Energy Choice Matters

July 8, 2010

UGI Utilities - Gas Division Files Unopposed POR Settlement

UGI Utilities, Inc. - Gas Division has filed an unopposed settlement that would institute a Purchase of Receivables program for customers served under residential transportation rate schedule RT and under non-residential rate schedules NT and CT, excluding non-residential customers whose annual usage exceeds 1,000 Mcf per year (P-2009-2145498, Only in Matters, 12/7/09).

Under the settlement, UGI would purchase residential receivables at a discount rate of 2.33%, reflecting an uncollectible accounts expense percentage of 2.19% and an administrative cost factor of 0.14%. Receivables from eligible customers on Rate Schedule NT and CT would be purchased at a discount of 0.50%, reflecting an uncollectible accounts expense percentage of 0.36% and an administrative cost factor of 0.14%.

The POR program is expected to be implemented in 18-22 months, after the completion of billing system modifications.

UGI would only purchase receivables representing commodity charges for basic natural gas supply services. Basic natural gas supply services would include charges directly related to the physical delivery of natural gas to a retail customer but would not include charges for "carbon-neutral" products, appliance maintenance service, energy efficiency services, termination or cancellation fees, security deposits, or other products or services not directly related to the physical delivery of natural gas to retail customers.

Customer accounts that are billed for non-basic natural gas supply services would not be eligible for UGI's POR program.

Furthermore, suppliers would be subject to a class-specific all-in/all-out requirement, with one

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SDG&E Applies to Default Small Non-Residential Customers to Critical Peak Pricing in 2013

San Diego Gas & Electric has applied at the California PUC to default small non-residential customers (< 20 kW) to Critical Peak Pricing for generation service (called a PeakShift rate by SDG&E) by the summer of 2013 (A.10-07-009).

Previously, the PUC had ordered Critical Peak Pricing as the default supply option for medium and large non-residential customers. SDG&E would also make a Critical Peak Pricing option available to residential customers by the summer of 2013 under its application.

Small non-residential customers opting off of the default Critical Peak Pricing rate would be served on a two-tier Time of Day rate.

SDG&E said that it would offer bill protection to customers for the first 12 months so that customers may try out the dynamic rate risk-free. SDG&E also said that its proposal will make shadow billing information available as well to show what the customer would have paid under the alternative rate.

SDG&E reported that implementing the proposed dynamic pricing options for virtually all of its current flat-rate customers will require approximately $118 million in funding over a six-year

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United Illuminating Reports June Migration Data

Supplier Accounts as of 6/30/10	June '10 Residential	June '10 Business	June '10 Total	% of Migrated Customers	Change vs. May '10 Total
Cianbro	0	3	3	0.0%	3
Clearview Electric	2,208	30	2,238	2.1%	(240)
ConEdison Solutions	4,176	1,122	5,298	4.9%	16
Constellation NewEnergy	427	2,546	2,973	2.7%	(427)
Direct Energy Business	15	1,285	1,300	1.2%	480
Direct Energy Services	13,570	2,543	16,113	14.9%	(612)
Discount Power	2,225	567	2,792	2.6%	357
Dominion Retail	13,401	1,257	14,658	13.5%	(291)
Energy Plus Holdings LLC	5,569	719	6,288	5.8%	196
Gexa Energy	314	348	662	0.6%	30
Glacial Energy	33	253	286	0.3%	(18)
Hess Corporation	48	521	569	0.5%	0
Integrys Energy Services	156	1,632	1,788	1.7%	227
Liberty Power	0	72	72	0.1%	6
MXenergy	12,974	550	13,524	12.5%	1,969
North American Power	4,726	561	5,287	4.9%	1,865
Public Power & Utility	13,522	1,365	14,887	13.8%	1,409
ResCom Energy	5,947	590	6,537	6.4%	864
Sempra Energy Solutions	30	702	732	0.7%	(3)
South Jersey Energy Co.	0	1	1	0.0%	0
Starion Energy	972	329	1,301	1.2%	126
Suez Energy Resources NA	3	281	284	0.3%	6
TransCanada	8	469	477	0.4%	0
Verde Energy	5,257	135	5,392	5.0%	871
Viridian Energy	4,188	554	4,742	4.4%	377
Total All Suppliers	**89,769**	**18,435**	**108,204**	100.0%	7,211

Aggregate Data

Customer Load - Suppliers and UI (MWh)

