

# Energy Choice Matters

May 27, 2010

## TNMP Files Advanced Metering Deployment Plan with Installation Completed by 2015

Texas-New Mexico Power has filed with the PUCT an advanced metering deployment plan for ubiquitous installation of advanced meters to approximately 240,000 customers over the period 2011-2015, with an AMS surcharge in effect for 12 years to recover deployment costs (38306).

The AMS surcharge would apply to all customers except those customers who have interval demand recording (IDR) meters or those who take unmetered service. The surcharge would take effect with the earlier of either the first billing cycle of the next month following a final order from the PUCT, or November 1, 2010, and be in effect for 12 years.

TNMP plans to install approximately 13,000 advanced meters by the end of 2010, another 48,000 by the end of 2011, another 50,000 by the end of 2012, another 48,000 by the end of 2013, another 44,000 by the end of 2014, and another 37,000 by the end of 2015. Deployment would begin in TNMP's Gulf Coast territory in 2010-13, followed by Lewisville (2013-14), North Texas (2014), Central Texas (2014-15) and finally West Texas (2015). This schedule was established to reach the greatest number of customers as quickly as possible, and also takes into consideration efficiencies from installing meters in contiguous areas at the same time.

As proposed, Rider AMCRF (Advanced Metering Cost Recovery Factor) would be as follows per ESI ID each month:

	Year 1- 5	Year 6- 12
Residential Service	\$ 4.80	\$ 4.17
Secondary Service Less than or Equal to 5 kW	\$ 5.00	\$ 5.00
Secondary Service Greater than 5 kW	\$ 16.70	\$ -
Primary Service	\$ 20.13	\$ -
Lighting Service (Metered Facilities)	\$ 11.04	\$ -

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## Md. PSC Takes Pepco Interim Cash Working Capital Request Under Advisement

The Maryland PSC took under advisement Pepco and Delmarva Power's request to implement higher cash working capital costs, subject to refund, as part of new SOS rates taking effect on June 1, 2010 and October 1, 2010, declining to grant the utilities' request at yesterday's open meeting.

As previously reported, the PSC has expanded the Pepco Holdings utilities' request to increase cash working capital cost recovery in SOS rates to include a review of all components of the SOS administrative charge (Case 9226, 9232). As that review is expected to take some time, and likely be contentious, the Pepco utilities had asked to be permitted to implement higher cash working capital costs in the new SOS rates to stem their claimed losses on providing SOS service, with the higher amounts recovered for cash working capital subject to refund pending the outcome of Cases 9226 and 9232. Pepco has said that it would lose \$1.9 million in cash working capital expenses during the months of June, July and August absent adoption of the requested increase in cash working capital recovery, while Delmarva has said that it would lose \$520,000 in cash working capital

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## Nelson Outlines Issues for Rulemaking on PUCT's Authority Over ERCOT

Concerned about the "blank check mentality that seems to permeate many, if not most, of the decisions made by the ERCOT board," PUCT Commissioner Donna Nelson said she is more convinced that a rulemaking is required to determine the PUCT's current statutory authority over ERCOT, after listening to testimony at this week's Sunset Commission hearing. As previously reported, Nelson first suggested such a rulemaking be opened at the last open meeting.

"Members of the electric industry argue that the PUC has sufficient statutory oversight of ERCOT. However, Sunset staff, members of the Texas Legislature, and others question this premise, especially in view of many years of mismanagement at virtually every level of ERCOT; mismanagement that ultimately costs Texas electric customers. While I believe that Mike Cleary has accomplished the impossible by turning around the nodal project and restoring the Commission's faith that it will be implemented, I continue to be concerned by the actions taken by the ERCOT board and its executive and management team. Specifically, I am bothered by the 'blank check' mentality that seems to permeate many, if not most, of the decisions made by the ERCOT board and its executive management team. This mentality has greatly escalated spending at ERCOT, and increased both the budget and the number of FTEs employed. I also believe that the ERCOT board is often dismissive of this commission's efforts to help shape the executive team that runs ERCOT on a day-to-day basis," Nelson said in a memo in advance of today's open meeting.

