Energy Choice Matters

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Nazarian: Expect Md. Electric POR for Summer Cooling Season

Maryland electric utilities are expected to implement Purchase of Receivables in time for the "summer cooling season," PSC Chairman Douglas Nazarian said in speaking before the National Energy Marketers Association's 13th Annual Restructuring Conference.

Baltimore Gas & Electric has said that it will require approximately 30 days from the date of an order approving its POR compliance plan to implement POR. Given this, *Matters* asked Nazarian when the Commission might again address POR at an administrative meeting, to gauge when that 30 day period might begin.

In response, Nazarian said that the PSC will likely issue a written order without further discussion at an administrative meeting. Based on the most recent administrative meeting at which POR was discussed (specifically, BGE's plan on April 7), Staff was given more time to review further arguments from BGE opposing Staff's working capital adjustments to the discount rate, while BGE was also directed to report how it would treat outstanding receivables which it will not purchase when POR commences (an update which it has since provided).

Delmarva and Allegheny also have POR compliance plans sitting before the PSC which could be the subject of a letter order at the Commission's discretion. One wrinkle, however, is that Pepco does not have a compliance plan which meets the PSC's October POR directives (specifically, introduction of a discount rate) currently before the PSC. Pepco had asked for, and received, an

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SouthStar Energy Services Earnings Rise on Weather

SouthStar Energy Services posted higher EBIT of $74 million for the first quarter of 2010, compared to $63 million for the same period in 2009, largely driven by higher retail margins in Georgia due to higher average customer usage resulting from colder weather, majority owner AGL Resources said.

Operating margin was $96 million, versus $84 million a year ago, with $8 million of the growth attributed to the favorable weather-related usage. A $6 million gain from a Lower-Of-Cost-Or-Market adjustment also contributed to the operating margin growth, with increased operating margins in Ohio and Florida contributing another $2 million to the increase. Partially offsetting these gains was a $1 million decrease in operating margin from the continued shift in SouthStar's retail pricing mix and customer movement to lower margin contracts. Decreased optimization results also lowered operating margin by $2 million versus the year-ago period.

Regarding SouthStar's retail pricing mix, SouthStar had been seeing a trend in the past year for both its residential and commercial customers to migrate to fixed price contracts with lower margins. Although, as noted by AGL for the year-ending December 31, 2009, SouthStar had seen some stabilization among residential customer migration to lower margin fixed priced contracts, the first quarter of 2010 saw continued migration by commercial customers to these lower margin contracts, resulting in continued downward pressure on operating margin. SouthStar expects this trend to continue for the remainder of 2010.

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Cawley Sees 30% Plateau for Residential Migration Under Opt-In Process

Mass market customer migration which requires an affirmative action from the customer (e.g. an opt-in process) won't likely surpass 30% in a significant way, Pennsylvania PUC Chairman James Cawley said in addressing the National Energy Marketers Association's Restructuring Conference.

To get residential migration above the 30% threshold, Cawley expects that additional mechanisms will be needed, citing as examples a marketer referral program, opt-out municipal aggregation, or an alternative form of default service or default service provider.

Cawley specifically said that he believes the next large chunk of residential migration would occur if municipal opt-out aggregation were adopted, which is being pushed strongly by FirstEnergy Solutions. Cawley mused that FirstEnergy Solutions' governmental aggregation advocacy likely results from its success in winning Ohio load under municipal aggregation. Cawley reported that the relevant House chair is ready to go with the latest draft of a municipal opt-out aggregation bill.

UGI Energy Services Earnings Higher on Small Commercial Marketing

Net income at UGI Energy Services increased to $24.2 million for the first quarter of 2010, from $19.6 million a year ago, due to its continued efforts to market to small commercial customers.

UGI reported that Energy Services saw a significant increase in natural gas marketing total margin resulting from higher average unit margins and a 7% increase in volumes sold. Both the volume and margin increases reflect the impact of previously reported marketing initiatives to expand Energy Services' customer base to include small commercial customers.

Energy Services also saw an increase in retail power total margin resulting from small commercial marketing efforts.

