Energy Choice Matters

July 2, 2010

Pepco, BGE (Gas) File Discount Rates for Maryland POR Programs

Pepco has filed its compliance plan to implement electric Purchase of Receivables in its Maryland service area, asking for an effective date of September 1, 2010 or six weeks after a Commission order approving the program, whichever is later.

Pepco's pro forma discount rates, calculated using the method approved by the PSC for Delmarva, are as follows:

Residential:	1.1438%
Type I:	0.4330%
Type II:	0.3093%
Hourly Service:	0.0016%

The POR rates reflect an uncollectibles component, an offset for revenues from late payment fees, a program development and operation cost component (currently set at zero), and a reconciliation factor (also set at zero initially). The reconciliation component would be calculated separately for residential and non-residential customers, and would earn interest at Pepco's most recent authorized distribution system rate of return. This rate would be adjusted for taxes when the reconciliation imbalance represents an under-collection of costs.

Additionally, the pro forma POR discount rate schedule includes a risk factor component, but it is initially set at zero as well.

As at Delmarva, if POR costs are not fully recovered and suppliers are not participating in POR, Pepco is permitted to impose a charge on electric suppliers to recover such costs.

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PUCT Declines to Initiate Docket on Nodal Retail Pass-Throughs

The PUCT declined to open on its own motion a proceeding to address the ability of REPs to pass-through to customers any unexpected charges arising from the transition to a nodal market, as Commissioners felt that the definition of fixed and indexed products for small volume (< 50 kW) customers preclude the pass-through of such charges unless already contained in the price (for fixed contracts) or formula (for indexed contracts).

As only noted in *Matters*, the nodal market may result in several costs not expected by REPs under the zonal system, most notably Reliability Unit Commitment (RUC) costs but also less tangible costs, such as the basis risk between trading hubs and load zones. The question is, since such costs would not have been incurred but for the implementation of a nodal design, do they fall under one of the exemptions allowing for a change in the rate of a fixed price contract for those customers under 50 kW for whom the PUCT has set a strict definition for a fixed price product.

Staff recently held a REP workshop concerning the nodal market where the issue of pass-throughs was among the most discussed topics (Only in Matters, 6/1/10).

Commissioners said that the REPs, if they wish to further test the Commission's interpretation,

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PUCT to Require Lowest Market-Based Rate for Customers on Switch Hold with Expiring Contracts

The PUCT intends to vote on a final rule related to customer disconnections, deferred payment plans, switch holds for non-payment, and critical care designations at its July 30 open meeting, as Commissioners agreed that the rule should not permit REPs applying a switch hold to charge exorbitant rates to captive customers (36131).

Commissioners agreed with language filed by Chairman Barry Smitherman that would require REPs, for customers subject to a switch hold whose fixed-price term expires, to charge that customer the lowest variable "market-based" product that it currently offers to other consumers, if the customer does not affirmatively elect another product that the REP offers.

Commissioners also agreed with Smitherman's language to continue to allow a critical care customer to avoid disconnection by having the critical care (or chronic care) customer's physician contact the REP.

Updated Sunset Staff Report Favors $150 Limit on Registration Fees

A "Decision Material" Report from the Texas Sunset Advisory Commission Staff recommends adding a cap to the registration fees that the PUCT should be allowed to charge certain entities, as recommended in an earlier Staff report, but otherwise makes few substantive changes to the recommendations from Sunset Staff contained in the April report. The Decision Material report reflects Sunset Commission Staff's response to comments from public testimony.

As previously reported, Sunset Commission Staff recommended that the PUCT be granted authority to require renewal of certain certifications, with appropriate fees levied on such registered entities to recover costs associated with registration. In response to public testimony, Sunset Commission Staff have modified their recommendation to set a statutory cap of $150 per initial application or renewal so that the PUCT could charge reasonable fees at a level sufficient to cover administrative processing costs up to that amount. Sunset Commission Staff said that a cap is appropriate as Staff did not intend for the fee to be onerous.

Sunset Commission Staff further clarified that the renewal requirement would apply to Retail Electric Providers, Aggregators, and Power Marketers, but not to Power Generation Companies.

