2010.

### **First Choice Power Offering Renewable Plan with No Premium**

First Choice Power said that it is again offering a 100% renewable electric product without a premium when compared to its standard non-renewable product. Specifically, First Choice is offering a renewable product which is 95% Texas wind and 5% other Texas renewables at a fixed price for 24 months which is the same price as its 24-month non-renewable product. At Oncor, this is 11.4¢/kWh and at CenterPoint this is 12.6¢/kWh (per Power to Choose). Last fall, First Choice offered a 12-month renewable plan with no premium for a limited time (Matters, 11/6/09).

### **Macquarie Names Robert Faitell Head of Americas Sales and Origination**

Macquarie Group's Energy Markets Division named Robert Faitell Senior Managing Director and Head of Americas Sales and Origination in the firm's New York office, effective July 2010. Faitell joins Macquarie from Morgan Stanley's Commodities Group, where he was most recently Managing Director and Head of Corporate Client Coverage for the Americas. "Robert's depth of experience in energy markets and strong client relationships will be invaluable to us as we look to further grow and expand our energy trading and client coverage activities in the Americas," said Nicholas O'Kane, Senior Managing Director and Global Head of Macquarie's Energy Markets Division.

### **Integrys Energy Services Protests Latest New Brunswick Power Generation Delivered Price Test**

New Brunswick Power Generation Corporation, "has failed to show that it does not possess market power," in the Northern Maine market, Integrys Energy Services again alleged in responding to New Brunswick Power Generation's latest delivered price test filed with FERC (EL09-32, Only in Matters, 4/6/10). Integrys Energy Services argued that New Brunswick Power Generation did not comply with FERC's prior directives since New Brunswick Power Generation used simultaneous Total Transfer Capability values in its test, rather than a Simultaneous Import Limit (SIL) study. "This is the third time NBP Generation has attempted to avoid submission of the SIL analysis," Integrys Energy Services said. "NBP Generation has spent the time during the pendency of the Complaint to exert that market power and take over more load obligations in Northern Maine ... Not only has NBP Generation come into the Northern Maine market offering power prices subsidized by its Canadian retail customers, using its control over transmission, NBP Generation is also able to limit the ability of generators located in Northern Maine from reaching ISO New England markets, threatening to strand generation in Northern Maine," Integrys Energy Services alleged.

### **Calif. PUC Approves Calpine RA Shortfall Settlement**

The California PUC approved a settlement under which Calpine PowerAmerica-CA, LLC will pay \$225,000 to settle claims that it failed to meet California's resource adequacy requirements (Only in Matters, 3/19/10). The PUC's Consumer Protection and Safety Division had alleged that Calpine wrongly included resources from an expired liquidated damages contract in meeting its resource adequacy obligations for the months of July, August, and September 2008, causing a total system deficiency of 70.37 MW-month. The CPSD also alleged that Calpine's 2008 Year-Ahead Local Compliance Filing included local procurement obligation deficiencies because Calpine failed to use the correct number in its demand response calculations, creating a deficiency totaling 10.76 MW-month for 2008. The CPSD was originally seeking a fine of approximately \$735,000. Calpine, which said it complied with the PUC's rules, does not admit fault under the settlement.

### ***PPL ... from 1***

five calendar years (2004-2008).

In its rate case, PPL is also proposing to modify the language of its Transmission Service Charge (TSC) recovery mechanism to permit recovery of the uncollectible accounts expense associated with transmission service through application of the Merchant Function Charge.

PPL's current POR program is only authorized through 2010, and PPL is required, under the terms of its default service settlement, to file, by July 1, 2010, for a stand-alone POR program to be effective on January 1, 2011.

PPL testified in its rate case that it does not believe further changes to the current POR program are warranted, and proposed that the current program be extended to operate beyond December 31, 2010.

"The Company believes that, as a result of its extensive interactions with EGSs [electric generation suppliers] in the implementation of [the current POR] program, the program currently in place is well understood by the EGSs and is able to meet most of their needs. The Company also believes that, because of the complexity of customer information and billing

systems, any revision to the existing program is likely to involve as much effort and place the original modifications at risk. The Company already has identified the need to modify these same systems to accommodate rate changes that have been committed to and which must be implemented on January 1, 2011, as well as rate-ready billing, EGS Consolidated Billing, certain parts of its Act 129 Smart Meter Plan, and modifications to allow the calculation of a single budget amount that reflects the sum of delivery charges and EGS charges," PPL said, cautioning that adding further changes to POR on top of these other ongoing projects could jeopardize the correct functioning of its billing systems.

## ***Conectiv ... from 1***

Calpine's overall portfolio will be 28,297 MW after the acquisition.

The assets acquired by Calpine include:

- 2,260 MW Late-model combined-cycle
- 771 MW Simple-cycle
- 868 MW Conventional gas
- 22 MW Internal combustion
- 4 MW Solar
- 565 MW New combined-cycle (under construction)

Though two of the Conectiv units may run on coal or gas, Calpine said that it would not burn coal at any of the plants.

Calpine Chief Commercial Officer Thad Hill said that Calpine was "cautiously bullish" on the upcoming May Reliability Pricing Model capacity auction, reporting that Calpine expects Eastern MAAC to be a couple thousand megawatts tighter.

The sale of the Conectiv assets to Calpine is expected to close by June 30, 2010.