

Energy Choice

Matters

May 25, 2010

PPL Electric Seeks to Modify Default Service Plan to Include Long-Term Solar Contracts

PPL Electric Utilities has petitioned the Pennsylvania PUC to modify its default service plan for the period beginning January 1, 2011 by adding a new, long-term solar REC (SREC) procurement process to the plan, with an accompanying reduction in the amount of SRECs procured via the full requirements contracts (P-2008-2060309).

Initially, PPL intends to reduce the amount of SRECs to be required in future full requirements procurements under the default service plan to one-half of the statutorily established SREC amounts, with the balance acquired through the new long-term SREC competitive RFPs. "This reduction will continue to keep a substantial portion of SREC procurements in the short term (one to two year) market, while allowing for meaningful long-term procurements under the proposed SREC RFP," PPL said. SREC requirements in later full requirements procurements may increase or decrease from this target due to the success of the long-term procurements, as well as customer shopping or legislative changes in SREC goals. Under its petition, PPL would not modify how SRECs are procured for its block energy or spot purchases, nor would the obligations for any full requirements contracts already executed be changed.

PPL proposed three separate solicitations for SRECs, with the delivery period for each contract

Continued P. 5

BGE Files Proposal for Residential Customer Lists Containing Limited Info

Baltimore Gas & Electric has petitioned the Maryland PSC to make residential electric and gas customers lists containing basic information available to competitive suppliers, scaling back a request to share customer lists containing a greater amount of information that was rejected last year by the PSC.

Currently, BGE does not offer residential electric customer lists, while a residential gas customer list may cost \$814,000, and take 180 days to complete. Customer lists for all types of non-residential customers are currently available, but at costs most suppliers would find prohibitive.

As only reported by *Matters*, BGE in 2009 had asked for the authority to make available to suppliers, at no charge, customer lists containing: 1) customer name; 2) billing address; 3) service address; 4) account number; 5) rate class; 6) historical usage for the prior 12 months; 7) Standard Offer Service type; and 8) fuel type (Only in *Matters*, 5/4/09). The Commission rejected this request (Only in *Matters*, 9/21/09).

Under BGE's new proposal, it would make a customer list of residential gas and electric customers available to suppliers on an annual basis, for a fee of \$715.

The lists would be limited to:

- a) Account Name;
- b) Billing Address;
- c) Service Address, and
- d) Fuel Type (Gas, Electric, Combined)

Continued P. 7

Briefly:

PUCT Opens Rulemaking on Distribution Cost Recovery

The PUCT has opened Project 38298 for a "Rulemaking Related to Cost Recovery by Electric Utilities of Distribution Costs."

Viridian Confirms New Jersey Entry

Viridian Energy reported that it has received its electric supplier license from the New Jersey BPU and will begin marketing at Public Service Electric & Gas, Jersey Central Power & Light, and Atlantic City Electric. Viridian's expected May 2010 start for New Jersey marketing was first reported in *Matters* (Only in Matters, 5/4/10). As previously reported, Viridian is to launch in New York, Massachusetts, and Illinois in later 2010. Viridian also recently received its Maryland electric supplier license earlier this month. Viridian said that it is offering a 20% renewable plan and a 100% wind plan in New Jersey, and Viridian further reported that its renewable plans have recently been Green-e certified.

Clean Currents Expands to PPL, Delmarva

Clean Currents announced that it has expanded into the Delmarva territory in Maryland for all customer classes, and Clean Currents has also become active in the PPL residential market. Typically, Clean Currents has brokered for Washington Gas Energy Services, and its offerings at PPL, substantially similar to the WGES products, suggest that this relationship continues.

ATSI Seeks FRR Departing Load Waiver for Demand Response

The American Transmission Systems Inc. utilities petitioned FERC for a waiver of certain penalties that might be imposed on demand resource providers whose offers cleared in the ATSI utilities' recent Fixed Resource Requirement Integration Auctions, which are part of the utilities' migration to PJM (ER09-1589). Specifically, the ATSI utilities requested waiver of the FRR Capacity Deficiency Charge that, under the Reliability Assurance Agreement, will apply when a Demand Resource Provider's resources are no longer available to support the

provider's capacity obligation because of the permanent departure of the load resource associated with the obligation. The relief is similar to Section 8.4 of the Reliability Pricing Model rules which provides relief from the Capacity Resource Deficiency Charge for Demand Resource Providers who cannot meet their RPM capacity obligations due to permanent load departure. The ATSI utilities said that their request is supported by the market monitor with no known opposition.