Additionally, Sunset Commission Staff clarified that the recommendation that the PUCT be granted restitution authority is only intended to cover the wholesale electric market.

Sunset Commission Staff did not adopt a host of modifications suggested during public comment. Most notably, Sunset Commission Staff did not see fit to recommend that the PUCT create, or REPs be compelled to offer, a "standard offer" retail product, as suggested by Rep. Sylvester Turner and the Cities Aggregation Power Project, among others.

PUCT Approves Sharyland Acquisition of Cap Rock Which Requires Study of Retail Choice

The PUCT approved a stipulation involving the acquisition of Cap Rock Energy by the parent of Sharyland Utilities which commits Sharyland to studying the potential introduction of retail competition into the Cap Rock service area, which is currently split between ERCOT and the Southwest Power Pool (37990, Only in Matters, 6/7/10).

Cap Rock's Stanton and Lone Wolf Divisions serve customers located in the SPP power region, and Cap Rock's McCulloch and Hunt-Collin Divisions serve customers located in ERCOT. The SPP portion of Cap Rock accounts for 75% of its load. Originally, Cap Rock was a cooperative when retail choice began, and was exempted from retail competition. As it transitioned to an investor-owned utility, legislation prohibited the introduction of retail choice to the service area, but that provision has since expired and the PUCT is free to direct a transition to competition as it sees fit, consistent with the requirements of PURA § 39.102(d)-(e). Cap Rock does not own any generation, and relies on purchased power to serve its load.

As part of the stipulation, Sharyland will analyze and evaluate a transition of the Cap Rock divisions, whether within or outside of ERCOT as of the execution of the stipulation, to retail competition in accordance with PURA § 39.102(d)-(e), and will develop a proposal (the "Retail Plan") regarding whether to move its customers which are ultimately located in ERCOT to retail competition. The Retail Plan is to be filed with the PUCT within 12 months of the closing of the acquisition, absent good cause shown.

Sharyland further agrees that the Retail Plan will:

(a) Provide sufficient provisions, and appropriate steps, to achieve retail competition within the Cap Rock divisions that currently reside in or will reside in ERCOT; and

(b) Outline the activities that must be accomplished prior to commencement of competition, and the order in which these activities should be accomplished.

Furthermore, Sharyland agrees to undertake a study of moving its Stanton and Lone Wolf Divisions from SPP to ERCOT. A third-party consultant would analyze and evaluate issues related to moving the Cap Rock Stanton and Lone Wolf Division loads into ERCOT, with the scope to be determined in a future PUCT project opened after the closing of the acquisition.

The ERCOT Study will address the following issues, in addition to any other issues that may reasonably be necessary for a complete analysis and evaluation of a move into ERCOT:

i. The costs to Cap Rock to move the Stanton and Lone Wolf Division loads into ERCOT, including the potential cost impacts to Cap Rock customers in all of its divisions;

ii. The potential impacts to a transition to retail competition in Cap Rock's divisions, including an analysis of these considerations in PURA § 39.102(d)-(e);

iii. The potential impacts to the SPP transmission system, including, without limitation, any avoided transmission investments; and

iv. The potential impacts to ERCOT, including, without limitation, an analysis of any necessary system upgrades and the benefit to ERCOT of having additional load in the West Zone.

The ERCOT Study shall contain a proposal (the "ERCOT Plan") regarding a possible move of the Cap Rock Stanton and Lone Wolf Division loads to ERCOT. Sharyland is to file the ERCOT Study and Plan with the Commission as a docketed proceeding on or before six months after the closing of the transaction, except for good cause shown.

The cost of the ERCOT Study and Plan will be capped at $100,000.

