Energy Choice Matters
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Reliant Energy Customer Attrition Slows, Bad Debt Improves

Reliant Energy reported adjusted earnings of $187 million for the first quarter of 2010 on colder weather, reduced bad debt, and improved customer retention. There is no comparable number for the first quarter of 2009 as the Reliant Texas operations were acquired by NRG Energy on May 1, 2009. When including $375 million of unrealized mark-to-market losses, Reliant recorded a loss of $188 million before income taxes.

Reliant Energy's gross margin totaled $293 million for the quarter. Though not providing a specific number, Reliant said that it outperformed its expected natural margin range which is in the $20/MWh range, due to lower gas prices. Competition, lower prices on new customer acquisitions, renewals, and conversions from month-to-month to fixed price contracts, as well expected supply costs based on forward market prices, will likely drive lower margins in the future, Reliant said.

Reliant reported 1.520 million mass market customers as of March 31, 2010, versus 1.531 million as of December 31, 2009. Reliant's commercial and industrial customer count as of March 31, 2010 was 64,000, versus 66,000 as of December 31, 2009. Reliant said that the 1% decline in customer count during the quarter is an improvement versus prior quarters. Attrition was 1.6% in the fourth quarter of 2009, and 2.4% in the third quarter of 2009.

Despite the net commercial and industrial attrition, Reliant said that it saw improved renewal rates of existing commercial customers, and said it signed 92 transactions with an average term of 23.6

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PG&E Seeks Seven-Year Minimum Stay for Returns to Bundled Service

The California PUC should impose a seven-year minimum stay for electric customers returning to bundled service after a stint on direct access, Pacific Gas & Electric said in comments on a scoping ruling regarding several market mechanisms to be addressed in the next phase of R.07-05-025.

The seven-year minimum stay, "is consistent with the period of time it takes to plan and bring on-line new generation resources," PG&E said. The current minimum stay is three years. San Diego Gas & Electric and Southern California Edison favor retention of the current three-year minimum stay, but did not recommend any lengthening of the minimum stay.

PG&E reiterated its recommendation that electric service provider bonding levels should be set using the settlement methodology for community choice aggregators currently pending before the Commission. SCE also recommended adoption of this bonding level.

PG&E also repeated its argument that, per SB 695, electric service providers must be subject to the same mandates and mechanisms as utilities for various public policy goals, including renewables, resource adequacy and carbon. This "level playing field" may also include potential obligations for electric service providers to purchase from qualifying facilities, including combined heat and power, PG&E said.

Direct access services and fees are in need of a review and update since many date back to the late 1990s and have not been updated in over a decade, PG&E added. PG&E has proposed a

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Briefly:

Spark Energy Seeks Ohio Electric License

Spark Energy applied for an Ohio electric supplier license to serve all classes of customers, including residential customers, in all service areas. Spark said that it currently serves over 90,000 electric accounts in ten different utilities across five states, and serves just over 95,000 gas accounts in 14 different states across 34 different utilities.

SaveOnEnergy.com Expands to Pennsylvania

Online rate comparison website SaveOnEnergy.com is fully expanding into Pennsylvania, where it had previously had a limited presence focused on the removal of rate caps at PPL. SaveOnEnergy.com offers residential and commercial service to Pennsylvania gas and electric customers. Residential electric providers featured on the site for Pennsylvania service include Champion Energy Services, Direct Energy and MXenergy. Featured commercial electric providers on the site for Pennsylvania service include Champion Energy, Constellation NewEnergy, GDF Suez Energy Resources NA, and Glacial Energy.

National Grid Applies to Recover Cape Wind Above-Market Costs in Distribution Rates

National Grid has applied at the Massachusetts DPU to recover the above-market costs of the proposed Cape Wind long-term contract in the distribution rates of all distribution customers. The estimated above-market cost of the PPA in 2013 is $66.5 million (Docket 10-54).

Reliable Power Receives Conn. Electric License

The Connecticut DPUC granted Reliable Power, LLC an electric supplier license to serve residential, commercial and industrial customers (Only in Matters, 2/17/10).

Vendere Energy Seeks Ohio Broker License

Vendere Energy, organized as A & O Investments, applied for an Ohio electric aggregator/broker license to serve commercial and industrial customers in all service areas.

Maryland Energy Advisors Seeks Md. Broker License

Start-up Maryland Energy Advisors has applied for a Maryland electric broker license to serve all classes of customers in all service areas. Maryland Energy Advisors said it would rely heavily on brokering conducted through its website, supported by viral and internet marketing. Maryland Energy Advisors is led by several former principals of the Baltimore Development Corporation, a 501(c)(3) corporation contracted with the City of Baltimore to provide economic development services.

Taylor Consulting and Contracting Receives Delaware Broker License

The Delaware PSC granted Taylor Consulting and Contracting an electric broker license to serve commercial and industrial customers.

VeriServ Corporation Receives Maine Broker License

The Maine PUC granted PSC International Inc, d/b/a VeriServ Corporation, an electric aggregator/broker license to serve the medium and large non-residential customer classes in the service territories of Central Maine Power, Bangor Hydro-Electric, Maine Public Service, Eastern Maine Electric Cooperative, Houlton Water Company, and Kennebunk Light and Power District.