Direct Access Customers Oppose Cost Shifting in PG&E Rate Case

The Direct Access Customer Coalition (DACC) has raised concern about the apparent cost shifting contained in Phase II of Pacific Gas & Electric's 2011 General Rate Case (A.10-03-014).

In a prehearing memo, DACC said that it appears costs are to be shifted from the generation element of medium and large commercial rates into the distribution element of medium and large commercial rates. For example, PG&E proposes a net decrease in rates for bundled E-19 and E-20 customers while at the same time proposing a net increase for direct access customers on those schedules, DACC said.

"The cost allocation proposed by PG&E purports to move the class allocations 50% from where they currently are to full marginal cost allocations. For generation costs, this would move about \$100 million of generation costs from the commercial and industrial classes onto the residential class. At the same time, the proposed allocation would move approximately \$250 million of distribution revenue from the residential class onto the commercial and industrial classes," DACC noted, calling such cost shifts anti-competitive.

"Furthermore, beyond these cost inter-class cost allocators, DACC believes that there are costs that are being classified as distribution that are in fact generation costs. In Application (A.) 09-02-022, PG&E's 2009 Rate Design Window, DACC showed that certain dynamic pricing implementation costs that PG&E proposed

collecting via its distribution revenue requirement are more appropriately classified as generation and as such should be collected in the generation revenue requirement," DACC added.

DACC said that it intends to challenge PG&E's allocation of the dynamic pricing implementation costs referenced in D.10-02-032, as well as other analogous costs in the rate case that PG&E proposes to collect in the distribution revenue requirement, since such costs more appropriately belong in generation. This includes, at minimum, PG&E's request for \$17 million of incremental revenue for its real time pricing program, DACC said.

IPPNY Protests Anchor Customer Request from Champlain Hudson Power

The Independent Power Producers of New York protested an application at FERC from Champlain Hudson Power Express, Inc. for negotiated transmission rate authority and authority to select an anchor customer for 75% of the capacity for a proposed transmission line from Canada to the New York City metro area, contending that FERC could not ensure open access under the line's proposed configuration (ER10-1175).

Champlain Hudson Power Express has a proposed \$3.8 billion merchant transmission project consisting of a new 2,000 MW underwater/underground high-voltage direct current transmission system that will consist of two 1,000 MW circuits that would interconnect with the transmission system of Hydro-Quebec's affiliate, TransEnergies. One circuit would extend approximately 319 miles to Yonkers, New York, where it would connect with a converter station to be owned by Champlain Hudson Power Express. Champlain Hudson Power Express would also construct a 345 kV AC cable system running approximately 6.6 miles to a 345/138 kV substation that would connect this circuit to Consolidated Edison's Sherman Creek substation in Manhattan. The other HVDC circuit would parallel the first circuit but would not exit the Hudson at Yonkers and would instead continue underwater in the

Harlem and East rivers into Long Island Sound, ultimately connecting to a converter station at Bridgeport, Connecticut.

Champlain Hudson Power Express requested that Commission authorize it to sell what IPPNY termed an "unprecedented" 75% of the capacity on the proposed project to anchor customers outside of the typical open season process. Champlain Hudson Power Express said that its ability to obtain certain loan guarantees from the Department of Energy necessary to support the project, as well as the required equity financing, is predicated on its ability to execute long-term (currently estimated at 30 years), bilaterally negotiated contracts with highly credit-worthy anchor customers for 75% of the project's capacity.

Hydro-Quebec Energy Services (U.S.) supported the requested authority, arguing that, "[t]hese anchor customers will help ensure that the Project moves forward thereby providing customers interested in capacity for potentially shorter terms with an opportunity to participate in an open season for the remaining 25% of the Project's capacity ... HQUS is of the view that there is no harm to the market to grant CHPE's request."

