Energy Choice Matters

May 18, 2010

Reversing Trend, MXenergy Posts Quarterly Customer Growth

MXenergy reported lower net income of $5.3 million, versus $9.4 million a year ago, for the quarter ending March 31, 2010 on lower gross profit, though MXenergy recorded net customer growth versus the prior sequential quarter for the first time in over a year.

Adjusted EBITDA improved slightly to $49.7 million for the three months ended March 31, 2010, versus $48.9 million a year ago.

Gross profit excluding unrealized impacts from risk management activities was $67.4 million versus $69.3 million a year ago. When including unrealized risk management impacts, gross profit was $41.4 million for the quarter, down from $57.8 million a year ago.

Adjusted gas gross profit was lower at $61.7 million versus $62.6 million a year ago, while adjusted electric gross profit was lower at $5.7 million, versus $6.6 million a year ago.

The decline in natural gas gross profit reflected customer attrition, partially offset by higher per-unit margins. Gross profit per MMBtu sold during the quarter was $2.93, versus $2.59 a year ago, due to colder than normal weather and a favorable pricing environment in many of MXenergy's natural gas markets. MXenergy noted that as weather-related demand increased, natural gas commodity prices remained uncharacteristically low, allowing it to realize higher than normal gross profit, particularly on the incremental volumes of natural gas delivered to customers during the winter.

Lower electricity gross profit resulted from lower per-unit margins, partially offset by customer

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BHE Plans to Select Two Competitive Suppliers for Dynamic Rate Pilot

Bangor Hydro-Electric intends to select two competitive electric providers (CEPs) via an RFP to supply customers in its short-term dynamic rate trials, which are intended to inform its advanced metering deployment and future generation rate design, and test various backoffice systems (2010-14, Only in Matters, 3/18/10).

BHE's short-term dynamic rate pilot would include two groups of 50 customers each, lasting nine months from April 1, 2011 through December 31, 2011. The customer groups would be primarily residential, but may include a very small subset of commercial (general service or medium commercial) customers to begin testing the commercial web portal, though BHE said that the commercial customer start date may be later than April 1, 2011 due to meter installation timelines. A subset of 10 customers in each group would receive in-home display devices.

Under the pilots, which would be opt-in programs, customers would be supplied by the CEP as a migrated, competitive supply customer, not as a Standard Offer customer. No more than two CEPs will be selected. While BHE is proposing a competitive supply solution for the short-term trial, it said that it will continue to assess the best approach of generation supply for the long-term rate trials, which will commence after smart meter deployment is completed on January 1, 2012, and last for 18-24 months. Potential alternatives include using a Standard Offer provider to supply the rate trial, or BHE procuring supply itself.

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Briefly:

WGES Seeks Pa. Gas Supply License

Washington Gas Energy Services has applied for a Pennsylvania natural gas supplier license as a supplier of natural gas services, aggregator, and broker/marketer, to serve all customer classes, including residential customers, at Columbia Gas and PECO. WGES said during its recent earnings call that it is evaluating expanding its Pennsylvania offerings to include natural gas (Only in Matters, 5/7/10).

EIA Releases 2009 Gas Choice Report

The Energy Information Administration released its 2009 review of residential natural gas retail choice, which merely aggregates previously issued state-level data which is now six months old and need not be reproduced here. The EIA took note of the Standard Choice Offer implemented at several Ohio LDCs, which has resulted in Ohio leading the U.S. in the number of migrated residential accounts at 1.67 million, versus 1.46 million in Georgia. The Atlanta Gas Light market, however, leads in the migration rate since all customers are on a competitive supplier. EIA said that residential migration reached a record 5.1 million accounts in 2009, an increase of 9% versus 2008. Aggregate (not LDC-level) migration data for all states is posted on the EIA site.

Acclaim Energy Advisors Receives D.C. Broker Licenses

The District of Columbia PSC granted Acclaim Energy Advisors both electric and natural gas broker licenses to serve commercial and industrial customers.

Nstar Reports Residential Basic Service Rate

Nstar said yesterday that its proposed basic service rate for residential customers for the six-month period beginning July 1, 2010 is 7.98¢/kWh.

Michigan PSC Reverses ALJ, Rejects Pooling at Consumers

Reversing an ALJ's proposed decision, the Michigan PSC ordered that pooling shall not be implemented at Consumers Energy as proposed by Constellation NewEnergy, in an order on Consumers' rate case (U-15986, Only in Matters, 3/25/10).

"[T]he Commission has serious concerns about the potential effects on Consumers' GCR customers if nominations by marketers vary with gas prices on a day-to-day basis, creating surpluses and deficiencies. As Consumers and the Staff point out, this could force the company to replace missing gas supply for its transportation customers by taking from its GCR customer supply or by purchasing gas on the spot market, which could be very expensive on a peak winter day," the order states.

