

Energy Choice

Matters

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Retail Suppliers Push for Class-Specific PAR Discount Rates at Duke Energy Ohio

Duke Energy Ohio should include a separate discount rate for the Purchase of Accounts Receivables (PAR) of each customer class, FirstEnergy Solutions (FES) said in comments on Duke Energy Ohio's application to raise the discount rate.

FirstEnergy Solutions, which serves non-residential load at Duke Energy Ohio, does not participate in the PAR program. "One of the main barriers to FES participation has been the high discount rate for commercial and industrial ('C&I') customers," FirstEnergy Solutions said.

The current discount rate applicable to all classes is 1.87%. As only reported in *Matters*, Duke Energy Ohio has filed to increase the discount rate to 2.02% (Only in *Matters*, 2/2/10).

FirstEnergy Solutions said that it is currently dual billing non-residential customers in Duke Energy Ohio's territory, "and it has been FES's experience that receivables 30 days past due are a very small amount of the total outstanding receivables."

"It is therefore reasonable to assume that the high discount rate calculated by Duke is mainly due to the residential customer class," FirstEnergy Solutions said.

As previously reported (*Matters*, 6/11/10), in light of objections raised earlier this year by Direct Energy Services and Dominion Retail, a hearing examiner directed Duke Energy Ohio to provide, by June 28, detailed information that explains the rationale and justification for its proposed PAR formula and the changes proposed by its application.

In supplemental comments, Dominion Retail reported that nothing in the letter circulated by Duke Energy Ohio in response to the hearing examiner's order, "addresses the fundamental questions regarding the reasonableness of the [discount rate] proposals."

"Instead, the [Duke Energy Ohio] letter is largely a rehash of arguments that Duke has previously advanced in response to [suppliers' objections]. Thus, even if this letter were before the

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SCE, TURN Oppose Grandfathered Direct Access Status Sought by Cal. State University

The Utility Reform Network (TURN) and Southern California Edison have opposed a petition from the California State University (CSU), which is seeking to clarify the PUC's decision governing the limited re-opening of direct access (D.10-03-022) to find that pre-SB 695 grandfathered customers retain the right to take direct access at any time so long as room exists under the SB 695 cap (R.07-05-025).

CSU's Cal Poly Pomona campus is a grandfathered direct access customer that is within six months of completing its three-year bundled portfolio service commitment. Cal Poly Pomona had filed a required six-month notice, based on Rule 22.1 established under Commission Decision 03-05-034 and Resolution E-4006, to resume direct access service on December 8, 2010. SCE rejected Cal Poly Pomona's six-month notice, however, as it was submitted, "outside of the designated submission period."

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Dominion East Ohio Confirms Storage Available to Intrastate Market

Dominion East Ohio, in response to comments from the Ohio Gas Marketers Group, confirmed that the storage capacity available to its intrastate market after the decommissioning of the Columbiana storage field is 58,704 MMcf.

The marketers had sought this confirmation in comments to the Public Utilities Commission of Ohio regarding the Ohio Consumers' Counsel's request for a special management performance audit of Dominion East Ohio, in response to the application of Dominion East Ohio at FERC to lease approximately 3-5 Bcf of excess on-system storage to its affiliate Dominion Transmission (Matters, 5/20/10). The marketers did not join OCC's call for a management audit, but did ask for confirmation of the historic annual delivery amount as well as the more critical daily delivery amount.

Dominion East Ohio said that the total capacity of 58,704 MMcf is confirmed in a prior Liberty Consulting Group audit in Case No. 05-219-GA-GCR, and said that the same audit provides the capacity of the remaining specific fields as follows: 56,541 MMcf for the Stark-Summit field, 1,857 MMcf for the Chippewa field, and 306 MMcf for the Gabor field.

Furthermore, the same audit confirms that the design day deliverability of Dominion East Ohio's on-system storage system is 1,080 MMcf, Dominion East Ohio said.

Dominion East Ohio does not believe that such confirmation must be provided in affidavits as requested by the marketers.

