Energy Choice Matters
July 28, 2010

Penn Power Default Service Settlement Includes POR Program

Penn Power would institute a non-recourse Purchase of Receivables program under its unopposed default service settlement (P-2010-2157862).

A percentage discount would not be applied to purchased receivables; however, a charge not to exceed $0.15 would be applied per supplier bill rendered per month to recover administrative and consumer protection program costs.

The POR program would start on the earlier of June 1, 2011 or upon Commission approval of a revised supplier tariff containing the POR program. Penn Power will only purchase receivables for service rendered on or after June 1, 2011, the start of the next default service period.

Receivables purchased by Penn Power must be associated only with basic electricity supply, which is defined to be energy (including renewable energy) and renewable energy or alternative energy credits (RECs/AECs) procured by a supplier, provided that the RECs/AECs are bundled with the associated delivered energy. For residential customers, basic electricity supply does not include early contract cancellation fees, late fees, or security deposits imposed by a supplier.

Suppliers may not deny service to residential customers whose accounts are included in the POR program for credit-related reasons and may not ask residential customers for deposits separate from any deposit required by Penn Power pursuant to Commission regulations and Act 201.

POR will be mandatory for any supplier that uses utility consolidated billing. The settlement is not explicit as to whether suppliers may dual bill some customers in a class while using consolidated billing with POR for other customers in the same class. Tariff language was not included as part of the settlement. A revised supplier tariff including POR is to be filed within six weeks after a final order

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PUCT Staff Efficiency Proposal Includes Cost Caps Based on Rate Impact

PUCT Staff have filed a proposal for adoption expanding the energy efficiency targets which would include a cost cap for customers based on customer rates (37623).

Under the proposal, the residential rate cap in 2011 and 2012 would be the higher of $1.30, if the Energy Efficiency Cost Recovery Factor (EECRF) is charged on a monthly basis, or $0.001 per kWh, if it is charged on an energy basis, or the amount previously authorized by the Commission.

The residential rate cap in 2013 and beyond would be the higher of $1.60, if the EECRF is charged on a monthly basis, or $0.0012 per kWh.

The cost cap for commercial customers in 2011 and 2012 would be at an expense rate of $0.0005 per kWh. The commercial cost cap in 2013 and beyond would be at an expense rate of $0.00075 per kWh.

The proposal states that a rate cap is preferable to a budget cap since the rate cap should be more effective in controlling the costs of the program to customers. A budget cap would provide less certainty concerning costs for REPs and customers, the draft states.

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Pa. PUC to Alert Customers of New Rates Via Email

The Pennsylvania PUC has launched a weekly e-mail service that alerts consumers with electric pricing information and competitive offers available in their area. Customer can sign up for the email alerts at www.PAPowerSwitch.com.

The PUC said that customers at PECO, Met-Ed, Penelec and West Penn Power (Allegheny) can prepare for the January expiration of rate caps by signing up now to receive alerts when choices become available.

The PUC also released its latest comparison of current capped rates versus the default service auction results to date, as well as current market prices, shown below.

Projected Increase (Decrease) in Rates Based on Auction Results to Date

	Residential	Commercial		Industrial
		Small	Medium	
Allegheny	4.1%	(2.1%)	(1.9)%	---
Met-Ed	9.1%	8.6%		---
PECO	(1.8%)	(10.6%)	(5.1%)	7.4%
Penelec	19.4%	17.0%		---

Projected Increase (Decrease) in Rates Based on Wholesale Prices, 6/30/10

	Residential	Commercial	Industrial
Allegheny	12.4%	11.3%	7.8%
Met-Ed	22.5%	25.1%	23.3%
PECO	(7.4%)	(13.1%)	(10.5%)
Penelec	23.5%	25.0%	32.5%
Average	12.8%	12.1%	13.3%

O'Malley Orders Long-Term Electric Report

Maryland Gov. Martin O'Malley has signed an executive order calling for a long-term electricity report that would provide a blueprint for achieving a "clean, reliable and affordable energy future."

The order directs the Department of Natural Resources' Power Plant Assessment Program to prepare a long-term report by December 1, 2011.

The report shall assess future electric usage and peak demand requirements, and identify sources and alternative resources to meet any gaps in these requirements, through the end of 2030.

The report shall be filed with the Maryland PSC in conjunction with the Department of Natural Resources' testimony in CPCN cases as well as, "other cases concerning electricity generation."

"There have been no major new electric power plants or transmission lines in Maryland in more than a decade," O'Malley said.

The executive order calls for input from a variety of stakeholders, including government agencies, end users, utilities, electric suppliers, and environmental interests.