In a post-hearing brief, Constellation had noted that such a scenario is inherent with the monthly balancing used at Consumers, arguing that the scale of the problem would not be changed by simply pooling the respective Maximum Daily Quantities (MDQ) of customers. "The scale of the problem remains the same, since the number of transportation customers and their respective MDQs remains constant whether they are pooled or not. Only increases to the number of transportation customers or the value of their MDQs could increase the scale of this problem," Constellation had noted.

The Commission further found that, "CNE's proposal could harm Consumers' transportation customers by limiting their flexibility in selecting marketers within a particular month because each of them would have to designate a single marketer to provide that month's supply."

During the case, Constellation had noted that customers wishing to be served by multiple suppliers during the same month could simply be excluded from pooling, as done at several other LDCs, and thus would not be harmed by pooling.

An ALJ had found various objections to pooling as, "lacking in substance and unconvincing."

The Commission also accepted Consumers' tariff change providing that if a customer is in arrears with Consumers, the customer is not eligible to participate in the customer choice program until the arrearages have been paid in full to Consumers.

The PSC affirmed the ALJ's rejection of arguments from the Association of Businesses Advocating Tariff Equity, who had contended that transportation customers are being assigned an inequitable allocation of costs.

Constellation NewEnergy Seeks to Streamline Access to PECO Interval Data

The Pennsylvania PUC should require PECO to automatically remove restrictions to an interval account customer's data once an electric generation supplier has been licensed and is registered with PECO to operate through its EDI systems, Constellation NewEnergy said in response to a motion from Commissioner Robert Powelson seeking comment on EDI provisions contained in a settlement on PECO's smart metering plan (M-2009-2123944).

Constellation said that it is the supplier's responsibility to ensure that it obtains a Letter of Authorization to access interval data from a customer. After providing a Letter of Authorization to the supplier, the customer should not have to communicate separately with PECO in order to remove any restrictions on its account with respect to that particular supplier, Constellation said. Constellation noted that this automatic process has been adopted by other Pennsylvania utilities such as PPL.

Under the settlement, PECO committed to provide direct access to licensed electric generation suppliers or other third parties authorized by the Commission, by means of EDI transactions, to the data currently available from its existing AMR system and any additional Advanced Read Services it is able to provide. Powelson noted, however, that neither the record nor the settlement addresses how or when PECO plans on implementing these transactions, specifically citing the lack of historical interval usage (HIU) transaction capabilities.

In response, Constellation said that PECO should provide Historical Interval Usage transaction capabilities through its EDI system. Currently, if a supplier seeks usage and other information for an interval account customer in PECO's territory, the supplier must obtain such information through a manual process, for instance, by contacting PECO by email, and awaiting a response that may include such information. In practice, Constellation said that this process can take at least a day and up to a week, depending on the nature of the data requested, "limiting significantly the EGS's ability to evaluate and prepare a timely offer for the interval account customer's consideration."

While suppliers may alternatively obtain data off of PECO's SUCCESS website, "this process is not entirely sufficient because the data that is returned includes only interval usage data and omits other customer account attributes necessary to properly develop offers for customers, including, but not limited to, rate codes, load profile groups, meter cycle information and transmission and capacity Peak Load Contribution values," Constellation said.

Constellation further requested that the Commission should generally require that a utility shall provide via EDI (or another web-interface) summary usage (regardless of the type of account - interval or otherwise), interval usage (for interval accounts), and all account attributes (e.g., rate class, load profile, meter read cycle information, etc.). In other words, for an interval-metered account, Constellation said that the supplier should receive via EDI (or through a web-interface) both the granular, interval level data, as well as the summary data.

Additionally, a supplier that wants to receive only summary level data should be able to indicate this preference in the proper EDI data request transaction, Constellation said. "The ability to request only summary level data may be important to some EGSs because they incur significant data handling costs when receiving interval level data," Constellation noted. Suppliers also should be able to designate in a customer enrollment transaction their desire, if any, to receive only summary level monthly billing data for customers, Constellation added.

Finally, in the EDI summary usage data for each particular account, utilities should be required to include some sort of indicator identifying whether the summary usage is for an interval account, Constellation said.

ALJ Would Not Require Prior Reporting of Customer Book Acquisitions in Illinois

An Illinois ALJ would strike from a proposed rule the requirement that alternative retail electric suppliers must report to the Illinois Commerce Commission the purchase or transfer of customers from another supplier at least 30 days prior to the execution of the transaction. The ALJ's recommendation came in a proposed second notice order on electric supplier licensing regulations (10-0108, Only in Matters, 4/9/10).

