Energy Choice Matters

June 16, 2010

Non-Unanimous Stipulation Would Set PECO Gas POR Discount Rate at 1%

A non-unanimous stipulation would establish a 1% discount rate for PECO's proposed gas Purchase of Receivables program, but the settlement is contested by the Pennsylvania PUC Office of Trial Staff, who said that the proposed program would shift costs to jurisdictional customers (P-2009-2143588).

As originally proposed, PECO was seeking a gas POR program with no initial discount rate (Only in Matters, 11/25/09).

The settlement, signed by PECO, the Office of Consumer Advocate, Office of Small Business Advocate, Direct Energy, and Dominion Retail and Interstate Gas Supply, provides for a discount of 1% to recover implementation costs but no ongoing discount. The settlement, which was not available publicly, also addresses the definition of basic gas supply for which receivables are purchased, and prevents suppliers from credit screening or requesting a deposit from customers subject to POR.

In a post-hearing brief, Trial Staff argued that PECO has not presented substantial evidence to support the inclusion of non-jurisdictional generation rates in the charges to be borne by distribution customers, as would occur under PECO's proposed zero discount rate (as well as the settlement's 1% discount rate which does not include uncollectibles).

"It is no surprise that the intervening Natural Gas Suppliers ('NGS') are supportive of the Company's proposal as they will assuredly benefit if the program is approved without the necessary modifications. Without unbundling jurisdictional and non-jurisdictional charges and the application of a properly determined discount rate, a participating NGS can avoid expenses and risks which will allow them to retain a greater profit margin. OTS maintains that competition cannot be entertained without the necessary protections for all parties," Staff said.

Continued P. 4

Calif. Scoping Ruling Includes Switching Rules, Excludes Nonbypassable Charges

Phase III of the California PUC's direct access proceeding in R.07-05-025 would include a review of switching rules, including minimum stay and notice requirements, but would not address issues related to nonbypassable charges, per a PUC scoping ruling issued yesterday. A workshop is scheduled for July 12-13 to address those issues included in the proceeding.

Among other things, the workshop will address possible changes to the current switching rules set forth in D.03-05-034, which require a six-month notice prior to leaving for direct access, and a three-year minimum stay when returning to bundled utility service. Changes will be considered with respect to the (a) advance notice to switch to direct access from bundled service; (b) advance notice to return to bundled service from direct access; and (c) the minimum commitment period after returning to bundled service.

Workshop questions to be addressed include, among others:

- Do the current switching rules adequately account for all costs determined to be nonbypassable?

Continued P. 5

Briefly:

Stream Energy Seeks Pa. Electric License

Stream Energy applied for a Pennsylvania electric generation supplier license as a supplier of electricity and aggregator serving residential and all sizes of commercial customers in all service areas.

Glacial Natural Gas Receives Ohio License

The Public Utilities Commission of Ohio granted Glacial Natural Gas, Inc. a natural gas supplier license to serve all sizes of commercial and industrial customers in all service areas (Only in Matters, 5/13/10).

Constellation Electric Begins Marketing to Residential Customers at Pepco

Constellation Electric (BGE Home) has started offering residential electric service to customers at Pepco, and began sending potential customers mailers yesterday.

Initially, Constellation is offering a one-year fixed contract at 9.65¢/kWh and a two-year fixed contract at 9.55¢/kWh.

The offers are 13% and 14% lower than Pepco's Rate R Price To Compare of 11.07¢/kWh, respectively. Pepco's actual Rate R generation and transmission charge for the summer is 12.190¢, and 10.233¢ for non-summer months (excludes the procurement cost adjustment).

Both products include an early termination fee of $150. Constellation's offer ends July 23.

Constellation said that it plans to offer a wind product to Pepco residential customers in the near future, similar to its recent roll-out of a wind product at BGE.

At BGE, Constellation Electric has enrolled 31,000 customers since it began marketing to residential customers at the start of the year.