IPPNY, however, argued that, "the reality of the HVDC line is such that the only power it will be delivering will originate in Canada. Indeed, in support of its request for expedited treatment, CHPE states that an open season would be inefficient and cause unnecessary delay because there is only a limited number of potential customers who would agree to enter into 30-year commitments."

"Nowhere in its Application does CHPE explain how generators located in New York will be able to access the Project at reasonable rates. As described in the Application, the HVDC line will link at the Canada-U.S. border with another HVDC line originating at an HVDC converter station near the Hydro-Quebec TransEnergies 765/315 kV Hertel substation, located southeast of Montreal. For a generator to wheel power over an HVDC line, the power must first be converted from AC to DC at a converter station costing hundreds of millions of dollars, and then converted back at the point of delivery. As the HVDC converter station is located in Canada and no other converter

stations are proposed in New York, generators in New York will be effectively precluded from accessing the line. Unlike two other merchant transmission lines linking Canada and the United States that FERC authorized to charge negotiated rates, the Project is not intended to wheel power from generators located in the United States into Canada. The sole purpose of the line is to wheel power from Canada into areas in the United States," IPPNY said.

Therefore, "[t]he NYISO's and ISO-New England's open access transmission tariffs will not be able to guarantee open access to the line because the only point at which energy will be injected into the line will be in Canada, where FERC has no jurisdiction. The line is, in effect, a giant radial line connecting Hydro-Quebec's hydro generation to New York City, rather than an open access transmission line as required by FERC's orders. Therefore, any open season held would be a sham, as in reality the line is only available to Hydro-Quebec generation located in close proximity to the Montreal substation, entirely outside of FERC, NYISO, or ISO-NE control," IPPNY contended.

Commercial Energy Says 20% of Eligible Load Sought Calif. Direct Access

Commercial Energy of California reported that, based on an informal survey of various parties, it believes that as much as, or more than, 20% of total eligible system load of the California investor owned utilities may have requested the option to choose a competitive electric supplier within the first hour of the direct access open enrollment window opening on April 16. As first reported by *Matters*, the limited space under the open enrollment window was hit essentially instantaneously upon opening.

Commercial Energy's observation came in reply comments concerning a scoping memo regarding the next phase of the direct access rulemaking at the California PUC (R.07-05-025). Other reply comments did not raise new arguments from the initial round of comments previously reported (Only in *Matters*, 5/11/10), though the tenor of comments was considerably more acerbic.

For example, the Direct Access Customer Coalition described various nonbypassable charges by stating, "[p]ut simply, the history of DA charges has consisted of the Commission continually approving one expanded charge after another, each putatively designed to protect bundled customer interests or ensure that DA customers pay their 'fair share' of energy crisis-related costs."

"In urging these charges, we have seen an unholy alliance comprised of (a) the utilities who wish to move more and more charges on to DA customers in an effort to protect their markets by rendering DA uneconomic; and (b) consumer groups that represent the interests of residential customers and therefore support having more and more charges imposed on nonresidential DA customers. The net result is that we are now so far past any reasonable concept of 'fair share' as to be laughable. Instead, we now have a mish-mash of confusing and contradictory charges that undercut the fundamental premise of customer choice," DACC said.

The California Alliance for Choice in Energy Solutions and the Alliance for Retail Energy Markets harped on Pacific Gas & Electric's request that the PUC ensure a "level playing field" by subjecting retail suppliers to the same compliance mechanisms, and not just requirements, for RPS and resource adequacy. "Of course, ensuring a level playing field would require that PG&E surrender its monopoly status and its guaranteed rates of return. Unfortunately, based on PG&E's opening comments, it appears that PG&E may not be prepared to pursue these real remedies to ensure a 'level playing field,'" CACES and AReM said.