The governor's office said that the Executive Order was developed by the Department of Natural Resources in cooperation with the PSC, the Maryland Department of the Environment, and the Maryland Energy Administration.

Briefly:

Calif. PUC Staff to Issue White Paper on Local RA True-Ups Next Month

The California PUC's Energy Division Staff is to publish a white paper on local resource adequacy true-up methodologies by August 15, according to a procedural schedule released yesterday (R. 09-10-032). A final decision on local resource adequacy true-ups is to be on the Commission Agenda for the December 2, 2010 meeting.

Paragon Advisors Seeks Expanded Pa. Broker License

Paragon Advisors LLC has applied to expand its Pennsylvania electric broker license to include marketing to commercial customers over 25 kW, industrial customers, and governmental customers in all service areas, in addition to its current authorization to serve these customers at PPL.

Former Alberta Energy Savings Agents Sentenced to 12-Month Probation

Three former Alberta Energy Savings sales agents charged with signing homeowners to contracts without their consent have been fined a combined total of $6,800 and sentenced to 12-months probation, which includes community service, Service Alberta said yesterday. "This is a clear message that the Alberta government and the courts will not tolerate energy marketers and salespeople taking advantage of consumers," said Heather Klimchuk, Minister of Service Alberta, responsible for consumer protection. Alberta Energy Savings (Just Energy) was not aware of the sales agents' activities, cooperated fully with Service Alberta's investigation, and cancelled the contracts, Service Alberta said.

Usource Sales Margin Flat

Broker Usource reported a flat sales margin of $1.1 million for the quarter ending June 30, 2010, which is even with the sales margin reported in the year-ago quarter.

Aggie Energy Officially Launched

Texas A&M's affinity partnership with Branded Retail Energy Company was officially launched as Aggie Energy yesterday. First noted in our Tuesday story, the Texas A&M program is similar in all material respects to the previously reported University of Texas program, and includes supply from Champion Energy Services, with the product to be a 100% renewable offering priced comparable to similar products in ERCOT (see Matters, 7/27/10). Aggie Energy will be made available starting September 3, 2010, at which time pricing will be announced. The agreement with Branded Retail Energy Company is for five years. Texas A&M has about 350,000 alumni.

ERCOT Finds Two NRG Units Not Needed for Reliability

ERCOT has reported that NRG Texas Power units Greens Bayou Unit 5 and SR Bertron Unit 1 are not required to support ERCOT System reliability. NRG had submitted a Notice of Suspension of Operations for each unit, and, based on ERCOT's determination, these units may cease or suspend operations according to the schedule in their notices.

Rosapepe Blames Outages on Deregulation

In a letter to the Maryland PSC, Maryland State Senators Jim Rosapepe and Brian Frosh, frequent deregulation critics, blamed deregulation for the severe power outages that hit parts of Maryland, particularly the D.C. suburbs, over the weekend as severe storms passed through the area.

BTU QSE Services to Pay $25,000 Under Ancillary Services Obligation Settlement

Bryan Texas Utilities QSE Services, Inc. would pay an administrative penalty of $25,000 under a settlement with PUCT Staff to resolve allegations that Bryan was short of its required ancillary services during four 15-minute intervals of the November 29, 2007 Emergency Energy Curtailment Plan event in ERCOT. Bryan attempted to deploy the requested ancillary services, but experienced a volt breaker failure.

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adopting the settlement.

POR will only be available for amounts billed on utility consolidated billing. Payments to suppliers will be made based on the current amount that is billed to and owed by customers, and will be paid 40 days after invoicing the customer.

As noted yesterday, Penn Power will fully unbundle the uncollectible accounts expense associated with default service. The amount that will be taken out of distribution rates will be based upon a per kWh charge of 0.047 cents per kWh for residential customers, 0.004 cents per kWh for commercial customers, and $0.00 per kWh for industrial customers.

The unbundled uncollectible accounts expense associated with default service and competitive supplier service will be recovered through the Default Service Support Rider, which will be nonbypassable and non-reconcilable.

The initial uncollectible accounts expense portion of the Default Service Support Rider will be 0.133 cents per kWh for residential customers, 0.019 cents per kWh for commercial customers, and 0.041 cents per kWh for industrial customers.

The nonbypassable, non-reconcilable charge established by the Default Service Support

Rider will be a class specific rate, and will be adjusted in June 2011 and June 2012 based on the projected price of default service, but will not be adjusted for changes in uncollectible accounts percentage for each class. Adjustments will be made to the uncollectible accounts percentage in Penn Power's next distribution base rate case, or the start of the next default service program, whichever occurs earlier, as well as in any subsequent distribution rate cases filed during the term of the default service program.