Gains in the retail supply segment were offset by a decrease in total margin from Energy Services' asset management activities and electric generation. Electric generation total margin decreased despite a 5% increase in volumes generated, reflecting the effects of lower average unit margins.

Total margin for Energy Services was $56.3 million, up from $49.4 million a year ago. Revenues were $438.6 million, versus $424.6 million a year ago.

UGI will be holding an earnings webcast today, and has not yet filed a 10-Q.

NEM Develops Consumer Bill of Rights for Energy Customers

The National Energy Marketers Association unveiled its energy Consumer Bill of Rights yesterday at its annual Restructuring Conference, providing a "benchmark" for integrity-based conduct by energy suppliers.

"NEM members developed the Consumer Bill of Rights to emphasize their commitment to act responsibly and treat every customer with respect at all times," said Craig Goodman, president of NEM.

The Bill of Rights provides:

"We believe that all consumers should have the right to choose their energy supplier, receive delivery of their energy supply from a reliable utility delivery system, and be provided information which entitles them to the following:

1) Access to energy products and services that provide what they promise and are presented and described in clear and understandable language.

2) Accurate price and usage information, from both the utility and competitive energy supplier, that is expressed in simple and straightforward terms.

3) Terms and conditions written in plain language that set forth contractual obligations for both the consumer and energy supplier.

4) Specific information about savings claimed in any offer.

5) How a consumer may terminate a contract and the cost, if any, of doing so.

6) A clear understanding of when price changes may occur and what happens when the contract term expires.

7) An enrollment process that verifies a

consumer's acceptance of a product offer

8) Verbal and written offers that identify the competitive energy supplier as operating independently of the utility delivering natural gas or electricity to the consumer.

9) Consumer education on energy, energy conservation, and technology available to help control energy costs.

10) A fair and timely complaint resolution process.

Greg Collins, President of Vectren Retail who was one of two NEM chairs leading the effort, said that the Bill of Rights was developed because the industry's reputation has been put at risk by actions of individual bad actors.

Joanna Hamrick, general counsel for Energy Plus Holdings LLC who spearheaded the initiative along with Collins, said that the Bill of Rights provides a great foundation for consumer protection policies to be developed by state regulators. NEM has already shared the Bill of Rights in Pennsylvania's nascent proceeding examining such consumer protections.

NextEra Energy Resources Earnings Lower from Unfavorable Wind Conditions

NextEra Energy Resources reported lower adjusted earnings of $196 million for the first quarter of 2010, versus adjusted earnings of $228 million a year ago, due to a weaker wind resource.

Adjusted earnings exclude the mark-to-market effects of non-qualifying hedges and the net effect of other than temporary impairments (OTTI) on certain investments. GAAP earnings at NextEra Energy Resources were higher at $367 million versus $228 million a year ago.

Unlike several recent quarters, FPL Group did not provide any color regarding Gexa Energy in discussing its earnings. FPL has not yet filed a 10-Q.

Contribution from NextEra Energy Resources' power marketing and trading business increased by roughly $12-$13 million for the first quarter of 2010 versus the year-ago period. Substantially all of the increase can be attributed to the sale of a power supply contract that NextEra had entered into in 2009. As a result of this sale, NextEra realized nearly all of the value of the contract in the first quarter instead of ratably during the course of 2010.

The primary driver for the lower adjusted earnings was a $48 million decrease in performance from NextEra's existing wind portfolio due to unfavorable weather conditions.

NextEra's merchant assets in the New England Power Pool improved over the prior year's quarter by approximately $13 million, but those results were roughly offset by poor market conditions and a planned maintenance outage that negatively impacted the company's natural gas assets in Texas by $11.2 million.

NextEra Energy Resources has re-evaluated the impact of current market conditions on its wind pipeline and now expects that wind build additions will be between 600 and 850 MW in 2010, versus prior projections of 1,000 MW, excluding any potential acquisitions.

FERC Denies NYISO Application to Eliminate NITS

FERC denied the New York ISO's petition to eliminate Network Integration Transmission Service as unsupported, without prejudice to NYISO re-applying to eliminate NITS with a more robust petition (ER10-811).