	Residential - SS		Business - SS		Business - LRS		Total UI Territory	
	MWh	% of Class	MWh	% of Class	MWh	% of Class	MWh	% of Total
Suppliers	63,548	33.1%	158,298	74.6%	121,310	93.5%	343,156	64.3%
UI	128,402	66.9%	53,832	25.4%	8,401	6.5%	190,635	35.7%
Total	191,950		212,130		129,711		533,791	

Customer Count - Suppliers and UI

	Residential - SS		Business - SS		Business - LRS		Total UI Territory	
	Customers	% of Class	Customers	% of Class	Customers	% of Class	Customers	% of Total
Suppliers	89,769	31.0%	18,177	48%	258	92.8%	108,204	33.0%
UI	199,815	69.0%	19,726	52%	20	7.2%	219,561	67.0%
Total	289,584		37,903		278		327,765	

LRS = Last Resort Service; SS = Standard Service

Data as reported by UI

Briefly:

Clearview Electric Seeks Maryland Electric License

Clearview Electric yesterday filed an application for a Maryland electric supplier license. A copy of Clearview's application was not immediately available.

I. C. Thomasson Associates Seeks Conn. Aggregation License

I. C. Thomasson Associates applied for a Connecticut electric aggregator certificate to serve commercial, industrial, and governmental customers.

RJT Energy Consultants Receives Conn. Aggregation Certificate

The Connecticut DPUC granted RJT Energy Consultants, LLC an electric aggregation certificate to serve residential, commercial, industrial, municipal, and governmental customers (Only in Matters, 4/13/10).

DPUC to Meet with RESA Members on State of the Market

The Connecticut DPUC issued a public notice stating that Commissioners and Staff will meet with representatives of the Retail Energy Supply Association today regarding the current state of the market in Connecticut. As only reported in *Matters*, the DPUC is conducting a review of the current marketplace and supplier and aggregator marketing practices and conduct (Only in Matters, 6/22/10).

EFH Continues to Trim Debt

Energy Future Holdings reported in an 8-K that since the start of the second quarter, it has trimmed its debt by $267 million (excluding $40 million in interest savings), and has extended the maturities of another $695 million of outstanding debt. Among EFH's recent activities to trim its $38 billion in debt was, on July 2, the consummation of a private placement exchange transaction in which EFH exchanged approximately $412 million of new 10.0% senior secured notes due 2020 for approximately $549 million of its 5.55% senior notes due November 15, 2014.

ERCOT to Disburse $1.2 Million from TCE Collateral

ERCOT informed QSEs that, as a result of a ruling from the United States Court of Appeals for the Fifth Circuit regarding the Texas Commercial Energy bankruptcy, it will now distribute collateral from TCE plus accumulated interest to certain QSEs as the matter is officially closed. ERCOT will distribute $900,000 from collateral plus interest of $317,000 for a total amount of $1.2 million to certain QSEs representing Load Serving Entities, on a Load Ratio Share (LRS) basis, using the LRS for February 2005 to reimburse previously uplifted amounts. The appeals court found that ERCOT had properly drawn upon a TCE letter of credit, which TCE provided to allow its operation during its reorganization, to recover debt incurred prior to TCE's reorganization plan. The court held that ERCOT was not limited to using this new letter of credit to only recover debt incurred after the reorganization plan was confirmed (Cause No. 08-40890, Electric Reliability Council of Texas, Inc. v. Leo Leonard May).

DPUC Letter Answers Few Starion Questions

The Connecticut DPUC failed to answer several questions raised by Starion Energy concerning the DPUC's outgoing correspondence to several Starion customers which solicited customers' opinion regarding whether their, "experience with the company during the solicitation process was positive or negative" (09-10-10RE01, Only in Matters, 7/1/10).

As only reported in *Matters*, Starion raised several due process concerns with the DPUC's correspondence, noting that no Staff have been publicly designated as Prosecutorial in the proceeding. The letters are apparently part of the DPUC's formal investigation, initiated in April, of Starion's solicitation and enrollment practices.

Starion had said that the letters could intimidate customers, and noted that the customer's positive or negative rating of their experience with enrollment is not itself indicative of whether Starion complied with statutes and DPUC regulations regarding enrollment.

Among other things, Starion asked how

many letters were sent and how recipients were selected. Starion also asked if it will be granted access to email correspondence between Staff and the customers, or, in the case of telephonic interactions, transcriptions of such conversations.