Should Dominion East Ohio's market demand return to historical levels predating the long-term decline in throughput, which has led Dominion East Ohio to seek to lease excess capacity to its affiliate, Dominion East Ohio will commit to providing up to 58,704 MMcf of storage capacity to its Ohio market. To ensure that the storage capacity made available to the market will adjust proportionately with market demand, Dominion East Ohio will retain the existing factors used to allocate storage capacity to Energy Choice, Standard Service Offer, and Standard Choice Offer suppliers unless and until PUCO finds that Dominion East

Ohio should do otherwise.

As requested by marketers, Dominion East Ohio also said that it will make available displacement storage service consistent with Phase I of the Dominion Transmission lease arrangement until such time as Phase II of the lease begins. More specifically, Dominion East Ohio will provide storage service to marketers on a non-discriminatory basis consistent with the terms specified for the Phase I lease arrangement, including the requirement that all withdrawal volumes will be delivered off-system on an interruptible basis via displacement.

Requests for a new interruptible storage service shall be made in February at the time of the regularly scheduled Dominion East Ohio open season for firm storage service, a condition which marketers have agreed to.

WGL Submits Proposed Volumes for Maryland Winter Hedging

Washington Gas Light has submitted a proposed winter 2010-11 hedging plan for its Maryland customers under which it would hedge up to 2.72 million dths for these customers' needs (Case 9224).

The maximum WGL System hedged amounts, and the Maryland allocated volumes, on a per day basis would be as follows:

FY2011 Winter Hedging (dths/day)

| | System Purchases | Md. Share |
|---------------|------------------|-----------|
| November 2010 | 40,000 | 16,708 |
| December 2010 | 40,000 | 16,708 |
| January 2011 | 50,000 | 20,855 |
| February 2011 | 40,000 | 16,708 |
| March 2011 | 40,000 | 16,708 |

The hedging plan recommends the use of both physical hedging and a variety of financial instruments.

WGL said that it plans to competitively procure the winter hedging volumes for the 2010-11 season in a minimum of two rounds of bidding between July 1, 2010 and September 20, 2010. The commodity component and the locations component will be considered in these procurements. Additionally, WGL will compare the cost of financial instruments with the results

from these competitive procurements for delivered supplies.

Bids will be ranked according to lowest fixed price; however, WGL reserves the right to accept or reject any and all proposals submitted pursuant to the procurement, in its sole and absolute discretion.

Separately, the Maryland PSC has authorized Washington Gas Light to continue with its summer hedging plan subject to several reporting requirements. The Commission stressed that it is authorizing, not directing, WGL to proceed with its interim summer hedging plan, and said that any costs incurred in the hedging program will be subject to prudence review in WGL's Purchased Gas Adjustment proceeding.

Maine PUC Seeks Comment on Rate Impact Cap for Long-Term Offshore Wind, Tidal Contracts

The Maine PUC has issued a request for comments on the proper interpretation of the rate impact limitation provision contained in recently enacted legislation that directs the Commission to conduct a competitive solicitation for proposals for long-term contracts from deep-water offshore wind energy pilot projects or tidal energy demonstration projects (Docket 2010-235).

During its 2010 session, the Maine Legislature enacted P.L. 2009, ch. 615, which directs the Commission to conduct a competitive solicitation for proposals for long-term contracts to supply installed capacity and associated renewable energy and renewable energy credits from one or more deep-water offshore wind energy pilot projects or tidal energy demonstration projects. The legislation requires the Commission to initiate the solicitation by September 1, 2010.

The legislation provides that the Commission, "may not approve any long-term contract under this section that would result in an increase in electric rates in any customer class that is greater than the amount of the assessment charged under Title 35-A, section 10110, subsection 4 at the time that the contract is entered."

Title 35-A M.R.S.A. § 10110(4) sets a conservation assessment at a rate of 0.145¢/kWh, excluding any additional assessment under subsection 5 of Title 35-A, section 10110. Title 35-A M.R.S.A. § 10110(6) specifies that transmission and subtransmission customers are not required to pay the assessment.

