Energy Choice Matters

May 26, 2010

Rell Vetoes Connecticut Energy Bill, Citing Risks from Managed Portfolio

Connecticut Gov. M. Jodi Rell has vetoed SB 493, finding that the bill, "in all likelihood will increase costs for consumers," despite the rhetoric of the bill's proponents. While a big win for retail suppliers, the victory is temporary, and suppliers have their work cut out for them in preventing similar legislation in next year's session, which they will enter with a new governor as Rell is not seeking re-election.

As previously reported, the Senate failed to pass the bill with a veto proof majority (four votes shy), and it is extremely unlikely support to override the veto could be found (Only in Matters, 5/5/10). Among other things, the bill required the DPUC to assign various costs of utility consolidated billing to competitive suppliers, required a managed portfolio process for standard service procurement with long-term contracts, capped residential termination fees, restricted the hours of door-to-door marketing, and required that electric rates decrease 15% by July 1, 2012. The bill also contained various solar incentives which would cost ratepayers $1.4 billion.

"The bill revises the procurement process for standard offer electric service in an effort to lower rates. This approach to procurement of energy through long-term purchasing contracts or new sources of generation is highly speculative and, rather than protecting ratepayers from the volatility of the market, potentially subjects them to increased financial risk and higher rates," Rell said in her veto message.

"Furthermore, by creating a new state agency, the Connecticut Energy and Technology Authority

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Md. PSC Staff Favors Listing All Known SOS Rates on Utility Bills

Maryland PSC Staff has recommended that, "utilities be required to display on their bills and website all known SOS rates and their effective periods," in responding to stakeholders' comments on revisions to the electric Price to Compare (Case 9228, Only in Matters, 5/10/10).

Staff does not explicitly define the term "SOS rates," and whether it includes bypassable riders such as the Procurement Cost Adjustment (Pepco) or Energy Cost Adjustment (BGE) in addition to generation and transmission. In responding to the Retail Energy Supply Association's comments, Staff disagreed with "listing all bypassable customer charges on the utility bill," though it was unclear if Staff merely objects, due to billing system limitations, to providing an itemized breakdown of all such bypassable charges, and would simply include all bypassable rates in the "known SOS rates" it recommends listing on bills.

Staff does recommend that all bypassable charges should be listed clearly on the utility website so that customers can see the exact charges that they incur. "Staff believes that the clarification of the SOS with regards to adjustments, true-ups and price components of the SOS would benefit consumers ... The presentation of the SOS rate could consist of listing the full SOS price first, then a breakdown on the details and how frequently each element might change on the utilities' websites."

Staff further agreed with the Office of People's Counsel four-point outline that would list the

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CenterPoint Files Updated Discretionary Charges

CenterPoint Energy has filed with the PUCT reduced Discretionary Charges, due to lower costs from advanced meter deployment, proposed to be effective August 1 (38299). The proposed charges only apply to a premise with a self-contained meter that has or is planned to have activated remote connect capability.

	Current	Proposed
Standard Move-In Charge No. DCS.1	$14.86	$10.52
Priority Move-In Charge No. DCS.2	$38.53	$25.61
Disconnect For Non-Pay Charge No. DCS.5		
At Meter, Standard	$8.45	$6.38
Reconnect After Non-Pay Charge No. DCS.6		
At Meter		
Standard Reconnect	$9.33	$6.81
Same Day Reconnect	$32.07	$21.19
Weekend	$32.07	$21.19
Holiday	$144.72	$91.89
Re-Reads Charge No. DCS.8: Meter Reading found to be accurate Non-IDR	$5.56	$3.88
Out-of-cycle Meter Read for Purpose of Self-Selected Switch No. DCS.9	$5.51	$3.66

APPA Says 2009 Data Shows Competitive Generation Returns Still Above Regulated Levels

The American Public Power Association has updated its analysis of the returns of certain companies with competitive generation in PJM with data from the year 2009, claiming that these companies, "continue to earn revenues from the sale of electricity that greatly exceeds [sic] the profits earned by regulated utilities, even during a major recession with wholesale spot energy prices in decline."

The study uses the same methodology as a prior analysis heavily criticized by EPSA for commingling holding company and generator-segment results, and omitting shareholder dollars reinvested in generation facilities from the calculation of capital expenditures used in determining free cash flow. APPA's 2009 data attempts to provide calculations specific to the generation subsidiaries of the companies; however, APPA concedes that for some companies, the segments reviewed contained non-generation related activities.

APPA's study is mostly targeted at combating various reports showing large declines in nominal spot energy costs in RTO markets, as APPA stressed that there are other revenue streams which are supporting higher merchant profits. However, rather than present an evaluation of changes in capacity, ancillary, and other non-energy costs, APPA uses results from a select group of companies, at a segment-level which admittedly includes results for operations other than generation, to make this point, essentially arguing that because profits for these companies have increased despite lower spot energy prices, customers are paying more money.

