

Energy Choice Matters

June 17, 2010

Pa. PUC Approves Settlement for Revised PECO Electric POR Program

The Pennsylvania PUC has adopted a revised electric Purchase of Receivables program at PECO which will include most, if not all, of the costs associated with POR in base rates (P-2009-2143607). The Commission has not yet published an order governing the terms of the revised POR program, though the PUC voted 3-1 to adopt Staff's recommendation to approve a settlement which resolved most elements of the POR program. Two items were left for litigation, however: the size of the discount rate, and the ability of PECO to terminate customers for unpaid supplier receivables incurred prior to January 1, 2011, the effective date of the revised POR program (Only in Matters, 3/25/10).

The Commission did not extensively discuss either reserved issue in adopting an order yesterday. In passing, Vice Chairman Tyrone Christy mentioned that the PUC's order would result in a discount rate of "zero," which he opposed. While PECO and competitive suppliers were advocating placing uncollectibles and administrative costs in base rates, both agreed that a temporary 0.2% discount would be applied to all customer classes to recover implementation costs of the revised program, with the discount reset to zero once such costs were recovered. A recommended decision had adopted this position. It's unclear if Christy's reference to a zero discount rate referred to the period after the period in which the temporary discount rate is imposed, or if the PUC ordered a zero discount rate on its own motion.

The PUC gave no indication of how it adjudicated the second reserved issue, though the recommended decision would have prevented PECO from terminating customers for any unpaid supplier charges incurred prior to the end of the restructuring transition period on December 31, 2010, due to a prior restructuring settlement (see Matters, 4/30/10).

The POR settlement, whose provisions were adopted without modification according to a PUC

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Pa. PUC Allows Use of Purchased Receivables in Meeting Gas Supplier Security Requirements

The Pennsylvania PUC has adopted a final rulemaking order related to revisions in the level and form of security that may be used to satisfy the statutory security requirement for the licensing of natural gas suppliers. The Commission has not yet published a written order (L-2008-2069115 et. al.).

However, in a partial dissent, Vice Chairman Tyrone Christy said that the order allows suppliers to utilize accounts receivable pledged or assigned to a natural gas distribution company (NGDC) by a natural gas supplier (NGS) participating in a Purchase Of Receivables program as an acceptable form of security.

Citing opposition from several LDCs to the use of pledged receivables subject to POR as a form of security, Christy said that he, "agree[s] that [while] the amount of receivables under a POR program may reduce the financial exposure by a NGS on a NGDC, that reduced financial exposure should be considered in the context of the overall NGDC formula for security. This formula would consider, among many details, the current level of customers, the volume of natural gas delivered

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Briefly:

Palmco Power Receives Conn. Electric License

The Connecticut DPUC granted Palmco Power an electric supplier license to serve residential, commercial and industrial customers throughout Connecticut (Only in Matters, 8/5/09).

Choice Energy, LLC Receives Conn. Electric License

The Connecticut DPUC granted Choice Energy, LLC an electric supplier license to serve residential, commercial and industrial customers throughout Connecticut (Only in Matters, 4/6/10).

SYR Solutions Receives Pa. Broker License

The Pennsylvania PUC granted SYR Solutions, L.P. an electric broker license to serve commercial customers above 25 kW, industrial customers, and governmental customers in all service areas (Only in Matters, 2/19/10).

I. C. Thomasson Associates Receives Pa. Broker License

The Pennsylvania PUC granted I. C. Thomasson Associates a natural gas broker/marketer license to serve all sizes of commercial, industrial, and governmental customers in all service areas (Only in Matters, 8/27/09).

Pa. PUC Maintains Current PPL Generation Rates Through October 1

The Pennsylvania PUC granted PPL Electric Utilities' request for a waiver from the provisions of its Generation Supply Charge (GSC) Rider that requires it to revise its GSC rates effective July 1, 2010, and allowed PPL to continue the current GSC rates until October 1, 2010 (Only in Matters, 6/8/10).

Pa. PUC Approves New Generation Rates at Citizens'/Wellsboro

The Pennsylvania PUC approved new Generation Supply Service Rates at Citizens' Electric Company of Lewisburg (6.9464¢/kWh) and Wellsboro Electric Company (7.5398¢/kWh), for the quarter beginning July 1 (Only in Matters, 6/2/10).