The Commission asked whether the rate impact limitation in P.L. 2009, ch. 615 should be interpreted to mean that all customers may experience a rate impact up to 0.145¢/kWh resulting from any above-market costs that might be associated with the long-term contracts, or whether transmission and subtransmission customers should be exempted from the long-term contract assessment.

Additionally, given that the assessment in Title 35-A M.R.S.A. § 10110(4) explicitly references subsection 5, the PUC asked whether the rate impact provision should be interpreted to include only the assessment specified in subsection 4 (0.145¢/kWh), or whether it should include the assessment in subsection 4 plus any additional assessment pursuant to subsection 5.

Peoples Natural Gas Expects to Take Gas Procurement In-House

Peoples Natural Gas Company informed the Pennsylvania PUC that it expects that gas procurement functions will be performed in-house with Peoples' employees by the end of the first quarter of 2011, in a report on the conditions of the settlement that saw a subsidiary of SteelRiver Infrastructure Fund North America purchase the LDC (A-2008-2063737, Matters, 11/20/09).

Dominion continues to provide gas procurement related services for Peoples, but Peoples said that it expects to fully staff its gas procurement function by filling two additional positions. Peoples also recently hired a gas supply officer. With such positions filled, Peoples does not expect that it will contract with a third party to succeed Dominion in performing supply procurement functions, which was one of the alternatives for procurement under the settlement.

The settlement also called for a collaborative, which is to include retail suppliers, within 12 months to develop a strategy to promote retail natural gas supply competition. Peoples initially intended to satisfy this commitment as part of its upcoming quarterly Operational and Capacity Council (OCC) meetings. However, Peoples now reports that it may satisfy this commitment by convening a retail market collaborative conference within the required 12-month period independent of its OCC meetings.

Briefly:

Direct Energy Services Receives Authority to Market to Illinois Residential Customers

The Illinois Commerce Commission granted Direct Energy Services an amended alternative retail electric supplier license to include authorization to market to all customers, including residential customers, at Commonwealth Edison and the three Ameren utilities (Only in *Matters*, 5/20/10). Prior to the amendment, Direct Energy Services' license was limited to non-residential customers with usage in excess of 15,000 kWh annually at ComEd and AmerenIP.

Volunteer Energy Services Seeks Maryland Electric License

Volunteer Energy Services has applied for a Maryland electric supplier license. A copy of Volunteer's application was not available yesterday. Volunteer Energy Services also has a pending application for a Maryland gas license (Only in *Matters*, 7/2/10).

PUCT Opens Docket on Generation Information Confidentiality

Consistent with discussion at last week's open meeting, PUCT Staff have opened Project 38470 to address the confidentiality of electric generation information in the ERCOT region. As only noted in *Matters*, Nodal Protocol Revision Request 209 would delay the release of certain State Estimator data, such as transmission and transformer flow information, since NPRR sponsors NRG Texas and Calpine contend that such data can be used to back into generator output information (*Matters*, 7/16/10).

NextEra Energy Resources Selling 114 MW of Wind Power to Google Energy

NextEra Energy Resources, LLC has entered into a 20-year power purchase agreement with Google Energy, LLC under which Google Energy will purchase 114 MW of power from NextEra Energy Resources' Story II Wind Energy Center in Iowa. Google said that it will sell the power into the wholesale spot market, while retiring the RECs. These spot sales will represent the first use of Google Energy's market-based rate authority, which was reported in *Matters* before any other publication (*Matters*, 12/29/09). NextEra's Story II wind farm has a capacity of 150 MW, and the remaining 36 MW is already being sold to the City of Ames, Iowa.

BidURenergy Offering PriceWatch to Customers

BidURenergy.com has launched what it termed a free market monitoring service for its clients, known as PriceWatch, which, "detects even the slightest movements in the energy market, and sends out automated updates to BidURenergy customers to allow them to react and take advantage of market swings." BidURenergy said that the PriceWatch service represents an investment of hundreds of thousands of dollars, and reviews the movement of the market, current and historical market trends, and recent pricing from suppliers on the BidURenergy platform.

