

# Energy Choice Matters

May 6, 2010

## N.Y. PSC Schedules EDI/UBP Technical Conference, Releases Working Group Reports

The New York PSC has scheduled a technical conference for May 20-21 to discuss Electronic Data Interchange (EDI) procedures and practices, modifications to the Uniform Business Practices (UBP) Phase II, and the revised Power to Choose website (98-M-1343 et. al.).

EDI issues to be discussed include Consolidated Edison's compliance filing regarding the ESCO contest period, as well as the future direction of EDI in New York, including the treatment of Phase 1 testing protocols, application of national EDI standards, and establishment of an industry-based cooperative board or administrator.

Uniform Business Practices (UBP) Phase II issues to be discussed include the Phase II working group reports, and the Retail Energy Supply Association's petition regarding drops to the utility not

*Continued P. 6*

## Superior Plus Commodity Supply Gross Profit Rises on Commercial Electric Marketing

Superior Plus' gross profit from fixed price energy services increased to \$7.49 million for the first quarter of 2010, versus \$7.0 million a year ago, on an increase in commercial electric customers (all figures Canadian).

Electricity gross profit in the first quarter of 2010 was \$870,000, versus \$220,000 a year ago, on an increase in commercial accounts versus the year-ago period (see chart for gross profit breakdown).

Gross profit from natural gas was \$6.62 million versus \$6.78 million a year ago, on 9% lower volumes, offset in part by higher gross profit per gigajoule. Natural gas sales volumes decreased due to lower residential volumes as a result of reduced residential customer count, as Superior Plus continues to focus marketing efforts on commercial customers in the Ontario market. Recent increases to the regulated price of natural gas in Ontario has resulted in renewed customer interest in one to five year fixed-price natural gas offerings, Superior Plus said.

Superior Plus reiterated its intent to cross-sell its fixed price electric services to its newly acquired Northeast U.S. heating oil and propane customers. The commercial retail electric market in the Northeast U.S., as well as the commercial electric market in Ontario, are expected to provide growth opportunities for fixed-price energy services, with gross profit projected to modestly increase for the years 2010 and 2011.

Superior Plus reported its fixed price energy service customer count as of December 31, 2009 as 91,935.

### Fixed-Price Energy Services Gross Profit

<i>(millions of Canadian dollars except volume and per unit amounts)</i>	Three months ended March 31, 2010			Three months ended March 31, 2009		
	Gross Profit	Volume	Per Unit	Gross Profit	Volume	Per Unit
Natural Gas <sup>(1)</sup>	6.62	7.4 GJ	89.5 ¢/GJ	6.78	8.1 GJ	83.7 ¢/GJ
Electricity <sup>(2)</sup>	0.87	73.8 KWh	1.18 ¢/KWh	0.22	30.9KWh	0.71 ¢/KWh
Total	7.49			7.00		

<sup>(1)</sup> Natural gas volumes and per unit amounts are expressed in millions of gigajoules (GJ).

<sup>(2)</sup> Electricity volumes and per unit amounts are expressed in millions of kilowatt hours (KWh).

## United Illuminating Reports April Migration Statistics

Supplier Accounts as of 4/30/10	April '10 Residential	April '10 Business	April '10 Total	% of Migrated Customers	Change vs. March '10 Total
Clearview Electric	2,569	30	2,599	2.8%	(178)
ConEdison Solutions	4,299	1,082	5,381	5.8%	(157)
Constellation NewEnergy	432	2,968	3,400	3.7%	15
Direct Energy Business	11	792	803	0.9%	(7)
Direct Energy Services	15,596	2,614	18,210	19.6%	(2,122)
Discount Power	1,641	406	2,047	2.2%	554
Dominion Retail	13,986	1,285	15,271	16.4%	(536)
Energy Plus Holdings LLC	4,818	611	5,429	5.8%	877
Gexa Energy	281	306	587	0.6%	38
Glacial Energy	56	291	347	0.4%	(68)
Hess Corporation	49	519	568	0.6%	(6)
Integrays Energy Services	8	1,553	1,561	1.7%	2
Liberty Power		58	58	0.1%	8
MXenergy	9,140	539	9,679	10.4%	2,666
North American Power	1,469	198	1,667	1.8%	1,445
Public Power & Utility	9,019	1,296	10,315	11.1%	1,594
ResCom Energy	4,533	536	5,069	5.5%	3,391
Sempra Energy Solutions	30	703	733	0.8%	0
Starion Energy	617	206	823	0.9%	706
Suez Energy Resources NA	3	247	250	0.3%	1
TransCanada	8	470	478	0.5%	(1)
Verde Energy	3,731	120	3,851	4.1%	547
Viridian Energy	3,386	432	3,818	4.1%	214
<b>Total All Suppliers</b>	<b>75,682</b>	<b>17,262</b>	<b>92,944</b>	<b>100.0%</b>	<b>8,983</b>

### 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	41,609	27.7%	107,324	69.5%	106,107	93.3%	255,040	61.0%
UI	108,342	72.3%	47,154	30.5%	7,636	6.7%	163,132	39.0%
Total	149,951		154,478		113,743		418,172	

#### 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	75,682	26.1%	17,019	45%	243	90.3%	92,944	28.3%
UI	214,554	73.9%	20,924	55%	26	9.7%	235,504	71.7%
Total	290,236		37,943		269		328,448	

LRS = Last Resort Service; SS = Standard Service

Data as reported by UI

## PSEG Power Earnings Fall on Migration, Lower Volume

PSEG Power reported lower operating earnings of \$298 million in the first quarter of 2010, versus \$352 million a year ago, with customer migration in New Jersey negatively impacting earnings by about \$5 million.