Md. PSC Approves BGE Customer Lists with Use Type

The Maryland PSC approved Baltimore Gas & Electric's revised tariff to make residential customer lists available containing the customer's name, address, and use type (Only in Matters, 6/15/10).

Although the Office of People's Counsel opposed the inclusion of the customer's use type (electric, gas, or combined service), Commissioner Therese Goldsmith noted that if BGE simply produced separate electric and gas customer lists, as it is explicitly authorized to do, a customer's use type could be determined by comparing the two lists, so the inclusion of use type on a combined customer list would not make public any new information, and would only make the customer list process more efficient.

Permitting the inclusion of use type will actually lessen customer confusion and frustration, the Maryland Energy Marketers Coalition said during the PSC's administrative meeting yesterday, since it will eliminate the current offering of competitive gas service to non-gas BGE customers (such as through mass mailers), which occurs today because marketers cannot determine if a customer is a BGE gas, electric, or combined customer. MXenergy reported during the meeting that it intends to market both electricity and gas if a customer list including use type was made available, and said that the customer list would have no value without use type.

In approving BGE's revised customer list tariff, the PSC accepted Staff's recommendation to require that BGE track revenues and costs from the offering of customer lists, with any revenues in excess of costs credited to the appropriate electricity or gas choice funding mechanisms (e.g. the POR discount rate). Conversely, should customer list revenues fall short of costs, Staff said that any such reconciliation should occur through the POR discount rate.

Residential customer lists will cost \$715. Customers may opt-out of inclusion on the list.

BGE Asks Md. PSC to Make Electric, Gas POR Tariffs Effective on Same Date

Baltimore Gas & Electric has petitioned the Maryland PSC to provide it with an electric POR effective date that coincides with the effective date for its gas POR program, though BGE did not opine as to whether the PSC should accelerate approval of the gas POR compliance plan or delay implementation of electric POR to accomplish this goal.

As only noted in *Matters*, BGE is required to file final electric POR tariffs with an effective date of July 15. However, BGE reported that, as a combined utility, once POR is implemented for either fuel type, BGE will not have the ability to purchase receivables associated with one fuel type and apply the previous payment posting rules to the current receivables of another fuel type. In other words, BGE cannot purchase electric receivables effective July 15 while continuing to treat gas receivables under the current payment processing rules.

BGE said that this limitation resulted from its desire to limit the costs of POR implementation, as adding the ability to implement POR for one fuel type while continuing the current payment rules for another fuel type would have added additional costs and development time for POR to perform the separation solely for an interim period, which BGE said would not make sense since eventually both commodities will be subject to POR.

BGE thus requested an implementation date that is identical for both electric and gas POR, though it did not suggest a course of action for the Commission to accomplish this goal (e.g. a delay in electric POR or quick approval of the pending gas POR compliance plan).

Pa. PUC Approves Monthly Price Option for Large C&Is at PPL

The Pennsylvania PUC approved PPL Electric Utilities' tariff filing to implement an optional monthly pricing service for large commercial and industrial (C&I) customers, starting January 1, 2011 (R-2010-2170296).

All large C&I customers (as defined in the

default service settlement) may elect the optional monthly pricing service as an alternative to hourly default service, but must affirmatively do so to receive the fixed monthly price. A customer may elect the monthly service effective with the next billing cycle beginning 15 days or later from the date of election. Following election of the optional monthly pricing service, the customer will remain on the optional monthly pricing service, unless that service becomes unavailable, or until another service option is elected and goes into effect.

Customers may switch from the optional monthly pricing service to service from an electric generation supplier at any time in accordance with the Commission's switching regulations and PPL Electric's tariff provisions related to changing service options. An eligible customer served by a competitive supplier or served on hourly default service may elect the optional monthly pricing service, in accordance with the switching rules. However, a customer on the optional monthly pricing service will not be permitted to switch to the hourly default service until first shopping with a competitive supplier for at least one month, except in cases where the monthly default service product is not offered because supply tranches were not fully subscribed.