DACC responded to PG&E's recommendation for a seven-year minimum stay for customers returning to bundled service by stating that, "[t]he logic of PG&E's suggestion is certainly not apparent, and DACC doubts that there is any, other than the fact that it is consistent with the anti-competitive actions PG&E has undertaken of late." Citing PG&E's track record of spending approximately \$30 million of Proposition 16, "PG&E can hardly be perceived as a source of rational proposals when it comes to issues that affect either its retail competitors or its customers that elect to avail themselves of competitive options," DACC

charged.

Regarding requests for higher supplier bond levels equal to those proposed for community choice aggregators (whose customers are not exposed to transitional service when returning to the utility involuntarily), DACC said, "this appears to be yet another area where most of the utilities and consumer groups are urging that new charges be imposed on ESPs, knowing full well that the costs will be passed on to DA customers and thus assist with that fundamental, unspoken goal of rendering DA uneconomic."

However, Southern California Edison criticized the flagrant language from suppliers regarding utilities' behavior. "Generalized and unfounded claims of anti-competitive activities by the utilities with respect to the DA customers provide no basis for any mitigation or other action by the Commission. If CACES and AReM have specific issues they have identified or encountered, they should articulate them. Otherwise, their claims are nothing more than unproductive rhetoric," SCE said.

SCE opposed calls to re-examine the cost responsibility surcharge and other nonbypassable charges, arguing that nothing in SB 695 compels such an investigation into the established settlements regarding such fees, which resulted from a long, deliberate proceeding.

PPL ... from 1

terminating on May 31, 2020. Procurements would be held on October 28, 2010; July 28, 2011; and July 26, 2012; with associated start dates for delivery of June 1, 2011; June 1, 2012; and June 1, 2013, respectively (thus producing contracts of either nine, eight, or seven years of duration, depending on the procurement).

PPL has set initial targets for each solicitation based upon the purchase of 3,500 SRECs per year, resulting in target quantities of 31,500 SRECs for the October 2010 solicitation, 28,000 SRECs for June 2011 solicitation, and 24,500 SRECs for the June 2012 solicitation. "To enable the Company to respond to the variability of the market and to avoid the situation where the Company is either too long or too short on SRECs, the proposed SREC RFP provides PPL

Electric with the flexibility to modify the target amounts of SRECs to be procured in the second and third solicitations," PPL said.

Bid offers will not be based upon tranches, or defined quantities. Bidders will define the quantity of SRECs offered, subject to a requirement to deliver a minimum of 5,000 SRECs over the contracted delivery period. Bidders may also submit multiple bids, allowing them to offer different supply amounts at different prices.

Because the price for SRECs will not vary due to load factor or customer shopping, PPL will not procure SRECs separately for the residential and the small commercial and industrial customer classes under its proposal. However, PPL will allocate SRECs procured in each solicitation and the cost associated with the procurement of these credits between the residential and the small commercial and industrial (small C&I) classes. Specifically, PPL will derive an annual ratio, based upon the forecast megawatt-hours for that year, between the residential and the small C&I classes. PPL Electric will use the ratio to allocate the SRECs between the two classes (including banked credits) and then multiply the determined number of SRECs by the average auction price. The resulting value will be then be added to and collected through the Generation Supply Charge for the respective classes. As large C&I customers are not served under full requirements contracts, they are not affected by PPL's proposal.

Though PPL said that an over-procurement was "unlikely," it would sell any surplus SRECs beyond its obligations, and what it is allowed to bank, through a visible market mechanism. As the SRECs will be paid for solely by default service customers, such proceeds from the sales of surplus SRECs would be credited solely to default service customers. PPL noted that such proceeds may be greater or less than the cost of the SRECs procured through the proposed SREC RFP process. PPL Electric requested that the Commission recognize this possibility, and confirm that PPL Electric's proposed reflection of such costs and credits is proper.

The mechanics of the long-term SREC RFPs will be substantially similar to the full

requirements solicitations. Aside from not using tranches to generate bids, the SREC RFP also has a unique system to select winning bids in recognition of the provision that allows bidders to define the quantity offered. Winning bidders will still be selected based upon the lowest cost combination to produce the quantity for each solicitation, but the SREC RFP provides that procurement quantities are "targets", and that the actual quantities procured may vary to a degree from the target in each solicitation. In order to minimize costs, the SREC RFP allows PPL to negotiate with a bidder to reduce the offered quantity to keep within the target quantity, if the offered price is the next lowest cost.