Hess Wins CL&P Last Resort Service Load

Connecticut Light & Power informed the DPUC that Hess Corporation won 100% of its Last Resort Service load for the three-moth period beginning July 1.

Newsome Energy Seeks Texas Aggregation License

Newsome Energy LLC has applied for a Texas electric aggregation certificate to pool residential, commercial and industrial customers.

TexRep9 Seeks to Change to Option 2 REP.

TexRep9, LLC applied at the PUCT to change from an Option 1 REP to an Option 2 REP serving a registered list of customers. Energy Services Group, which owns the certificate, said that TexRep9 has not served any customers to date; however, it is in discussions with potential clients for which TexRep9, LLC could act as an Option 2 REP.

Illinois ALJ Would Require Reporting of Sale, Customer Data Not Subject to RPS

Illinois retail suppliers would be required to submit to the Illinois Commerce Commission data showing their customers and load which were contracted prior to the March 15, 2009, start date for RPS compliance under a proposed second notice decision from an ALJ, but would be permitted to request confidential treatment of such information (10-0109). Several retail suppliers had opposed the draft requirement calling for suppliers to submit the detailed information concerning their load not subject to the RPS, arguing such reporting was not called for in statute, and raising confidentiality concerns (Only in Matters, 4/12/10). The ALJ said that a provision allowing suppliers to receive protected treatment for confidential or proprietary information, "offers reasonable and adequate protection to both the ARES and its customers and, at the same time, allows Staff access to the information needed to do [its] work." The ALJ also found that while an RPS compliance worksheet to be used by suppliers may be helpful, it need not be codified in the rule. To move the development of such a worksheet along, the ALJ would direct Staff to engage the parties fully and promptly in a collaborative process and to maintain a current "informal/sample" compliance spreadsheet on the Commission's website that is to be posted well in advance of the September 1 annual compliance deadline.

FERC Dismisses PJM Marginal Loss Complaint

FERC dismissed a February 2010 complaint (EL10-40) from financial marketers who had protested PJM's tariff which refunds marginal line loss surpluses only to customers paying the fixed costs of the transmission system, as FERC found that the complaint merely re-litigated issues from a prior complaint.

Exelon Moves Retirement of Two Philadelphia-area Units Forward

Exelon Power said that it will retire two units at the Cromby and Eddystone generating stations earlier than previously announced, as a result of a revised analysis by PJM showing needed transmission upgrades can be completed faster than originally anticipated. PJM has determined that Cromby Generating Station Unit 2 is needed to remain in operation until Dec. 31, 2011, and Eddystone Generating Station Unit 2 is needed to remain in operation until Dec. 31, 2012, to support transmission system reliability. Previously, PJM indicated that it needed Cromby Generating Station Unit 2 to remain in operation through May 31, 2012, and Eddystone Generating Station Unit 2 through Dec. 31, 2013. While it originally announced on Dec. 2, 2009 that the two units would retire for economic reasons, Exelon Power has agreed to extend their operation through the timeframe defined by PJM for system reliability reasons, under reliability must-run contracts.

ERCOT Releases Confidential EILS Data

ERCOT informed the PUCT of a violation of Protocol Section 1.3.1.1, Protected Information, due to the inadvertent disclosure of Emergency Interruptible Load Service (EILS) data to the incorrect QSE. On May 3, 2010, ERCOT Staff inadvertently disclosed Protected Information by sending an email attachment which contained baseline assignment options and other data for an EILS Resource for the upcoming June to September 2010 EILS Contract Period to the incorrect QSE. Confidential data in the attachment included the name of EILS Resource (in this case the name of the end-use Customer providing EILS); ESI ID Numbers; street addresses of the two Loads, and MW bid capacity and declared minimum base load. The inadvertent disclosure was attributed to human error. Upon realizing the error, ERCOT contacted the unintended recipient who confirmed that the file had been deleted without opening the attachment. ERCOT said that it is implementing a technology solution that will obviate the need to manually enter the names of individual Market Participant personnel in the "To" or "CC" email fields for sending out such EILS data. ERCOT expects to have this solution in place within the next two days. Due to these remedial actions, ERCOT does not anticipate that this mistake should recur.

Dynegy Earnings Lower on Weaker Prices

Dynegy reported lower adjusted EBITDA from its power generation segments of $185 million for the first quarter 2010, compared to $230 million for the first quarter 2009, on weaker prices. Net income attributable to Dynegy was $145 million, compared to a net loss of $335 million a year ago, as the 2010 earnings reflect mark-to-market gains of $253 million while the 2009 loss included impairment charges of $438 million.

Adjusted EBITDA for Dynegy's Midwest segment was lower at $128 million, versus $168 million a year ago, as energy margin from coal-fired facilities was negatively impacted by the reduced contribution from hedging activities, while energy margin from combined-cycle facilities was negatively impacted by compressed spark spreads. These decreases were partially offset by the receipt of a termination payment associated with the early exit from the Kendall tolling contract, as well as higher capacity revenues and a net benefit resulting from the sale of options. The company's coal fleet production volumes increased 10 percent primarily due to improved unit availability due to fewer outages. This was offset by a 49 percent decrease in combined-cycle production volumes that primarily resulted from compressed spark spreads.