NYISO had sought to eliminate NITS because it is not being used, as NYISO said that it could soon be required to make various software expenditures to comply with potential NAESB requirements governing NITS, such as online functionality requirements.

FERC, however, said that the alternative products cited by NYISO as precluding the need for NITS are not analogous. While Transmission Congestion Contracts (TCCs) may be used in relation to either Point-to-Point service or NITS, Point-to-Point service is inherently different from NITS, FERC noted. "NITS was intended to allow Network Customers to efficiently and economically utilize Network Resources (as well as other non-designated generation resources) to serve their Network Load located in, as relevant here, the New York Control Area. Thus, as NYISO notes, NITS allows a customer to schedule service from a single generator to a variety of loads, or from a variety of generators to a single load without securing physical transmission reservations for each transaction. In contrast, Point-to-Point transmission service provides for the reservation and transmission of Capacity and Energy on either a firm or non-firm basis from particular Point(s) of Receipt to particular Point(s) of Delivery," the Commission said.

"[T]he Commission has required that all public utilities that own, operate or control interstate transmission facilities [shall] offer network transmission services, and we are not persuaded to adopt a different policy here. That customers do not currently avail themselves of NITS does not mean that the service should be unavailable," FERC said.

Briefly:

Bishop Energy Services Receives Michigan Gas License

The Michigan PSC granted Bishop Energy Services, LLC an alternative gas supplier license to serve all customer classes. Bishop Energy's application was first report by *Matters* (Only in Matters, 2/24/10). Bishop Energy is a large volume marketer active in the transportation segment of the market, but has not been active in the Michigan retail customer choice space since 2002. Though Bishop applied to serve all customer classes, it will not target residential customers.

GearyEnergy Receives Michigan Electric License

The Michigan PSC granted GearyEnergy, LLC an alternative electric supplier license. GearyEnergy's application was first reported by *Matters* (Only in Matters, 2/9/10). A natural gas marketer for over a decade, GearyEnergy expanded into electricity last year, initially entering the Massachusetts market, and since expanding to other territories such as Delaware (Only in Matters, 4/26/10). GearyEnergy said that Constellation NewEnergy will act as a subcontractor performing various functions related to retail supply. GearyEnergy reported that, "it is contemplated that CNE will enroll the accounts of Geary's customers with the appropriate EDC ... and will coordinate the appropriate supply of electricity for those accounts with the MISO transmission system or power pool."

Residential Migration at PPL Approaches 350,000

Residential migration at PPL has grown to 346,000 customers, or 28%, Pennsylvania PUC Chairman James Cawley said in providing an update from the April 3 statistics during the National Energy Marketers Association's Restructuring Conference. The residential total represents about 15,000 new accounts versus the April 3 statistics which included executed and pending enrollments. Total migration at PPL has grown to 410,000 customers, Cawley said.

Schriber Hints at Market Power in 2009 FirstEnergy Utilities Auction

Public Utilities Commission of Ohio Chairman Alan Schriber said that there was a "hint" of market power in the May 2009 default service auction which procured supplies for Ohio Edison, Toledo Edison and Cleveland Electric Illuminating. Speaking before the National Energy Marketers Association, Schriber would not elaborate any further and did not definitively say there either was or was not market power in the auction.

Energy Professionals, LLC Seeks Ohio Broker License

Energy Professionals, LLC applied for an Ohio electric broker license to serve all customer classes in all service areas. Energy Professionals, LLC recently received electric broker licenses in Maryland (Only in Matters, 2/4/10) and the District of Columbia (Only in Matters, 3/17/10). Energy Professionals, LLC said that it is examining entering additional states as a broker including New Hampshire and New Jersey.