Cawley, Boscola to Seek Pricing Relief, Reform at FERC

Pennsylvania PUC Chairman James Cawley and Pennsylvania state Senator Lisa Boscola announced yesterday that they will work together to, "seek to bring electric price relief to all classes of consumers by focusing on the wholesale cost of electricity," and advocating for reform at FERC. Cawley and Boscola will also take their grievances to Congress, as necessary.

Since the introduction of RTOs, retail customers have been subject to the dictates of the federal Commission in terms of retail pricing, which has forced state regulators to pass through to customers an onslaught of new charges including capacity costs, incentives for RTO membership, incentives for transmission construction, incentives for construction of a "smart" transmission system, fees for various new ancillary service products, and fees from various other pricing schemes designed by the Commission (e.g. seams elimination charge adjustments). Several of the new purportedly competitive markets created by FERC are subject to inherent structural market power (the Reliability Pricing Model and some ancillary service markets), thereby compelling the reliance on extensive mitigation to produce what FERC deems to be just and reasonable rates, rather than the natural interaction of buyers and sellers.

Cawley and Boscola, "believe that FERC can be more responsive to consumer needs by improving market design, resolving power transmission cost issues, providing retail customers with better tools to respond to higher electricity prices and making sure that smart meter grid technology is used effectively to help consumers reduce their electricity costs."

Specifically, the duo said that they would pressure FERC to address:

- Improving Wholesale Capacity Markets, cited as a, "significant and growing element of the total wholesale cost of electricity;"
- Transmission Cost Allocation;
- Responding to Retail Demand, stating that retail customers need better tools to effectively respond to high generator prices, which will make wholesale competition more effective;
- Improving PJM responsiveness to issues important to Pennsylvania retail customers. "PJM must understand and respond to Pennsylvania's concerns about the effect of its actions on retail customers," Cawley and

Boscola said.

- Enhancing Regional Cooperation

Boscola said that the issue of wholesale electric pricing is critical given that 60% of Pennsylvania customers remain under rate caps which expire December 31, 2010.

Md. June SOS RFPs See Fewer Winning Bidders

The Maryland utilities' June 7 SOS RFP produced competitive results, though competition for Allegheny residential load was marginally down compared with the January 2010 RFP, which was the most recent auction for similar product types, Boston Pacific said in a report publicly posted yesterday. The PSC accepted the results of the RFP last week.

The June 7 RFP was mostly for Type II supplies at all four investor-owned utilities for the quarter beginning September 1, 2010. The RFP also included 47 MW of Allegheny residential load for the period June 1, 2011 through May 31, 2012, and 47 MW of Allegheny residential load for the period June 1, 2011 through May 31, 2013.

A total of eight bidders participated in at least one of the product types, versus in nine bidders in January. The June RFP produced four winning suppliers, versus seven winners in January.

For the entire RFP, there was 5.7 MW bid for every MW required, compared with 5.3 MW bid for every MW needed in the January auction. However, for the Allegheny residential blocks, only 4.5 MW were bid for every MW needed, a decrease versus the 5.0 MW bid for ever MW needed in the January auction.

The Price Anomaly Threshold was not triggered by any bid.

Scana Energy Marketing Seeks to Serve as Regulated Provider for Additional Year

Scana Energy Marketing, Inc. has informed the Georgia PSC that it is willing to continue as the regulated provider at Atlanta Gas Light for an additional year, through August 31, 2012, under the terms and conditions outlined in the consent order in which Scana was previously selected as the regulated provider from September 1, 2009 through August 31, 2011.

Pursuant to O.C.G.A. § 46-4-166(f), the Commission has the discretion to extend the service of the regulated provider for a third year if it is in the public interest, Scana said. "SCANA Energy believes it would be in the public interest for the Commission to extend the service for a third year because it would guarantee no marketer rate increases for the customers of the Regulated Provider for the next two years."

"In addition, variable rate customers would continue to benefit because changes in the commodity cost of natural gas would be passed through as they are today and the availability of market based fixed rates would be extended another year," Scana said.