Dynegy's West segment recorded adjusted EBITDA of $39 million, up from $22 million a year ago, as lower energy margins were offset by a net benefit from selling options. In addition, adjusted EBITDA benefited from reduced operating expenses associated with two combined-cycle facilities that were sold in the fourth quarter 2009.

Adjusted EBITDA for the Northeast segment fell to $18 million from $40 million a year ago due to compressed spark spreads, lower emission sales, and the absence of earnings from the Bridgeport combined-cycle facility, which was sold in the fourth quarter 2009.

Reliant ... *from 1*

months during the quarter. Key account wins included Memorial Hermann, Apache Corporation, LaQuinta, Bally Total Fitness, and Targa Mid Stream.

Bad debt expense was lower due to improved customer payment behavior, and was $9 million for the quarter, or 1% revenues.

Mass market revenues were $713 million, led by favorable pricing from Reliant's existing customer base, partially offset by lower prices for new, renewed, and converted (variable to fixed price) customers. Commercial and Industrial revenues were $489 million. Variable rate contracts tied to the market price of natural gas accounted for approximately 47% of the contracted commercial volumes as of March 31, 2010.

Supply management revenues were $43 million from the sale of excess supply, while a $69 million charge related to the amortization of commercial and industrial contracts acquired in the Reliant Energy acquisition negatively impacted revenues. Total Reliant revenues were $1.2 billion.

Mass market volumes were 4,814 GWh, and commercial and industrial volumes were 6,209 GWh.

Reliant's selling, general and administrative expenses totaled $49 million for the quarter.

NRG Generation

Adjusted EBITDA for NRG's Texas generation, net of mark-to-market impacts, was lower at $272 million, versus $320 million a year ago, on lower margins from the baseload fleet resulting from lower hedged prices, a decline in nuclear generation, and higher fuel costs. These factors outweighed increased generation from the gas-fired fleet.

For the Northeast assets, adjusted EBITDA, net of mark-to-market impacts, was $76 million, versus $106 million a year ago, from a $38 million decline in net energy margins on lower hedged prices. Northeast results were positively impacted by an increase in capacity revenue of $8 million due to higher prices in New York and PJM in 2010.

Adjusted EBITDA for the South Central assets was down $3 million at $26 million, net of mark-to-market impacts.

NRG said that it won multi-year load following contracts in the Northeast and South Central regions during the quarter.

NRG announced that Tokyo Electric Power Company has agreed to invest $155 million for a 10% share of Nuclear Innovation North America Investments Holdings' interest in the expansion of the South Texas Project, contingent on receipt of a federal loan guarantee.

NRG reported consolidated net income of $58 million, versus $198 million a year ago, on a $456 million decrease in unrealized mark-to-market derivative gains.

Calif. ... *from 1*

limited update of some fees to account for labor escalation since 1998 in its current General Rate Case.

San Diego Gas & Electric suggested that the PUC must examine whether the current methodology for calculating the cost responsibility surcharge is sufficient to cover all costs that are, or are determined to be, nonbypassable, (i.e., stranded Resource Adequacy/Renewable Portfolio Standard costs).

SCE said that Transitional Bundled Service should be modified to incorporate resource adequacy and RPS costs. TURN agreed that the components of the Transitional Bundled Service rate need to be updated so that the rate will provide full and complete compensation to the utility that is required to serve no-notice load as the provider of last resort, without shifting costs to bundled service customers. Currently, Transitional Bundled Service includes only the spot price of energy, though customers still separately pay the cost responsibility surcharge as well.

TURN noted that with a fully compensatory Transitional Bundled Service rate of sufficient duration, the issue of advance notice for returning to bundled service may become less salient.

The California Large Energy Consumers Association said that the Commission should consider shortening both the minimum stay and notice requirements in view of the many constraints on the movement of customers. "We continue to believe that a one-year requirement would be ample to protect bundled customers from having to bear increased procurement costs," CLECA said

Furthermore, CLECA, "believe[s] that the Commission has allowed the CRS [cost responsibility surcharge] to become a 'dumping ground' for a wide variety of charges, the rationale for some of which has long been lost," as CLECA urged a review of the cost responsibility surcharge.

Separately, the Alliance for Retail Energy Markets (AReM) and California Alliance for Competitive Energy Solutions (CACES) said yesterday that they are, "pleased with the strong interest shown by business customers in potentially switching to direct access but disappointed that many customers will not be able to consider switching to an energy service provider in 2010 because the cap on customer enrollments was far exceeded by the requests that were submitted." *Matters* first reported that each of the utilities had hit their direct access cap on the first day of the open enrollment window last month (Only in Matters, 4/19/10).

"[I]t is obvious that with the cap being oversubscribed so quickly within the market opening that the cap simply does not afford enough customers the right to choose their energy service provider," said Andrea Morrison, President of the Alliance for Retail Energy Markets and Director, Regulatory and Government Affairs for Direct Energy.