"This study once again strongly suggests that the wholesale electricity markets operated by Regional Transmission Organizations are not producing just and reasonable electricity rates as required under the Federal Power Act but instead are producing undue profits for merchant generators at the expense of electricity consumers," said Mark Crisson, CEO of APPA.

"Despite the persistence of concerns over the restructured wholesale electricity markets, no comprehensive assessment has yet been completed of all sources of revenue and actual costs of producing power. The evidence presented in this study points to the continued need for such an assessment, as well as the need for significantly increased data transparency in these markets," APPA said.

APPA's analysis states that while wholesale energy prices fell, overall retail prices (generation and distribution) in both regulated and deregulated states slightly increased, per EIA data. APPA's analysis concedes that, "[m]any non-generation costs directly affect retail rates, such as local distribution costs," though no analysis of distribution rates are presented.

APPA further noted that, "[t]here is also likely to be a time lag between current wholesale price changes and the incorporation of such changes in contracts to serve retail load."

Nevertheless, APPA notes the following:

- "PSEG Power operating earnings of $1,205 million in 2009 represented 'a record year for Power' and an increase of $35 million from 2008."
- "PPL's supply segment earnings from ongoing operations increased from $303 million to $333 million." The PPL supply segment includes international and gas trading operations.
- "FirstEnergy's net income from competitive energy services increased from $472 to $517 million between 2008 and 2009." The FirstEnergy competitive segment includes generation and retail results.

APPA calculated returns on equity for the generation-containing segments as follows:

	2009	2008
Exelon Generation	31.3%	34.4%
PPL Energy Supply	13.2%	12.4%
PSEG Power	26.6%	25.8%
FirstEnergy Solutions	16.4%	17.2%

APPA also provided ROEs for Constellation Energy and Allegheny Energy on a consolidated basis, but did not provide a metric for their generation subsidiaries.

For the four companies for which APPA calculated segment-level ROEs, APPA said that these ROEs produced estimated excess costs to consumers of $3.8 billion in 2009 versus a proxy ROE of 8.8% for a regulated company.

Briefly:

WGL Reports Summer Storage Hedging Cost $937,000

Washington Gas Light's financial hedging program for summer storage injections for District of Columbia customers during the period May through October 2009 resulted in approximately $937,000 in higher costs than if no hedging were employed, WGL reported to the District of Columbia PSC (GT 01-1). WGL stressed that the purpose of the hedging is to reduce price volatility.

Blu Power to Relinquish REP Certificate

Blu Power of Texas LLC informed the PUCT that it is not able to meet the new financial requirements of Subst. R. § 25.107, and will relinquish its certificate. Blu Power had voluntarily transitioned some 2,100 customers to POLRs in the summer of 2008.

NextEra Energy Resources to Pay $60,000 Under Ancillary Services Obligation Settlement

PUCT Staff and NextEra Energy Resources LLC have filed a settlement under which NextEra would agree to pay an administrative penalty of $60,000 for NextEra's violation of ERCOT Protocol § 6.3.2(2), concerning Ancillary Service Provider Obligations. On November 29, 2007, at approximately 6:48 a.m., ERCOT implemented Step One of its Emergency Electric Curtailment Plan (EECP). NextEra had QSE ancillary service reserve obligations during each of the six intervals within the time of the event on November 29, 2007. During the November 29, 2007 EECP, NextEra experienced a forced outage in its QSE portfolio which partially contributed to it being short of its required ancillary service reserve obligations during three separate clock hours within the event, which violated ERCOT Protocol § 6.3.2(2) requiring that providers of ancillary services shall provide and deploy, as directed by ERCOT, the Ancillary Service(s) that they have agreed to provide.

UIL Holdings to Acquire CNG, SCG and Berkshire Gas

UIL Holdings Corporation, parent of United Illuminating, has announced a definitive agreement under which UIL will acquire The Southern Connecticut Gas Company, Connecticut Natural Gas Corporation, and The Berkshire Gas Company from Iberdrola SA for $1.296 billion in cash, less net debt of approximately $411 million and subject to post closing adjustments. The acquisition is expected to close in the first quarter of 2011. The LDCs to be acquired serve more than 333,000 natural gas customers in Connecticut and 36,000 in Massachusetts. SCG and CNG both offer transportation programs, while Berkshire offers a small volume choice program in addition to transportation service.

Manufacturers' Association of South Central Pa. Selects Suez as Provider

The Manufacturers' Association of South Central Pennsylvania has selected GDF Suez Energy

Resources to provide competitive electric services to its more than 350 members in South Central Pennsylvania and Northern Maryland. GDF Suez Energy Resources serves over 60,000 accounts with an estimated peak load totaling over 8,500 MW.