The DPUC, in a letter to Starion yesterday, merely stated that, "[a]t the end of the Starion Investigation, the evidence relied upon in reaching a conclusion by Department staff will be made available to any inquiring party." The Department further said it is proceeding in a manner, "diligently maintaining all parties rights to due process and preserving evidence in support of any conclusions reached."

The DPUC did not, however, answer Starion's questions regarding the amount of letters sent to customers, or how such customers were selected. Nor did the DPUC identify in its letter, or any other public document currently posted in the case, any Prosecutorial Staff.

The Department continued, "[a]t the conclusion of the Starion Investigation the assigned Department staff will make its conclusions and recommendations and the docket will be closed. Decisions about further actions such as a referral to the Attorney General or suspension or fine by the Department will be made upon issuance of that conclusion."

"The Department is confident that [Starion's] rights are being preserved and that the process undertaken by the Department in the Starion Investigation complies with all applicable statutes and regulations," the DPUC said.

Starion had asked the DPUC to halt its outgoing correspondence to customers pending resolution of its concerns; the DPUC gave no indication it would do so.

Marin Energy Authority Says PG&E Proposing Incorrect Vintage Date for MEA Customers

The Marin Energy Authority (MEA) protested Pacific Gas & Electric's 2011 Energy Resource Recovery Account (ERRA) filing, arguing that PG&E's application assigns an incorrect vintage to MEA's community choice aggregation (CCA) customers with respect to PG&E's obligation to provide generation to such customers (A.10-05-022).

"PG&E incorrectly states that it retains an obligation to plan for and serve MEA's Phase 1 Customers even though the majority of these customers had already transferred to MEA service by the time of the PG&E filing. PG&E's mischaracterization implies potential liability by MEA customers for PG&E's generation costs," MEA said.

MEA said that its customers are not liable for the costs of any PG&E generation resource commitments beyond those that are authorized and associated with the vintage of the customers' transfer to MEA service. For MEA's Phase 1 Customers, the applicable vintage is 2009, since supply service to these customers was initiated prior to July 1, 2010, MEA argued.

While PG&E cites MEA's failure to submit a Binding Notice of Intent as not relieving PG&E of its generation obligation, MEA argued that per Rule 23.2, the community choice aggregator is considered to have begun its responsibility for the customer's generation obligation upon "initiating (or 'cutting-over') service to the customer," which for MEA's Phase 1 Customers began prior to the July 1, 2010 cutoff date for a 2010 vintage classification.

MEA also argued that PG&E's application provides insufficient information to verify the calculation of the Power Charge Indifference Adjustment (PCIA) for each vintage.

Additionally, MEA contended that the market benchmark used to calculate the PCIA ($54 per MWh) is unreasonably low relative to the actual value of generation resources in PG&E's supply portfolio that PG&E can sell into the market when customers leave to take service from a community choice aggregator.

The benchmark proposed by PG&E does not accurately reflect the full market value of the resources freed up by departing CCA customers because it does not include premiums for renewable energy or the higher cost of on-peak power that is no longer needed by PG&E to serve the shaped energy requirements of these customers, MEA claimed.

Furthermore, MEA said that the PCIA must reflect California ISO costs that PG&E avoids as it serves less load due to CCA migration, such as the grid management charge, imbalance charges, congestion charges, ancillary services charges, and other charges that are assessed by the CAISO on the basis of MWh of load.

MEA said that its adjustments would increase the market price benchmark (and reduce the PCIA) by approximately $15 per MWh.

WPTF Seeks Dynamic Local Market Power Mitigation in CAISO

The Western Power Trading Forum asked FERC to direct the California ISO to move towards dynamic local market power mitigation (ER06-615), claiming that the current approach relying on quarterly competitive path assessments, "unnecessarily over-mitigates beyond what would be needed by any reasonable assessment of the potential to exercise local market power."

"Such an approach may have been prudent during the initial 'training wheels' phase of MRTU [Market Redesign and Technology Upgrade]. However, with more than a year of operation now passed, the time has come to move beyond the initial phase of over-mitigation," WPTF contended.

WPTF said that the current local market power mitigation is, "characterized by quarterly competitive path assessments that test a tiny fraction of the overall number of paths and a strict three-pivotal supplier test."

CAISO, in a recent Local Market Power Mitigation Mechanism report, did not recommend any changes, stating that continued application of current measures would not result in over-mitigation since the mechanisms merely limit bids to marginal cost.

"Bidding above marginal cost does not simply reflect a supplier's intent to exercise market power," WPTF responded. "It may reflect a supplier's intent, for example, to cover non-fuel costs and risks. In and of itself, bidding above the CAISO's limited view of marginal cost does not constitute improper behavior and should not be reflexively condemned," WPTF said.