Based on these concerns and the language in PURA 39.151(d)-(e), Nelson would like to see the following issues addressed in the rulemaking:

1. Approval of the selection of chief executive officer and other executives within the organization;
2. Participation in and approval of the selection of unaffiliated directors of the board;
3. Participation in and approval of the selection of affiliated directors of the board;
4. Yearly approval of the organization's

budget and fees, using a zero based budget methodology;

5. Yearly approval of itemized budget strategies and expenditures;

6. Approval of the issuance of new debt;

7. Authorization of a maximum number of FTEs;

8. Required implementation and approval of any and all plans to address findings from an audit or review mandated by the PUC;

9. Approval of the adoption or modification of the organization's strategic plan; and

10. Requirement for ERCOT to make changes deemed necessary by the PUC to organizational documents.

## Revised Calif. Draft Would Require Study of Multi-Year Forward Capacity Obligation

An updated agenda decision from the California PUC regarding its resource adequacy construct does not depart from the prior draft finding maintaining a one-year forward bilateral approach; however, it does more explicitly commit the PUC to studying a multi-year forward commitment for potential future implementation (R.05-12-013).

The new draft softens language which previously found that the disadvantages associated with a multi-year forward bilateral approach outweigh its benefits, instead stating that, "[w]hile a multi-year forward procurement obligation could improve upon the current program in certain respects, we are not ready to implement such a feature at this time."

The draft would direct the Energy Division to study the potential of a forward procurement obligation and report its findings to the Commission. "Upon receipt of staff's findings, the Commission may choose to include in an appropriate proceeding consideration of the issue of whether and how to implement such a forward procurement obligation upon all LSEs."

The updated draft also uses softer language in rejecting a centralized capacity market approach, stating that proponents have not demonstrated how a centralized market could incorporate other policy goals such as renewable generation, instead of the earlier

draft's unequivocal finding that the Commission would lose such policy flexibility due to FERC jurisdiction over a centralized capacity market.

## Calif. Draft Would Defer Selecting Method to True-Up 2011 Local RA Requirements

A draft California PUC decision setting the 2011 local resource adequacy (RA) procurement obligations would reject selecting a method to true-up an LSE's local requirements during the year, finding that the Commission should evaluate results from the approach used for 2010 before deciding on a method for 2011 (R.09-10-032).

In the case, the PUC had been presented with two options, including the "True-Up Approach" which is based on transferring specific shares of local requirements on individual customers using that customer's local-to-peak ratio and coincident peak demand. The alternative proposal, the "Reallocation Method," is based on reallocating the local RA obligation to LSEs using an LSE's updated August coincident peak load forecast.

The proposed order finds that there are several outstanding concerns with the True-Up Approach including the use of a transfer price, the unbundling of the local attribute, the forecast method being employed, the 5 MW threshold of load migration in each utility territory, the aggregation of areas by service territory, and the treatment of San Diego Gas & Electric. "These concerns would be best answered with experience from the current local true-up method being used," the draft states.

"We also wish to consider further the Reallocation Method. The key advantage of the Reallocation Method appears to be that it builds on the current method employed by the CEC and Energy Division to reallocate CAM [cost allocation mechanism] and RMR [reliability must-run] allocations as well as to adjust monthly system requirements for load migrations. Adopting the Reallocation Method, or something similar, could alleviate the need to oversee the transfer payment mechanism and problems associated with monitoring individual customer movements and transactions. This would provide all parties with less of an administrative burden associated with a new process. On the other hand, the Reallocation Method does not provide the LSEs with the exact local RA capacity true-up obligation until after the CEC and Energy Division recalculate reallocations. Further, it also only gives LSEs 30 days to procure any additional needed local RA capacity," the proposed order notes.

While the PUC will defer selecting a true-up mechanism until gaining further experience with the method selected for 2010, the draft does, "encourage parties to give serious consideration to the Reallocation Method."

The proposed order on 2011 local resource adequacy declines to modify the existing LSE-based replacement obligation at this time.

The draft order further rejects the proposal from the Alliance for Retail Energy Markets to make the aggregation of Pacific Gas & Electric's local areas permanent, though such aggregation would be approved for 2011.

The proposed decision would also adopt a new penalty structure as indicated in the table below.

RA Penalties	Small Procurement Deficiency	System Procurement Deficiency	Local Procurement Deficiency
Replaced within five business days of date of notification	\$1,500 first incident in calendar year; \$3,000 for each incident thereafter in a calendar year	\$3.33/kW-month	\$3.33/kW-month
Replaced after five business days from the date of notification or not replaced	LSE pays the applicable System or Local RA penalty for the deficiency	\$6.66/kW-month	\$6.66/kW-month

The draft finds that penalties for non-compliance within the specified number of business days after notification should be higher to encourage LSEs to quickly rectify shortfalls, as otherwise there may be situations where, due to the price of capacity, LSEs may find it more cost effective to pay the penalty than to immediately correct their deficiency. The draft's penalty levels include stricter penalties for small procurement deficiencies than proposed by the Energy Division, "which should encourage close attention to such circumstances."