The Retail Energy Supply Association had objected to the language requiring reporting prior to execution, noting that negotiations for the acquisition of customers are highly sensitive and confidential matters, and should not be disclosed prior to the execution of the transaction. Further, RESA observed that such negotiations are very fluid in nature, making it difficult to determine whether the transaction will finally be executed, if at all. RESA also said that requiring a regulatory submission prior to selling a book of customers will add a level of uncertainty and, accordingly, may be viewed as less attractive in the market.

RESA did not object to a requirement to report transactions to the Commission after execution, in which case the ICC would retain the authority to determine if the acquiring supplier maintains the necessary financial, managerial, and technical requirements subsequent to the acquisition of the new customers and, if not, to require the supplier to remedy any deficiency.

The ALJ agreed, and recommended changing the proposed rule such that customer book acquisitions would be required to be reported to the ICC 30 days after the execution of the transaction.

The ALJ also accepted several recommendations from the Citizens' Utility Board, though the ALJ rejected CUB's recommendation to include in the licensing regulations language related to a supplier's sales agents' required compliance with applicable rules and laws, as such matters are being addressed in the customer protection rulemaking.

CUB's proposal to require applicants for an electric supply license to report whether they have had a license denied, suspended, or revoked in another jurisdiction would be adopted under the ALJ's proposed order. Additionally, the ALJ would adopt CUB's language explicitly including the amount and resolution of a supplier's customer complaints as a measurement of managerial fitness.

Furthermore, the ALJ recommended adopting CUB's language requiring applicants for an electric supply license to report whether they are, "the subject of any lawsuits filed in a court of law or formal complaints filed with a regulatory agency alleging fraud, deception or unfair marketing practices, or other similar allegations, identifying the name, case number, and jurisdiction of each such lawsuit or complaint." For the purposes of the rule, formal complaints would include, "only those complaints that seek a binding determination from a state or federal regulatory body."

The ALJ agreed with Staff that the ICC cannot grant CUB's recommendation that the Commission should be permitted extend a review of a supply license application for an additional 90 days for good cause, since statute requires a decision within 45 days.

CAISO DMM Cites Importance of Long-Term Contracts for New Capacity in Current Market Design

The significant decrease in estimated net revenues for typical new gas-fired generating units in the California ISO during 2009, "underscore[s] the critical importance of long-term contracting as the primary means for facilitating new generation investment under the current market design," the CAISO Department of Market Monitoring said in its 2009 annual report.

The 2009 net revenue estimates for a hypothetical combined cycle unit in NP15 ($40.14/kW-yr) and SP15 ($38.48/kW-yr) both fell substantially below the $191/kW-yr annualized fixed cost estimate provided by the California Energy Commission, DMM said. DMM's analysis does not include revenues earned from resource adequacy contracts or other bilateral contracts, as DMM does not have information on such revenues.

CAISO reported that when normalizing costs to the 2009 gas price, power prices were higher in the ISO in 2009 at about $38/MWh, up from about $32/MWh in 2008. On a nominal basis, prices were lower at $38/MWh in 2009 versus $53/MWh in 2008.

CAISO said that the cost of ancillary services declined from $0.74/MWh in 2008 to $0.39/MWh in 2009, representing 1% of wholesale energy costs.

Over the course of the year, Exceptional Dispatch decreased to less than 0.5% of total hourly energy, down from a range of 1% to 2% in the first few months of MRTU.

During the first two months of the new market, the real-time energy market was highly volatile, with periodic extreme price spikes driving up average prices. Real-time market performance improved quickly, DMM said, which can be attributed to a series of adjustments and enhancements in software and operating practices implemented by the ISO to address root causes of pricing anomalies and volatility.

Separately, CAISO forecast adequate net supplies of 60,988 MW to meet an estimated peak of 47,139 MW this summer. CAISO said that 1,760 MW of new capacity have, or are expected to, come online since the summer of 2009.

MXenergy ... from 1

growth. Electric gross profit per MWh was $25.16 during the quarter, versus $33.90 a year ago, due to competitive pricing environments in many of MXenergy's electricity markets, including its new market of PPL.

As of March 31, 2010, MXenergy reported 568,000 Residential Customer Equivalents (RCEs), up from 527,000 as of December 31, 2009, but lower than the 594,000 recorded as of March 31, 2009.

Natural gas RCEs were lower at 438,000 versus 446,000 as of December 31, 2009, and 520,000 a year ago.

Electric RCEs increased significantly to 130,000, versus 81,000 as of December 31, 2009, and 74,000 a year ago.