In order to minimize any new stranded costs while the retail and ERCOT studies are being performed, Sharyland commits in the stipulation to undertake no new SPP-related obligations that would materially encumber or otherwise preclude a move of the loads in the Stanton and Lone Wolf Divisions to ERCOT, or the transition to retail competition. The no new SPP obligations commitment includes:

(a) Not joining the SPP in any capacity;

(b) Not joining the SPP open access tariff (OATT), which shall not preclude receiving service as a transmission customer;

(c) Not entering into any new purchased power agreements, futures contracts, forward contracts, or any other electricity derivative contract for power delivery in SPP that would preclude moving the Stanton and Lone Wolf Division loads to ERCOT;

(d) Not seeking to require an electric utility to provide electricity supply to Cap Rock that would preclude moving the Stanton and Lone Wolf Division loads to ERCOT;

(e) Not incurring costs that would be stranded by a transition of the Stanton or Lone Wolf Division loads to ERCOT or to retail competition;

(f) Not incurring any obligations for transmission expenses in SPP that extend beyond December 31, 2013; and

(g) Not entering into power contracts or power management agreements in SPP that extend beyond December 31, 2013, unless cancelable on 12 months notice or less with no termination fee or cost of cancellation.

Sharyland also agrees that during the pendency and implementation of the ERCOT Study and Plan, it will cooperate with

Southwestern Public Service so that SPS will not be required to make significant capital investment or improvements in SPS's 230 kV lines serving the Midland and Borden County Interchanges, including Base Plan Upgrades recently authorized in the 2009 SPP Transmission Expansion Plan for the purpose of serving loads above 150 MW. Sharyland agrees to limit the total load on the SPP system to 150 MW, by use of interruptible loads, new resources, moving one or more distribution feeders or substations to ERCOT, or other reasonable means to limit load growth in the Stanton and Lone Wolf Divisions served from the SPP, so that such load shall not exceed the current capacity of the transmission facilities currently serving those divisions.

Briefly:

Volunteer Energy Services Seeks Maryland Gas License

Volunteer Energy Services has applied for a Maryland natural gas supplier license. A copy of Volunteer's filing was not available yesterday.

Nordic Energy Services Executes Supply Agreement with EDF Trading

Nordic Energy Services, LLC, said that it has finalized a dual-commodity structured supply arrangement with EDF Trading North America, LLC. Under the three-year agreement, EDF Trading will provide natural gas and power services as well as a variety of scheduling and asset management services. Nordic Energy Services said that the supply agreement will support growth in current electric markets (Commonwealth Edison, Ameren) and additional markets, including potentially New York and Pennsylvania. The agreement with EDF Trading will also assist Nordic Energy with its efforts to create natural gas storage pools at local distribution companies, which will enable Nordic Energy to benefit from seasonal and daily spread arbitrage opportunities.

APPI Energy Forms Met-Ed Aggregation for Small, Medium Businesses

APPI Energy has launched a Met-Ed electricity aggregation program for small and medium commercial accounts. The aggregation, which offers a fixed price for 17 months, is being offered in conjunction with many local chambers of commerce and trade associations that selected APPI Energy as their endorsed energy advisor.

Cirro Energy Seeks to Add Dominion Energy Solutions Trade Name to REP Certificate

Cirro Energy applied for an amendment to its Texas REP certificate to add the trade name Dominion Energy Solutions to its certificate.

PUCT to Focus on Energy Efficiency Rule, Defer Action on Non-Wind RPS

The PUCT will set aside the non-wind renewable carve-out for the time being as the Commission focuses immediate attention on the pending energy efficiency rulemaking, as the Commission is facing an August 12 statutory deadline in completing the energy efficiency rulemaking. PUCT Chairman Barry Smitherman will take the lead in drafting modifications to the energy efficiency rule, stating that he would like to do more than what is provided in the current rule, but is "very sensitive" to costs. Smitherman intends to have a draft by the July 15 open meeting. Commissioner Kenneth Anderson will take the lead on the non-wind renewable rulemaking.

Austin Energy to Pay $35,000 in Ancillary Services Settlement

PUCT Staff and Austin Energy have entered into a settlement agreement under which Austin Energy would pay $35,000 for its failure to adhere to ERCOT Protocol § 6.3.2(2), concerning ancillary service provider obligations. During the November 29, 2007, Emergency Electric Curtailment Plan event, Austin Energy fell short of its required ancillary service reserve obligations during 15-minute intervals falling within two 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.