"The adopted levels also simplify both proposals by equalizing penalty levels for local and system procurement deficiencies. This is done because there is disagreement among parties as to whether local or system procurement deficiencies should have higher penalties; with no clear answer to that question, we will simply equalize penalty levels for all deficiencies," the draft states.

The proposed order would also eliminate the 10-day grace period that was adopted in D.06-06-064, while also imposing a three calendar year record retention requirement related to resource adequacy compliance filings.

The proposed order would make permanent, as requested by AReM, the "blanket waiver" which provides that an LSE cannot be required to procure capacity that does not exist, in situations where the local area resource need is higher than existing capacity. The draft would reserve the ability to revisit this issue as required.

The draft would not mandate use of the Standard Capacity Product, but would allow it to be eligible to count for 2011 resource adequacy compliance.

The draft states that it intends to study AReM's protest related to the ever-increasing local capacity requirements, and states that the ALJ will consider making this an issue for Phase 2 of the proceeding.

## **Calif. Draft Would Reduce Part of RA Penalty Imposed on Commerce Energy**

A California PUC comment resolution would reduce one of the penalties imposed on Commerce Energy (Just Energy) for providing

inaccurate information to either the PUC's Energy Division or the California Energy Commission, or both, for resource adequacy compliance filings the months of October, November, and December 2009. The draft resolution would reduce the initial penalty for the October violation to \$4,500 (from \$13,000), but maintain the \$18,000 and \$2,500 penalties associated with the November and December violations, respectively.

The comment resolution finds that there is no indication that Commerce's errors were purposeful, and noted that Commerce corrected the errors soon after notification. Further, Commerce's errors did not lead to any procurement deficiencies.

The draft lowers the penalty for the October 2009 violation to reflect the actual number of days Commerce took to correct errors after being notified of the error. For the second and third violations, the citation penalties are upheld due to "repeated inaccuracies."

Specifically, Commerce's load forecasts filed with the California Energy Commission for October, November, and December 2009 were not consistent with the October, November, and December 2009 Month-Ahead Resource Adequacy Compliance Filings submitted to the Energy Division.

After being informed of discrepancies between the October load forecast and the October resource adequacy month-ahead filing by Energy Division on September 10, 2009, Commerce corrected its October load forecast filing with the Energy Division on September 17, 2009.

After being informed of discrepancies between the November load forecast and the November resource adequacy month-ahead filing by Energy Division on October 21, 2009, Commerce corrected its November load forecast filing with the Energy Division on October 22, 2009.

After being informed of discrepancies between the December load forecast and the December resource adequacy month-ahead filing by the California Energy Commission on November 2, 2009, Commerce corrected its December load forecast filing with the California Energy Commission on November 3, 2009.

## Draft Would Approve PG&E's Marsh Landing, Contra Costa 6&7, and Midway Sunset Procurements

A draft California PUC decision on Pacific Gas and Electric's 2008 Long-Term Request for Offers would approve the Marsh Landing, Contra Costa 6 & 7, and Midway Sunset procurement agreements, totaling 719 MW of new capacity. The draft finds that under these contracts, PG&E would procure 231 to 281 MW of new generation less than what it is authorized under the current Long Term Procurement Plan, and allow PG&E to procure such amounts in the future. The draft would reject the proposed Oakley Project procurement.

Under D.07-12-052, PG&E was authorized to procure 800 to 1,200 MW of new capacity by 2015, with the range later revised to 928 to 1,328 MW due to new projects being authorized and the cancellation of previously approved projects. Given reporting errors and changes in demand in its service territory, the proposed decision finds that PG&E only needs to procure 950 to 1,000 MW of its previously approved MW allotment.

The draft further finds that, absent specific exemption, projects that allow utilities to procure new generation during the time-frame covered by their Long Term Procurement Plan should count toward the authorization granted in the Long Term Procurement Plan where they are approved by the Commission. Thus, for example, any new generation resulting from pending novations of Department of Water Resources contracts would count against the target of capacity to be procured through the Long Term Procurement Plan, per the proposed order.