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Commission - which it is not - it would provide no basis for a finding that the proposals contained in the application are just and reasonable, which, after all, is the finding the Commission must make to approve the purchase of receivables discount rate Duke has proposed," Dominion Retail said.

Dominion Retail, and (filing jointly) Constellation NewEnergy, Direct Energy Services, and Integrys Energy Services, repeated arguments raised earlier this year as requiring PUCO to set the matter for hearing.

The joint suppliers reiterated that in Case No. 05-732-EL-MER the Commission held that receivables shall be purchased without a discount. Although on rehearing the

Commission struck an uncollectibles tracker related to electric receivables, nothing in the rehearing order altered the directive to purchase electric receivables with zero discount, the suppliers said.

The joint suppliers, in comments echoed by FirstEnergy Solutions, reiterated opposition to Duke Energy Ohio's use of its long-term weighted average cost of capital in the discount rate given that the PAR program represents a series of short-term obligations and, as a result, is likely financed through short-term borrowings.

If Duke Energy Ohio's Annual Base Carrying Cost Component was adjusted to the weighted average, after-tax cost of short-term debt value of 0.14%, the total discount rate would be lowered to 0.87% (all other components held equal), FirstEnergy Solutions said.

Agreeing with earlier comments from Direct and Dominion Retail, FirstEnergy Solutions argued that the Annual Base Carrying Cost component should be an after-tax cost, because Duke should receive a tax deduction on its interest expense. By using the before-tax cost as proposed, "Duke is effectively 'double-dipping' by receiving a tax benefit in addition to the revenue from the higher discount rate on [supplier] receivables," FirstEnergy Solutions said.

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In response, CSU has sought clarification that customers with a right to direct access prior to the enactment of SB 695 retain the right to select direct access, provided there is room under the total cap, at any time upon completing applicable notices and minimum stays, and are not bound by the four-year gradual implementation of direct access set forth in D.10-03-022.

While conceding that D.10-03-022 did not adopt a set-aside for grandfathered direct access load, CSU argued that D.10-03-022 also holds that, "[a]ll DA-eligible customers will be free to switch to DA at any time, subject to the applicable switching rules, as long as room exists under the overall cap."

CSU contends that this reference to "DA-eligible customers" means those customers

eligible for direct access prior to SB 695. As such, the quoted language from D.10-03-022 provides these customers are not bound to the direct access phase-in schedule, and can submit notices of intent to return to direct access at any time, with such notices accepted if there is room under the overall (and not phased) cap.

TURN and SCE opposed CSU's requested clarification, disagreeing on the meaning of "DA-eligible customers" as used in D.10-03-022.

First, TURN and SCE said that there is no "grandfathered" right to switch to direct access. "SB 695 repealed the DA suspension under AB 1X, and reinstated the suspension of DA except as permitted in SB 695," TURN and SCE argued. D.10-03-022 confirmed this interpretation, TURN and SCE added, which is why the Commission held that grandfathered residential load not currently on direct access lost its ability to take direct access under SB 695.

As such, whereas the term "DA eligible" previously applied to those customers eligible to take direct access service under the AB 1X suspension, the term "DA eligible" now means all customers eligible to switch to direct access service under SB 695, SCE and TURN continued. SCE and TURN cited the decision's appendix as explicitly defining "DA eligible" as including all non-residential customers, and not grandfathered customers, and noted that when the PUC referred to the grandfathered customers, it modified the term "DA eligible" by including the term "existing" immediately prior to it, in order to distinguish the terms.

"Under the rules adopted in D.10-03-022, CSU had a fair opportunity to switch to DA service in 2010, but was unsuccessful given the demand and submissions of other DA eligible customers," SCE and TURN said.

"Providing a preference to address CSU's desire to switch to DA service in 2010 would be inappropriate, discriminatory and inconsistent with SB 695," SCE and TURN argued.