FirstEnergy Ohio EDCs Issue Renewables RFP

The FirstEnergy Ohio utilities have initiated a

Request for Proposal process for renewable energy credits to help meet requirements established under Senate Bill 221. The RFP process is seeking renewable energy credits (RECs) and solar renewable energy credits (SRECs) for 2010 and 2011, and will be managed by Navigant Consulting. For 2010, the FirstEnergy companies are requesting bids for SRECs generated from within Ohio and SRECs that can be deliverable into Ohio, and RECs generated from within Ohio. For 2011, the companies need both SRECs and RECs generated from within Ohio or deliverable into Ohio. No energy or capacity will be purchased under the RFP.
(www.firstenergycorp.com/OH2010RECRFP)

Mich. PSC Approves Detroit Edison PSCR Reconciliation

The Michigan PSC reconciled Detroit Edison's 2008 power supply cost recovery (PSCR) plan, finding an under-recovery of $15.6 million which will be rolled into the company's 2009 PSCR reconciliation proceeding. The PSC also noted that Detroit Edison had determined that, in assessing a 12-month surcharge on commercial and industrial customers relating to an under-recovery in 2005 PSCR revenues, Detroit Edison subsequently over-recovered $9.7 million from commercial and industrial customers. This over-recovery is currently being refunded to commercial and industrial customers in Detroit Edison's 2009 PSCR factors.

Pepco ... from 1

Per Commission order, purchased receivables only include receivables associated with the commodity.

Pepco will not purchase outstanding receivables upon the start of the program, but will bill such receivables on the utility consolidated bills as a separate line item for 90 days after POR start-up. After 90 days, any remaining amounts will be returned to suppliers for collection. For suppliers entering the POR program after the initial start, Pepco will not begin purchasing that supplier's receivables until the first utility consolidated bill with that supplier's charges is issued.

Pepco would pay undisputed charges to the supplier by the fifth day from the due date noted on the utility consolidated bill

Should the POR program take effect September 1, participating suppliers would receive payment for one-half of the amount reflected in the 820 transaction approximately September 15, 2010, with the remainder paid approximately September 30, 2010.

Pepco will not be implementing a structural change to the 820 as part of the implementation of POR on September 1, 2010. The amount Pepco will send to the supplier is the discounted amount. After implementation, Pepco will consider an enhancement to include the original amount and the discount amount.

Cancel/rebills sent after the implementation of POR will be purchased at the discount rate in effect at that time.

Pepco's pro forma tariffs recognize that the customer has the right to elect their billing option and includes a placeholder for supplier-consolidated billing should the Commission later approve the offering of such billing.

Other Utility Compliance Filings

Baltimore Gas & Electric submitted electric and gas POR compliance filings as directed by the PSC. The gas compliance filing contains new discount rates directed by the Commission as follows:

Residential - Schedule D:	2.40%
General Service - Schedule C:	0.98%

For both electric and gas, BGE added a new component to the discount rate, the customer list component, reflecting the difference between the cost to produce residential customer lists and revenues received from the sale of such lists. This component is initially set at zero. BGE's gas and electric filings state that the discount rate shall be filed with the PSC by May 30 of each year (rather than December 31 as originally contemplated), with the new rate taking effect in July pending Commission approval.

In Delmarva's compliance filing, Delmarva addressed the Commission's requirement that it bill outstanding receivables as of the start of POR for 90 days on consolidated bills, since Delmarva will not purchase such receivables.

Delmarva said that due to billing system limitations, it cannot bill such charges on consolidated bills, and instead will issue a separate bill to customers for any such charges. Delmarva said that this separate billing process would apply to about 330 accounts. Delmarva said that it would explain to such customers the reason for the separate billing.

Nodal ... ***from 1***

may seek a petition for declaratory relief, but the Commission will not open such a project itself.

Chairman Barry Smitherman and Commissioner Kenneth Anderson said that the types of charges contemplated to be passed through (Reliability Unit Commitment, congestion management, and credit) all essentially exist now in the zonal market, albeit under different mechanisms.

Smitherman also questioned how the Commission would be able to enforce the legitimacy of any pass-throughs to customers on fixed-price contracts which occur because the REP claimed it experienced unexpected charges due to the nodal transition.

Anderson said that if REPs pursue a petition for declaratory judgment, they would face an "uphill battle" in convincing him of the propriety of any pass-throughs.