In addition, in order to procure quantities as close to the targets as possible, the SREC RFP sets forth special rules for selecting winning bidders in the event of ties. Specifically, the proposed SREC RFP provides that a bid proposal that offers a greater quantity will be ranked higher than a bid proposal offering a smaller quantity at the same price. However, PPL may rank a bid proposal that provides a smaller quantity ahead of a bid proposal with a higher quantity where the bid proposal offering the higher quantity will cause PPL to exceed its target quantity. In such cases, PPL will select the lowest priced bids that result in a total procurement quantity that is closest to the target quantity.

The SREC RFP provides that the PUC will have ten business days for review and approval of the final RFP results, and that PPL Electric will not enter into any agreement absent approval of the results by the Commission. PPL Electric will enter into a standardized SREC Supply Master Agreement with successful bidders.

PPL will not qualify specific projects to participate in the solicitation, and bid participants may provide SRECs from either current or proposed solar PV projects. SRECs supplied to meet the requirements under the SREC Supply Master Agreement must be generated during the same 12-month period that corresponds to the applicable reporting period during which they are delivered.

SREC bidders must provide liquid bid assurance collateral in an amount of \$25,000 per bid proposal in the form of cash or irrevocable letter of credit. PPL said that the

purpose of this bid collateral is to assure the commitment of RFP bidders, but added that the amount is not so large that smaller solar PV systems will not be able to participate in the solicitations. Additionally, PPL said that the performance assurance requirements of the proposed SREC Supply Master Agreement recognize the differences between the sellers of full requirements contracts and the expected bidders to the SREC RFP. The SREC Supply Master Agreement does not include a mark to market provision but provides for performance assurance based upon a percentage of the value of the contract.

PPL requested approval of its petition by the August 19, 2010 public meeting to allow it to conduct the October 2010 SREC RFP as desired.

Auction Revenue Rights

As only reported in *Matters*, PPL has a pending application to modify its default service plan to allow it to assign prorated Auction Revenue Rights (ARRs) to winning wholesale suppliers on a prospective basis (*Matters*, 5/3/10).

In comments on PPL's ARR petition, the Office of Consumer Advocate said that it is not clear that PPL's modification will result in retail customers receiving the full benefit of ARRs, though the OCA has outstanding interrogatories to further understand PPL's proposal.

However, based on the petition, OCA said that PPL has not demonstrated how the additional value to be extracted from the ARRs by the full requirements wholesale suppliers, who PPL said could better manage ARRs, would translate into benefits to retail customers. Currently, PPL simply credits revenues from the ARRs it holds to customers, but does not actively manage the ARRs. OCA said that PPL has not demonstrated how even this current value of ARRs that retail customers now receive would be maintained under the proposed modification.

In its petition, PPL said that granting the winning suppliers pro rata ARRs would allow them to better manage congestion risk, but OCA intimated that there is no guarantee such ARR assignment and lower congestion costs would produce lower bids from full requirements suppliers.

BGE ... from 1

BGE expressly said that it has elected not to include phone numbers under its revised proposal, in consideration of customer privacy concerns. Customers would be notified annually of BGE's intent to distribute the lists to suppliers, and would be given the opportunity to request that their information not be disclosed to suppliers on an opt-out basis.

BGE's proposed tariff language would make customer lists available to, "licensed suppliers," with the electric tariff defining a supplier as a, "supplier of electricity that has been certified or licensed by the Commission to sell electricity to retail Customers within the State of Maryland." Though the supplier coordination tariff is not required to be executed for entities not serving load, strong arguments could be made that its definition of supplier, and thus access to customer lists, includes brokers and aggregators, which are licensed by the PSC to, "supply electricity or electric generation services [or gas]." Ultimately, the matter hinges on how the phrase "sell electricity to retail Customers" is defined.

BGE's proposed modifications to the electric and gas supplier coordination tariffs are not explicit in describing the residential customer list as a discretionary service and charge.