Conn. HB 5505 Advances from Appropriations

The Connecticut House Committee on Appropriations reported out favorably HB 5505 which would create a new state procurement authority which could institute a portfolio approach to supply procurement (including the use of products other than full requirements contracts), procure long-term contracts for default service supply, and build, or contract for, new generation. The bill would also revise the supplier referral program such that charges would be applied if a customer on a referral product returns to Standard Service or chooses another supplier within one year, unless the original supplier no longer provides generation services. HB 5507, which contains most of the retail market changes (POR elimination, customer referral elimination, wet signature, etc.) remains in the Judiciary committee.

FERC Schedules Conference on Frequency Regulation Compensation

FERC has scheduled for May 26 a technical conference to elicit input on issues pertaining to Frequency Regulation Compensation in the ISO/RTO Markets (AD10-11).

Mich. PSC Sets Hearing on Renewable Energy Plan Rules

The Michigan PSC scheduled for June 22 a public hearing on the proposed promulgation of rules governing renewable energy plans, which are applicable to alternative electric suppliers, and energy optimization plans, which are applicable only to distribution utilities. Aside from filing requirements, which are substantially similar to the interim obligations suppliers now face, the renewable plan rules mostly relate to the electric utilities and their procurement and cost recovery of renewables. However, proposed R 460.226 would require that, "[i]n its billing statements to its residential customers each electric provider shall provide the estimated monthly amount, expressed in dollars and cents, of the long-term, life-cycle costs of building and operating new conventional coal-fired electric generating power plants avoided by an average residential customer in this state as determined by the commission." Nothing apparent in the rule suggests that this provision would be limited to rate regulated utilities, nor is the billing subsection under the enabling legislation, Public Act 295 of 2008, Part 2 (Energy Standards), Subpart A (Renewable Energy) Subsection 45(5)(d), specific as to the requirement's application.

Md. POR ... from 1

indefinite delay in filing its updated POR compliance plan to await the outcome of Delmarva's plan, since it said that its plan will substantially mirror Delmarva's. Thus, a timing issue may arise in implementing POR at Pepco since, absent a change in its philosophy, its compliance filing will not appear before the PSC until the Delmarva order is issued, potentially elongating the implementation process at Pepco depending on how quickly the PSC acts on the Pepco compliance filing.

Nazarian said that "this is the year" to make or break residential electric competition in Maryland, although Nazarian said the same thing on several occasions in reference to the summer of 2009 (Matters, 6/17/09, 6/19/09).

However with POR "on the cusp," as Nazarian put it, the expectation for suppliers to widely market residential offers this summer is assuredly higher.

Nazarian warned suppliers against waiting for another legislative session, in hopes of getting additional market enhancements like customer referral programs or customer lists, before entering the residential market. Competitive suppliers must prove that residential competition is viable this year, by posting significant gains in migration, Nazarian said.

SouthStar ... from 1

SouthStar reported an average of 507,000 customers in Georgia for the quarter ending March 31, 2010. Although SouthStar did not report its average Georgia customer count for the quarter ending December 31, 2009 to allow for a direct comparison versus three months ago, SouthStar did previously report that its average Georgia customer count for the entire year 2009 was 504,000. For the quarter ending March 31, 2009, average Georgia customer count was 518,000. SouthStar remains the largest Georgia gas marketer with 33% market share, essentially flat versus the year-end of 2009.

The year-over-year Georgia attrition represents the same trends previously cited by SouthStar: weak economic conditions as well as increased competitive intensity in the Georgia market.

In Ohio and Florida, average customer count for the first quarter of 2010 was 106,000, versus 98,000 a year ago. Both totals include customer equivalents. Average customer count in Ohio and Florida for the entire year 2009 was 103,000.

Total average customer count during the quarter ending March 31, 2010 was 613,000, versus 616,000 a year ago.

Georgia firm gas volumes at SouthStar were 24 Bcf for the first quarter of 2010, versus 18 Bcf a year ago. Ohio and Florida volumes were 6 Bcf, versus 5 Bcf a year ago.

SouthStar's non-commodity operating expenses were $1 million higher at $22 million for the quarter, mainly due to increased marketing and direct selling expenses ($1 million) and higher bad debt expense ($1 million), partially offset by lower customer care and outside services expenses.

SouthStar's operating revenues were $393 million for the quarter, versus $343 million a year ago.