Eighty Percent of Texas Residents Choose REP Based on Price

Nearly 80% of residential customers in Texas choose their electricity provider based on price, LEVELTWO Advertising reported based on research it conducted in designing a new television ad campaign for Ambit Energy in the Dallas-Ft. Worth and Houston markets. The campaign is built around, "Ambit's desire to break from the industry norm of talking to consumers in terms of kilowatt pricing and instead talk to them in a language that they can relate to," LEVELTWO added. The campaign is a continuation of the "My Lightbulb Moment" campaign launched in 2009. Seven new spots depict people in, "fun and humorous situations who realize, through their 'lightbulb moment,' that they have saved 30% on their electricity by switching to Ambit Energy and can spend those extra dollars on whatever their heart desires."

Liberty To Relinquish Unused REP Certificate

Liberty Power Texas LLC asked to relinquish its unused Texas REP certificate (10059) which has never served load. Liberty Power would still serve customers under various other certificates.

PSEG Power Files Early Site Permit with NRC

PSEG Power and PSEG Nuclear have filed an Early Site Permit application with the Nuclear Regulatory Commission (NRC) as part of PSEG's ongoing efforts exploring the possibility of building an additional nuclear plant adjacent to PSEG Nuclear's Salem and Hope Creek Generating Stations.

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(CETA), this bill increases the size and scope of state government at a time when we are striving to cut expenses and streamline government ... The legislative Office of Fiscal Analysis reports that these changes will result in significant cost to taxpayers beginning in 2012," Rell said.

"In the midst of both the great recession and our well-known state budget challenges, I cannot ask our already over-burdened and over-taxed residents and businesses to bear the additional burden of the costs associated with this bill. In addition, it has been strongly suggested that this bill will compel the loss of businesses, investment and thousands of jobs in the electric supplier market - and the loss of the associated tax revenues," Rell added

"Electric competition has finally taken hold and ratepayers have begun to realize millions of dollars in savings each year," Rell noted.

Rell observed that the bill does not specify how the promised 15% reduction in electric costs by July 1, 2012 is to be achieved, or which component of rates is to be reduced.

Rell said that claims that the bill would reduce energy costs, spark a renewable energy industry, and create jobs were, "eerily reminiscent of the claims made about the electric industry deregulation bill which was presented some years ago as a panacea for Connecticut's energy problems." Rell added that, "[a]fter a decade of exorbitant prices, however, that bill has yet to deliver on its promises."

Rell sharply criticized attempts to ram the bill through the assembly in the final days of the session, noting that the bill had no hearing and its authors did not allow legislators comment on the bill's policy prior to the final drafting of language. The process, Rell said, "was disrespectful to those who honestly desired to read and deliberate the bill's provisions and unfair to the people of Connecticut whose electric bills and taxes would surely be affected."

Retail Energy Supply Association President Jay Kooper called Rell's veto a, "big victory for Connecticut's electric customers who will not bear the risks of higher costs from the managed portfolio the bill would have imposed on them."

Retail suppliers, however, have their work cut out for them between now and the start of the next session, when SB 493's main proponent, Rep. Vickie Nardello, is sure to propose similar legislation. The question remains what appetite the new general assembly will have for a comprehensive energy bill versus smaller, targeted legislation (such as the solar invectives contained in SB 493). Sen. John Fonfara, whose late support for the bill provided its passage this session, has also said that he will be pushing legislators hard to override the veto, and his stance on the retail market changes next year will dictate if any of the measures again progress past committee.

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following when presenting Price to Compare (PTC) information (year 2010 used as an example).

- The SOS price for June 2010 to September 2010 is X cents/kWh.
- The SOS price for October 2010 to May 2011 is Y cents/kWh.
- The SOS price after May 2011 is not known at this time.
- Depending on the point in your billing cycle you request to switch to a retail supplier, it will take 2 to 6 weeks for the new service to begin.

Staff agreed with OPC that while the Price to Compare should not blend summer and non-summer periods, weighting information should be provided to customers to allow them to perform this calculation individually

Furthermore, Staff said that, "[f]urther discussion would be useful to develop clear and standardized descriptive information regarding the comparison of SOS rates and marketers' offers, for use on the utility websites and other educational media."

"The confusion caused by multiple updates (seasonal or bi-seasonal PTC updates) can be mitigated with a clear explanation of how the PTC rate was developed and how long the PTC rates will remain in effect. An explanation which compares the summer and non-summer rates against a hypothetical retail supplier's fixed annual contract could be an effective example," Staff said.

Though possibly outside the scope of the proceeding, Staff said that it is willing to discuss a recommendation from the Montgomery County Office of Consumer Protection, which had recommended that COMAR 20.53.07.09(2) be amended to require that suppliers must compare their rates to the Price to Compare in solicitations, websites, and advertisements.

Staff opposed RESA's request that winning SOS bid prices be posted 10 days after the bids are approved, in aggregated form, as Staff stated that such posting may discourage wholesale supplier participation in the SOS auctions.