PSEG Power reported that while migration is higher than the year-ago period, the pace of migration in New Jersey has slowed, with total migration reaching only 19% versus 18% as of December 31, 2009. Given the lower expected spread between Basic Generation Service prices and market prices this summer, PSEG said that it expects a smaller negative impact from migration versus the year-ago period in subsequent quarters.

A decline in gas prices and volumes associated with Basic Generation Service and other trading related activity reduced PSEG Power's earnings during the quarter by about \$20 million.

PSEG Power's income from continuing operations was higher at \$364 million, up from \$314 million a year ago, on mark-to-market gains.

Gross margin at PSEG Power was \$55/MWh versus \$63/MWh a year ago.

By region, PSEG Power gross margin for Q1 2010 was:

PJM	\$748 million (decline of 5%)
New England	\$27 million (lower on weaker prices)
New York	\$12 million (higher on increased generation)
Texas	\$18 million (no change)

## Calpine Loss Widens on Lower Prices

Calpine reported a loss of \$47 million for the first quarter of 2010, versus income of \$32 million a year ago, due to a \$74 million year-over-year decrease in Commodity Margin, largely related to the expiration of a legacy contract as well as weaker prices.

When excluding unrealized mark-to-market gains, Calpine's loss was \$156 million in the first quarter of 2010 compared to a loss of \$91 million in the first quarter of 2009.

Adjusted EBITDA was lower at \$282 million, compared to \$331 million in the prior-year first quarter.

Calpine's Commodity Margin by region was as follows:

	Q1 2010	Q1 2009
West	\$238	\$297
Texas	107	122
Southeast	58	61
North	52	49
Total	\$455	\$529

In Texas, the \$15 million decline resulted from lower hedged prices, partially offset by an increase in realized prices on open positions in January and February 2010 due to higher market spark spreads driven by colder than normal weather in January and February 2010 compared to the same periods in 2009.

## **Briefly:**

### **BlueStar Offering Residential Electricity at ComEd**

BlueStar Energy Services, now branding itself as BlueStar Energy Solutions, has launched a residential electric offer at Commonwealth Edison, including both a renewable and non-renewable product. BlueStar did not return a call or email seeking greater specifics on the marketing effort, including specific rates, mass marketing campaigns, or enrollment types (several BlueStar mass market campaigns have relied exclusively on online enrollments). BlueStar did say that it is offering a 12-month non-renewable product at an estimated 8% discount off of ComEd's current rate, while it is offering the renewable product at 3% off of ComEd's current rate. It is believed BlueStar's offering is the only current residential product in ComEd. Only BlueStar, FirstEnergy Solutions, Just Energy, Liberty Power, and Spark Energy are approved to market to residential customers at ComEd, per ComEd's supplier list, and none of those suppliers other than BlueStar publicize a ComEd residential offer on their website.

### **ComEd Withdraws Price Freeze Offer**

Commonwealth Edison has withdrawn its offer to provide the state of Illinois with \$500 million, to help fill a budget gap, in exchange for a price

freeze on retail generation and distribution rates, as ComEd said that it was clear there was not enough support for the proposal (Matters, 5/4/10).

### **Integrys Energy Services Loss Widens on Charges from Wholesale Exit, Pause in Retail Sales Efforts**

After the market close, Integrys Energy Services reported a wider loss for the first quarter of 2010 of \$48.5 million versus a loss of \$29.1 million a year ago, largely on charges related to the exit from its wholesale businesses. Integrys Energy Services also reported a \$3.7 million after-tax decrease in realized retail electric margins quarter-over-quarter driven by a 27% decrease in sales volumes in the Illinois market as a result of reduced customer marketing efforts throughout most of 2009 (prior to the decision to retain the retail electric business). Margin recognized per unit sold improved in the Illinois market, but this was not enough to offset the negative impact on margin of lower volumes. Realized retail electric margins in Texas also decreased due to the scaled back activity of new business in this market, which, as previously reported, is not a part of Integrys Energy Services' long-term strategy. Integrys is holding an earnings conference call today; a complete report will follow in tomorrow's issue.