If previous bid processes are a guide, Scana anticipates that the PSC Staff will soon begin drafting a request for proposals for the next two-year regulated provider term. The RFP for the currently effective term was issued in October 2008 (for service beginning September 1, 2009).

"SCANA Energy expresses at this early stage its willingness to continue to operate under the present Consent Order for another year so as to avoid any unnecessary effort by the Staff should the Commission determine it is in the public interest to extend SCANA Energy's term until August 31, 2012."

AEP Texas Provision of 15-Minute Data Delayed Until August

AEP Texas reported that it now anticipates that the first settlement quality usage data provided to ERCOT by AEP Texas from provisioned smart meters will be in August 2010, rather than June 2010 as anticipated in AEP's May advanced meter progress report. AEP Texas did not cite any cause for the delay.

As of May 31, AEP Texas had installed 11,967 advanced meters, excluding meters installed during a pilot.

CenterPoint Energy reported that it had installed 397,136 advanced meters as of May 31. CenterPoint further reported that the summer release of additional functionality of the Smart Meter Texas web portal is scheduled to be implemented in mid-August. The new release will include several added functionalities including:

- Implementation of self service registration for non-residential customers and REPs
- Capability to view meter attributes and meter capabilities
- Capability to view premise attributes
- Ability to retrieve monthly billed usage data
- Capability for customers to provision and de-provision Home Area Network (HAN) devices
- Ability for customers to view HAN device details and device history
- Provide automated reporting of Smart Meter Texas portal statistics i.e. user counts, entity counts, HAN device counts, etc.
- Capability for re-branding Smart Meter Texas portal for REPs
- Provide support for regulatory user and regulatory administration roles
- Provide support for supplemental parties (i.e. friends or family members)

At Oncor, 996,151 advanced meters have been installed as of May 31.

PECO POR ... from 1

"A proposal that purports to address a perceived barrier to competition cannot be endorsed when the entire cost of the proposal is shifted away from non-jurisdictional suppliers to be borne solely by jurisdictional ratepayers," Staff added.

Staff reported that if all non-jurisdictional costs such as uncollectibles and implementation costs were properly allocated via a discount rate, the discount rate would be 40%, which Staff admitted would be prohibitive.

Therefore, Staff proposed a "nominal" discount rate of 5%, "which will help to achieve some parity."

Staff noted that a discount rate has been used at other POR programs, such as at PPL Electric Utilities and Columbia Gas, and said that there needs to be consistency among the POR programs. Staff raised the same argument with respect the PECO's pending revisions to its electric POR program (which would place supplier uncollectibles in base rates). Though the PUC has not ruled on the electric POR plan, a recommended decision would dismiss Staff's arguments about consistency across POR programs and allow PECO to recover uncollectibles in base rates (see Matters, 4/30/10).

The non-unanimous stipulation reserved one issue for briefing: whether PECO could terminate supply for customers after the POR implementation date of January 1, 2012 for receivables incurred by the customer prior to January 1, 2012.

In its petition, PECO asked for authority to terminate customers for non-payment of supplier receivables incurred prior to January 1, 2012, because updating its billing system to segregate receivables prior to January 1, 2012 would cost $500,000.

OCA opposes the termination of customers for non-payment of receivables incurred prior to January 1, 2012, arguing that subjecting customers to termination for these receivables would upset their expectations and cause confusion. OCA said that retroactive changes in the collection policies to which customers are subjected are not appropriate. Moreover, OCA stressed that those pre-January 1, 2012 receivables will not be subject to the definition of basic gas supply as the post-January 1, 2012 receivables will be.

Direct Energy said that applying two different termination policies to receivables after the start of POR based on when the receivables were incurred would be confusing to customers, and also cited the prohibitive costs of OCA's request.