The monthly prices will be determined by a competitive solicitation held quarterly, plus an adder for recovery of costs incurred to undertake the solicitations. The product to be solicited will be a load-following, full-requirements service, including energy, capacity, transmission (excluding Network Integration Transmission Service), ancillary services, transmission and distribution losses, congestion management costs, Alternative Energy Portfolio Standard requirements, and such other services or products that are required by PPL Electric to supply the optional monthly pricing service to customers electing the service.

The initial solicitation will be undertaken in October 2010, with supplies solicited in 100 MW tranches using the same approach for soliciting full-requirements, load-following service for other default service groups. Winning bidders will be paid their original, unaveraged prices for each month of the solicitation period. If tranches are not fully subscribed in any solicitation, the

optional monthly service will not be made available for that quarter.

To avoid the potential for customers making a service choice between the PPL hourly rate and monthly rate based solely on each program's solicitation costs, the costs incurred by PPL Electric to solicit and procure the optional monthly pricing service and the hourly default service will be fully recovered from all customers in the large C&I class who take the optional monthly pricing service or the hourly default service through a pro rata charge per kWh.

Pa. PUC Approves Allocation of ARR to Wholesale Suppliers at PPL

The Pennsylvania PUC approved PPL Electric Utilities' request to amend its 2011-2013 default service plan to allow it to assign prorated Auction Revenue Rights (ARRs) to winning wholesale suppliers on a prospective basis (P-2008-2060309).

Under the original 2011-2013 default service plan, PPL retained ARRs, and uses the proceeds to credit default service customers. As only reported in *Matters*, PPL sought to modify the treatment of ARRs since the wholesale suppliers assume congestion risk under the full requirements master supplier agreements (Only in *Matters*, 5/3/10). By assigning ARRs to wholesale suppliers, these suppliers will be provided with another tool to hedge congestion risk, and incentivized to optimize their ARR allocation, PPL has said.

In response to concerns from the Office of Consumer Advocate, PPL has committed to submitting a study comparing bid prices received for contracts in which ARRs are assigned to winning bidders versus bid prices received for contracts in which ARRs are retained by PPL. PPL will submit this study as part of the proceeding to establish a default service plan for the period beginning June 1, 2013. OCA withdrew its objection to PPL's request based on PPL's commitment to provide the analysis of prices based on ARR allocation.

PUC Rules Duquesne Light TOU Implementation Costs to be Paid by Default Service Customers

The Pennsylvania PUC has ordered that the costs related to market research, development, and implementation of Time of Use rates at Duquesne Light, including the costs relating to education materials to explain and promote the TOU pilots, shall be recovered from only default service customers (P-2009-2149807).

Duquesne had sought to recover such costs through the customer education surcharge applicable to all distribution customers. Vice Chairman Tyrone Christy objected to the majority's conclusion that TOU education costs should only be borne by default service customers, comparing education regarding a TOU rate as similar to education covering customer choice, which is paid for by all distribution customers, not only those customers who avail themselves of choice.

The TOU educational information should be of value to customers regardless of whether or not they decide to affirmatively enroll into the TOU rate option offered by Duquesne, Christy said.

Christy also said that as no customer will be placed on the TOU rates "by default," the reasoning that TOU education materials can be recovered from only default service customers because TOU customers are receiving "default service" is illogical.

As only reported in *Matters*, Duquesne proposed to conduct three Time of Use pilots to help it develop future Time of Use rates that would be available for nearly all customers, including a time of week rate, a time of day rate, and a more robust TOU rate that will be designed once smart meters are fully deployed in 2013 (see *Matters*, 12/30/09).

Cawley Criticizes Unaccounted For Gas Trend at T.W. Phillips

Citing an unexpected increase in Unaccounted For Gas (UFG) at T.W. Phillips Gas and Oil Co., Pennsylvania PUC Chairman James Cawley warned the LDC that he will likely not accept

continuation of the status quo in the company's next Section 1307(f) case, as the PUC approved a settlement for T.W. Phillips's current 1307(f) case (R-2009-2145441).