### **CenterPoint Competitive Marketer Earnings Higher**

CenterPoint Energy's competitive natural gas sales and services segment reported higher operating income of \$15 million for the first quarter of 2010 compared to \$2 million for the same period of 2009. Operating income for the first quarter of 2010 included gains of \$3 million resulting from mark-to-market accounting for derivatives associated with certain forward natural gas purchases and sales used to lock in economic margins, compared to charges of \$19 million for the same period of 2009. The first quarter of 2009 also included a \$6 million write-down of natural gas inventory to the lower of average cost or market. CenterPoint's competitive marketer reported 11,369 customers as of March 31, 2010, versus 11,168 as of December 31, 2009, and 10,862 a year ago. Throughput was steady versus the year-

ago period at 141 Bcf. Revenues at the competitive segment were \$852 million for the first quarter of 2010, versus \$765 million a year ago.

### **Allegheny Merchant Earnings Fall**

Allegheny Energy's Merchant Generation segment reported lower first quarter earnings of \$42.5 million on a GAAP basis, compared to \$79.9 million a year ago, and lower adjusted earnings of \$51.0 million, versus \$60.1 million a year ago. Results were adversely impacted by lower market prices, higher fuel costs reflecting higher coal prices and increased generation output, and higher interest and depreciation expense due to placing scrubber equipment in service. These negative factors were partially offset by power hedges, increased capacity revenues and lower income taxes. During an earnings call, Allegheny reported that it is re-evaluating its plan to deploy smart meters in the near future at West Penn Power as part of its Act 129 compliance strategy. Allegheny said that, after evaluating the FirstEnergy utilities' Act 129 program which does not rely on smart meters to meet the load reduction goals until later years, it believes that it can more economically meet the targets with programs other than those requiring advanced meters. Allegheny has not yet filed a 10-Q.

### **ISO-NE Seeks to Use Interim FCA Rules Through Fifth Auction**

ISO New England petitioned FERC for rehearing of the Commission's recent order allowing the ISO's new Forward Capacity Auction rules to be used only in the fourth FCA to be held in August, as ISO-NE said that due to the time to implement any changes that FERC ultimately orders, such changes cannot be in place prior to the fifth FCA to be held in June 2011 (ER10-787 et. al., Matters, 4/26/10). Specifically, ISO-NE noted that several critical dates for the fifth FCA begin as soon as early as October 2010, and that even with expedited FERC action, the ISO will be unable to make system changes prior to that time. ISO-NE asked that any new FCA rules not be implemented until the sixth FCA in April 2012 at the earliest.

### **Ameren Merchant Earnings Lower**

Ameren's merchant generation operations recorded GAAP earnings in the first quarter of 2010 of \$44 million versus \$93 million in the first quarter of 2009. Core (non-GAAP) earnings in the first quarter of 2010 were \$29 million, down from \$85 million in the first quarter of 2009, largely due to lower realized revenue per megawatt-hour sold and higher fuel and related transportation costs, as well as higher financing and depreciation expense. These factors were offset, in part, by reduced operating expenses.

### **PJM Forecasts Adequate Summer Supplies**

PJM issued a summer peak forecast of 135,750 MW yesterday, reporting that it will have adequate supplies with 162,903 MW available.

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initiated by the customer (e.g. prompted by a change in name or account information). Additional UBP topics include:

- Application of UBP Section 10 (Marketing Standards) to commercial & industrial customers
- Modification of UBP Section 1 (Definitions) to require the verification agent used in certain types of enrollments to be independent
- Treatment of contract renewals between ESCOs and existing customers
- Amendment to UBP Section 4 regarding the provision and/or treatment of customer credit information between utilities & ESCOs

The technical conference will also discuss migration data and potential additional filing requirements, and the Power to Choose website, which was taken in-house late last year. Stakeholders wishing to suggest additional topics may email them to Honor Kennedy ([honor\\_kennedy@dps.state.ny.us](mailto:honor_kennedy@dps.state.ny.us)) by May 17.

The Commission also issued a notice accepting comments on several of the UBP working group reports, specifically, the reports on Customer Complaint Rate; Provision of Tax Data; ESCO Referrals; Reverse Slamming; and Customer Lists. At this time, comments were not sought on the working groups related to ESCO Consolidated Billing, Price Reporting Requirements, and the 18-a assessment.

Additional details on the working group reports will be provided in tomorrow's issue.

The PSC further sought comments on the following UBP-related questions.

- Should the term "verification agent" in Section 1, and the related statement in Section 5, Attachment A, be modified to require that the agent be an independent third party not affiliated with the ESCO and/or that the call with the marketing agent be terminated when the customer is transferred to the verification agent?
- Should ESCOs be required to solicit affirmative consent from customers for contract renewals where changes in the terms of the original contract occur? If so, what is the appropriate process in terms of the number and timing of notices provided to the customer prior to contract expiration?
- In the single retailer model, should the single retail provider be required to provide to the distribution utility and/or pending ESCO the same customer credit information that the distribution utility is currently required (Section 4.4) to provide to the pending ESCO?
- Should UBP Section 5.H.1 be amended to permit a customer, or the incumbent ESCO on behalf of the customer, to rescind a customer request to return to full utility service should the customer choose to remain with the incumbent ESCO?