While the draft finds that PG&E properly solicited offers and generally acted in a manner consistent with PUC guidelines and expectations for the RFO process, "at key junctions PG&E appears to have acted to give its interests disproportionate weight and exercise unilateral control over the selection process."

The proposed order finds that, "PG&E made black box decisions where it provided no explanation of, nor rationale for its decision-making process at key junctures in the RFO

process that may have dictated the outcome of the process."

"For example, PG&E provides no rationale for the weights given the factors that made up the G-score. Similarly, PG&E states that after the initial G-score rankings were established for the offers, 'exceptional project-specific information' was considered that allowed an offer to be given a reduced rank or even eliminated from consideration. Though it gives an example of how exceptional project-specific information could be used, PG&E provides no information or guidance as to what, if any, 'exceptional project-specific information' was actually considered and where. Thus, we have no way of knowing which, if any, projects were reduced in ranking or eliminated, or the actual basis for such decisions," the draft states.

"PG&E's lack of disclosure is equally problematic with regard to projects that were moved to the shortlist. Again, it is not clear what the criterion was to get onto the shortlist. For example, PG&E does not clearly explain why several projects with higher G-scores than the worse project on the shortlist were excluded from further consideration. We therefore, conclude that PG&E's process was neither open nor transparent and in this regard did not comply with D.07-12-052," the draft adds.

"Moreover, rather than reflecting this Commission's stated priorities, the metrics PG&E used appear to have been weighted toward PG&E's interests. As noted by the IE [independent evaluator], 'the portfolio fit evaluation element might have too great a weighting in the development of an offer's total evaluation score, particularly because the quantitative market valuation and transmission cost estimates capture key portfolio fit attributes.' In contrast, of the eight factors that PG&E weighted to compute its G-score, 'environmental leadership' was given only a 2.5% weighing. PG&E's low weighting of environmental leadership may have been further diminished by PG&E's inclusion of a broad range of ill-defined activities under this heading (which can produce a uniform cluster of scores), and PG&E's 'after the fact' decision to reduce the weight of any scores that clustered together. We therefore, conclude that PG&E's criteria weighing was not balanced so as to reflect the priorities we

established in D.07-12-052," the proposed order states.

The draft would decline to count the 500 MW of solar photovoltaic facilities that the PUC recently authorized PG&E to procure in D.10-04-052 toward its current procurement allotment.

The proposed decision would adopt a partial settlement regarding cost allocation that, for the Mirant Marsh Landing PPA, would apply a "Net Capacity Cost Charge" authorized under SB 695 and Section 365.1, in lieu of recovering stranded costs through a nonbypassable charge pursuant to D.04-12-048 and D.08-09-012.

## ***Briefly:***

### **ConEdison Solutions Begins PECO Marketing**

ConEdison Solutions said that it has begun marketing to non-residential customers at PECO.

### **Retail Power Supply to Relinquish REP Certificate**

Retail Power Supply, LLC, a subsidiary of FPL Group, filed at the PUCT to relinquish its REP certificate, under which it has never served load, citing the "unreasonable" requirements of new Subst. R. 25.107

## ***TNMP ... from 1***

TNMP's customer education plan which is part of its deployment will stress to customers that TNMP will photograph the old meter and new meter reading at installation, and perform an audit on 100% of the meter replacements. TNMP has also applied to distribute, free of charge, 13,000 in-home devices to low-income customers, with such costs included in the AMS surcharge.

TNMP selected SmartSynch's AMI Intelligence smart metering solution, which uses GE's I-210+c meter.

TNMP asked the PUCT to issue a final order on its application by October 23, 2010.

## ***Md. ... from 1***

expenses for those three summer months.

PSC Chairman Douglas Nazarian said that even subject to refund, the requested increase in cash working capital cost recovery is inappropriate absent a review of all other SOS cost components. Furthermore, Nazarian questioned the Pepco utilities regarding the urgency for the requested cost recovery, given that the change to weekly settlement in PJM occurred almost a year ago. Nazarian said that he must be persuaded that the accelerated payments in PJM translates into higher costs for the utilities, as he wondered why, after an initial month or two adjustment period, the companies could not get into a "rhythm" of the accelerated payment schedule. The utilities noted that since their billing of customers and receipt of customer payments has not changed, there is a permanent, increased lag associated with weekly settlements which requires higher amounts of cash working capital.

The PSC approved new SOS rates which did not include the higher embedded costs for cash working capital.