Cawley noted that while it initially appeared that T.W. Phillips had reduced Unaccounted For Gas from 5.39% in 2004 to an estimated 3.15% in 2008, the actual Unaccounted For Gas and Company Use for 2008 was 4.29%. Furthermore, Unaccounted For Gas and Company Use increased to 5.35% in 2009, Cawley reported. "In other words, based on these numbers, T.W. Phillips has made little or no progress in reducing UFG," Cawley said.

"Such high UFG levels cost consumers money in higher gas costs, increase green house gas emissions, and endanger public safety. Given this triple threat, T.W. Phillips must act decisively to improve its programs to produce positive results. While I reluctantly will approve this settlement, I will likely not accept the status quo in the company's next Section 1307(f) case. I request that T.W. Phillips inform the Commission of the steps it intends to take to provide better and less costly service going forward," Cawley added.

PECO POR ... from 1

agenda summary, imposes an all-in/all-out requirement for POR on residential customers only. However, to the extent that an electric generation supplier (EGS) provides a residential customer with a service or product that does not meet the definition of "basic electricity supply" as defined below, or if the supplier provides a service or product to residential customers that PECO's utility consolidated billing system cannot accommodate, the supplier shall be permitted to issue a separate bill for that service or product if the supplier provides written certification to PECO that the service or product cannot be billed under utility consolidated billing.

Only receivables associated with basic electricity supply will be eligible for purchase by PECO. Basic electricity supply shall be defined as follows: energy (including renewable energy) and renewable energy credits or alternative energy credits (RECs/AECs) procured by a retail supplier, provided that the RECs/AECs are

bundled with the associated delivered energy.

Basic electricity supply does not include non-generation products (e.g., service contract for appliances, or payment for energy reductions such as demand response products), or renewable or alternative energy credits that are not associated with delivered energy. For residential customers, basic electricity supply shall not include early contract cancellation fees, late fees, or security deposits assessed by a supplier.

Per the settlement, retail suppliers may not deny service to residential customers whose accounts are included in PECO's POR program for credit-related reasons, and may not ask residential customers for deposits separate from any deposit required by PECO pursuant to Commission regulations.

The settlement provides that PECO and the Retail Energy Supply Association will develop the specifications and cost to implement an EDI transaction to notify retail suppliers of an impending customer termination for nonpayment prior to such termination, in coordination with the Commission's Electronic Data Exchange Working Group. PECO and RESA agree that the design of the EDI transaction will provide that the proposed transaction would be sent on the same day as PECO sends its written notice of termination to a customer, and include the projected customer service termination date.

Under the settlement, the terms and conditions of PECO's revised POR program, as modified by the settlement, shall not be raised or revisited by any party until PECO's next default service proceeding for the period commencing June 1, 2013. Additionally, per the settlement, no party will affirmatively seek further unbundling of PECO's generation-related service costs (e.g., uncollectible accounts expense, call center charges, etc.) in PECO's next distribution rate case proceeding.

The revised POR program removes the current 90-day reversion to dual billing for unpaid receivables.

Security ... from 1

and the average price of natural gas. As a result, I would have preferred that the proposed regulations rely upon adjustments to the level of security by the aforementioned issue and excluded the use of POR program receivables as a form of NGS security."

Christy noted that the financial security requirements for gas suppliers are necessitated by Section 2207(k) of the Public Utility Code, which requires that an LDC, acting as supplier-of-last-resort, charge customers returning from a defaulting supplier the rates the supplier would have charged the customer for the remainder of the billing cycle. The statute provides, "Any difference between the cost incurred by the supplier of last resort and the amount payable by the retail gas customer shall be recovered from the natural gas supplier or from the bond or other security provided by the natural gas supplier." The purpose of the bond or other security is to ensure the financial responsibility of the supplier, Christy said.

A proposed rule issued by the PUC in 2008 included other security-related changes, such as limiting the ability of LDCs to request revised security amounts from suppliers to only those instances where significant and/or material changes in a supplier's profile occur (e.g. its customer count, volume, operational history, etc.). The 2008 proposed rule also required LDCs to report annually on their implementation of security regulations, and would have established a dispute resolution process regarding security disputes between LDCs and suppliers (Matters, 12/5/08). Absent a published order, it is unclear whether such revisions were adopted in the final rule.