CAISO also cited other sources of revenues, such as from capacity and ancillary services, as allaying any over-mitigation concerns in the energy market. However, WPTF claimed such other revenues do not cover the shortfall in energy market revenues required for the fixed cost recovery of a hypothetical combined cycle unit.

"And to the extent that [Resource Adequacy] capacity prices are low because of capacity surplus intentionally designed by the CPUC's procurement practices and highlighted by the reduced demand of a weakened economy, the stage is being set for a future huge rate shock when existing capacity retires and new demand must be met by new expensive capacity," WPTF claimed.

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exception. Suppliers could continue to offer carbon-offset natural gas products (which are ineligible for POR) while selling their remaining receivables to UGI. UGI would also make utility consolidated billing available for such carbon offset products, even though such receivables would not be purchased by UGI.

As part of the all-in/all-out requirement, all of a supplier's accounts in a POR grouping (i.e. residential or non-residential) would have to be eligible for POR, aside from any carbon-neutral products. In other words, suppliers participating in POR for a customer class would not be allowed to offer services (even through dual billing) to that customer class if such services' receivables are not eligible for POR (aside from carbon-neutral products). The measure is meant to reduce potential cherry-picking, UGI said.

Additionally, the stipulation's proposed consolidated billing service with POR (CBS POR) agreement retains the originally proposed provision that customer accounts would not be eligible for POR, "if any affiliate of the Choice Supplier provides natural gas supply services on the Company's gas distribution territory but elects not to enter into a CBS POR Agreement with [the] Company applicable to the same customer classes designated by the Choice Supplier under this agreement or any amendment thereto." As previously noted by *Matters*, the term "affiliate" is not defined, and it is unclear if it extends to separately controlled suppliers which are affiliated by means of a common minority investor.

Per the stipulation, UGI would unbundle its supply-related uncollectibles from base rates and use them to set a bypassable Merchant Function Charge (MFC), which would be included in the Price to Compare. Effective upon Commission approval of the settlement, the MFC would be set at the following initial fixed charges: $0.1078 per Mcf for Rate R, and $0.0175 per Mcf for Rate Schedules N and CIAC.

On March 1, 2011, the MFC would change to a percentage of the purchased gas cost equaling 2.19% for Rate R customers and 0.36% for Rate N and CIAC customers (the POR uncollectible rates). These MFCs would remain in effect until at least November 30, 2011, and, if POR has been implemented at that time, would remain in place until altered by the Commission.

If POR is not implemented by November 30, 2011, the MFC would revert to the initial fixed charges listed above until POR is implemented, at which time the MFC would be changed to the percentages listed above.

UGI would only support rate ready billing under POR, and all supplier rates would have to conform to supported rate designs.

For residential customers, suppliers participating in POR would not be allowed to impose a deposit or credit screen customers. Suppliers would still be permitted to credit screen and request deposits (to cover early termination fees) from non-residential customers even if the supplier participates in non-residential POR.

UGI would be allowed to terminate customers for non-payment of supplier receivables, regardless of whether the supplier's charges exceed the otherwise applicable default service charges.

UGI would support budget billing for competitive supply charges on its consolidated bills. For budget billing customers, payments to suppliers would still be based on actual billed supplier charges, less the discount rate.

Parties do not waive the right to propose further unbundling of UGI's rates in its next rate case as part of the settlement. UGI has agreed to waive any right it may have to reconcile the recovery of its actual level of uncollectible accounts expense associated with natural gas supply costs with the actual level of uncollectible expense related revenue recovered under the MFC as part of its uncollectible accounts expense claim in its next base rate case. This waiver would not prohibit UGI from basing its claim for uncollectible accounts expense on historic write-off levels.

The settlement was signed by UGI, the Office of Trial Staff, Office of Consumer Advocate (in part), Shipley Energy Company, and Direct Energy Services (in part). The only intervenor in the case not signing the settlement, the Office of Small Business Advocate, does not oppose the stipulation.

The POR program is limited to UGI Utilities - Gas Division and would not include UGI Central Penn or UGI Penn Natural Gas.

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period (2010- 2015).

SDG&E proposed recovering such costs for implementing dynamic pricing from all of its ratepayers

"[A]ny load reduction achieved during a ReduceYourUse Day will benefit all customers, even customers not participating on a dynamic pricing rate, through improved system reliability," SDG&E said.