The electric RCE total as of March 31, 2010 reflects about 32,000 customers enrolled at PPL, in which MXenergy starting flowing during the quarter ending March 31, 2010.

Excluding the customers gained at PPL, MXenergy said that its average electric customer count in its existing markets for the three months ending March 31, 2010 increased 12%.

As previously reported by *Matters*, MXenergy began delivering natural gas to Columbia Gas Ohio in April as a supplier under the new Standard Service Offer program. MXenergy said that it expects to deliver approximately 11.0 million MMBtus of natural gas annually as an SSO provider at Columbia.

Since the fall of 2009, MXenergy said that it has focused on growth in its electricity customer portfolio in order to improve the seasonal cash flow associated with the electricity business segment, and to reduce risks associated with commodity and geographic concentrations.

For the 12 months ended March 31, 2010, MXenergy's customer renewal percentage improved to 93% versus 86% a year ago, while in-contract attrition decreased to 25% from 32% a year ago. During the quarter ended March 31, 2010, MXenergy experienced lower credit-related attrition due to stable prices, as well as its ability to offer more product and price options to retain customers, compared with its limited ability to offer new long-term products during its credit restructuring in 2009.

Total operating expenses were lower at $24.8

Select MXenergy Data

	Three Months Ending March 31, 2010	2009
Natural Gas:		
RCEs at period end	**438,000**	520,000
Average RCEs during the period	**439,000**	542,000
MMBtus sold during the period	**21,068,000**	24,226,000
Sales per MMBtu sold during the period	**$ 9.88**	$ 11.53
Gross profit per MMBtu sold during the period	**$ 2.93**	$ 2.59
Electricity:		
RCEs at period end	**130,000**	74,000
Average RCEs during the period	**106,000**	82,000
MWhrs sold during the period	**227,000**	196,000
Sales per MWhr sold during the period	**$ 111.82**	$ 131.42
Gross profit per MWhr sold during the period	**$ 25.16**	$ 33.90

million versus $30.9 million a year ago, largely on lower depreciation and amortization charges.

Advertising and marketing expenses increased to $1.7 million, versus $417,000 a year ago, reflecting MXenergy's ability under its new credit arrangement to actively market to customers.

Sales of natural gas and electricity for the quarter ending March 31, 2010 were $233.6 million, versus $305.1 million a year ago. During the nine months ended March 31, 2010, approximately 47% of MXenergy's total sales were within markets where LDCs do not guarantee customer accounts receivable, while 53% of total sales were within markets where LDCs guarantee customer accounts receivable at a weighted average discount rate of approximately 1%.

BHE ... *from 1*

BHE said that it wishes to use an hourly or Time of Use supply rate for the short-term pilot customers, but with customers protected against any costs above the otherwise applicable Standard Offer charges. Under BHE's proposed "No Losers" approach, customers would not pay more than current Standard Offer supply rates in any month, yet would still be given the opportunity for savings through behavioral changes in consumption.

BHE prefers that at least half of the short-term trial participants are billed via utility consolidated billing using Time of Use (or on-peak and off-peak) rates, while the other half is billed via dual billing utilizing hourly prices, to properly test the integration of hourly/interval data billing processes with its new Meter Data Management system.

BHE informed the Maine PUC that it has been in contact with two potential CEPs and has subsequently received two draft proposals from these registered CEPs (which in Maine includes aggregators). The preliminary engagement between these potential suppliers has focused on potential supply pricing arrangements for customers in the pilots, as well as developing an understanding regarding the technical capabilities of the parties involved.

BHE said that it intends to formally submit an RFP to CEPs to supply the load obligations for the short-term rate trials on July 1, 2010. "This RFP process will create an equitable and consistent document which will outline the details of Bangor Hydro's short-term track rate trials, as well, address some of the customer recruitment and education responsibilities shared by both suppliers and T&D utility," BHE said. BHE stated that the RFP will evaluate both pricing and non-pricing, value-added components, such as educational content and customer recruitment programs and ideas.

In the RFPs, suppliers will essentially express what costs they are willing to bear for parts of the pilot. For example, BHE said that suppliers should bear some of BHE's educational costs, but said that the amount should be determined via the RFP.

While BHE had previously recommended a process similar to the Standard Offer RFP process, with the PUC managing the RFP and selecting winners, BHE now says that it wishes to manage and select the RFP winners for the short-term rate pilots, subject to PUC approval of its selections.

Upon the end of the short-term pilot on December 31, 2011, BHE said that, "participants will have the likely option of: 1) keeping and/or extending their existing supplier arrangements, 2) opting or rolling into the long-term track rate trials program or 3) opting into a different supply rate, like standard offer." BHE did not express which option would be the default option for a customer, and said further details would be addressed in the RFP.