Dominion Retail and Interstate Gas Supply noted that, as PECO does not currently offer gas POR (as opposed to electric POR), there will likely be few outstanding receivables purchased at the January 1, 2012 start-up, with the maximum outstanding charges representing one month's charge for those customers who for whatever reason fail to pay their bills. Given that any outstanding receivables will likely not be significant, Dominion Retail and Interstate Gas Supply said that it would be most practical to include such receivables in POR, given the prohibitive costs of treating such receivables separately.

The issue of whether PECO may terminate a customer for pre-POR receivables was also raised in the electric POR proceeding. The recommended decision in the electric POR case would find that PECO could not terminate customers for any receivables prior to the implementation date of the revised POR program; however, this conclusion was reached due to the nature of the electric restructuring settlement, which does not allow for the termination of customers for competitive charges during the transition period which runs through the end of 2010 (see Matters, 4/30/10). No settlement provides any disconnection protection related to PECO gas service similar to electric service.

Calif. ... from 1

(e.g., stranded resource adequacy/ renewable portfolio standard costs)?

- If the compensation through the transitional bundled service (TBS) rate and the vintaged new generation charge are fully compensatory, is an advance notice requirement for transfers into or out of direct access still necessary?

The Phase III workshop will further consider what if, any, additional measures are necessary to ensure that electric service providers are subject to same requirements as utilities regarding Resource Adequacy, RPS, and carbon. Additionally, SB 695 requires that the costs of resources acquired by a utility to meet system and local reliability needs for the benefit of all customers shall be allocated to all benefiting customers, along with associated Resource Adequacy credits. "Unless CCAs and ESPs are subject to similar environmental and reliability standards as the IOUs, electric markets may be less stable, causing reliability and environmental goals to be jeopardized," the scoping ruling states.

Relevant requirements to be addressed for compliance parity include:

a. Potential obligations to purchase from Qualifying Facilities (QFs), including combined heat and power;

b. "Greenhouse gas" cap-and-trade and program measures pursuant to AB 32 implementing regulations or federal legislation;

c. Costs from Commission-mandated new generation resources needed for system reliability;

d. Multi-year requirements to procure Combined Heat and Power generation and renewables under feed-in tariffs

The scoping ruling also holds that electric service provider financial requirements shall be considered in Phase III. Among other things, the proceeding will examine the extent to which the proposed settlement in R.03-10-003 applicable to community choice aggregator bonding requirements provide a framework for electric service provider security requirements, and whether any pertinent differences between electric service providers and community choice aggregators exist that warrant different treatment with respect to security. Additionally, Phase III will examine the frequency for revisiting an electric service provider's financial security requirements in view of potential load fluctuations over time.

A review of the Transitional Bundled Service Rate will also be included in Phase III, including whether the Transitional Bundled Service Rate accurately compensates for the incremental cost to serve customers switching from (or to) direct access, and to ascertain that the transitional rate acts neither as a barrier to customers making the decision to return to bundled service or as a competitive tool by which utilities may seek to attract customers back to bundled service. The proceeding will examine whether the Transitional Bundled Service Rate should be adjusted to account for procurement obligations for Resource Adequacy and RPS.

The scoping ruling directs that a report shall be developed on potential process improvements for direct access, such as (a) updating and/or revising customer forms and load-growth affidavits relating to direct access services; (b) updating direct access services and fees, including those deferred by D.08-05-003; and (c) updating direct access metering and billing rules. A schedule for compiling the report will be discussed at the workshop, with substantive consideration of the issues following completion of the report.

The scoping ruling excludes from Phase III of the proceeding a re-examination of nonbypassable charges that have been imposed on direct access customers.

"We understand that the concerns raised regarding the various non-bypassable charges involve important issues that could significantly impact the success or failure of DA in the longer term. Given the immediate workload priorities for this phase of this proceeding, however, we will defer consideration of this issue at this time. We will re-evaluate how the DA non-bypassable charges are determined at a future time," the scoping ruling states.

Additionally, issues relating to reforms of the utilities' procurement practices will not be considered in the Phase III proceeding, as the scoping ruling finds that the appropriate venues for any such concerns are the Long Term Procurement Plan proceedings.