Settling parties agree not to petition the Commission for the further unbundling of Penn Power's distribution rates until Penn Power files an electric distribution base rate case.

The POR program will be available to commercial and residential customers, but the settlement does not define these customers or indicate whether the classes will track the default service groupings discussed below.

Penn Power will be permitted to disconnect customers for non-payment of supplier charges. Receivables for service rendered before June 1, 2011 cannot be used for termination purposes.

Penn Power will offer rate ready and bill ready utility consolidated billing and dual billing capability to suppliers, as well as budget billing to customers on the POR program.

Suppliers selecting the rate ready option will initially be limited to a flat rate per kWh, and a percentage off of Price to Compare pricing options. Suppliers will be limited to 200 discrete rates for implementation during each calendar quarter.

Other Retail Market Provisions

As reported yesterday, the settlement includes a referral-type program under which Penn Power will send letters notifying residential and small commercial customers of available supplier offers for electric generation service, with a goal of sending letters twice each calendar year. The letters shall be sent in envelopes bearing Penn Power's name and established corporate logo, and the letter will be printed on Penn Power's letterhead.

The content of the letters will be developed and paid for by participating suppliers. The Office of Consumer Advocate and Office of Small Business Advocate will review and approve the letters, and any participating supplier will review and approve the letters that go to their respective customers (but will not be able to disapprove material from other suppliers).

Penn Power will contribute $225,000 to cover the mailings, with costs recovered through the nonbypassable Default Service Support Rider from residential and small commercial customers. All costs above $225,000 will be paid by the participating suppliers.

Penn Power will post updated lists of shopping and non-shopping customers, as well as supplier-specific "Sync Lists," on the secure portion of its supplier support web site. The first customer list to be posted to the supplier support web site will be available no later than June 1, 2011. Though the settlement provides for the type of information included in the lists, requirements for customer lists are also being addressed in a generic proceeding.

No later than June 1, 2011, Penn Power will provide both interval and non-interval consumption information via EDI 867 transactions after receiving written customer authorization from the requesting supplier or written certification by the supplier that it has such authorization.

Penn Power will initiate the following EDI change requests with the Pennsylvania Electronic Data Exchange Working Group for implementation by June 1, 2011: (a) update cross reference EDI transactions related to the 867 IU; and (b) provide suppliers with a customer's meter read cycle information in the EDI 814 response transaction or in the EDI 867 HU transaction. In addition, Penn Power will also investigate implementing the EDI 814 ND transaction (notice of customer drops).

Default Service Procurements

As noted yesterday, Penn Power will procure 75% of residential supplies through descending clock auctions for full requirements service. Such auctions will be integrated into the auctions used for affiliates Met-Ed and Penelec.

The default service plan runs from June 1, 2011 through May 31, 2013.

The residential full requirements products will be a mix of 12- and 24-month contracts, procured anywhere from three to five months ahead of delivery. Auctions will be conducted twice each year, in January and March.

For the remaining 25% of residential supply, Penn Power will conduct RFPs for block energy, balanced with PJM spot purchases and sales. Penn Power will be responsible for capacity, ancillary services, and alternative energy credits for these blocks. Penn Power will target serving 80% of this carve-out (e.g. 20% of all residential load) through block energy products.

Block energy products will be purchased in twelve-month strips of an estimated 25 MW in on- and off-peak blocks twice each year. A 48-month 25 MW around-the-clock block will be procured as well. The exact size of the blocks will be adjusted based on actual load at the time of procurement.

Commercial customer default service will be supplied exclusively through full requirements contracts, with 90% of such contracts including a fixed price. The remaining 10% of supply will be priced at the hourly real-time zone price for the Penn Power Zone, plus an adder to cover the estimated price of capacity, renewable portfolio compliance, ancillary services, and any other products necessary for delivery of real-time supply.

Commercial full requirements contracts will be exclusively 12-months in length, and procured three to five months before delivery, in auctions held in January and March of the delivery year.

The hourly default service price for industrial customers will include the Penn Power Zone real-time hourly locational marginal price, and the auction clearing price for provision of all other products required to serve the associated load, including capacity, renewable energy credits, and ancillary services.

The default service procurement schedule, upon Commission approval, may be postponed or modified, "when market conditions are impacted by extraordinary events, such as, but not limited to, the advent of war, acts of terrorism or acts of God."

Winning full requirements suppliers will be responsible for alternative energy compliance except with respect to solar photovoltaic requirements. Penn Power will conduct an RFP for solar RECs to cover compliance for both default service and competitive supply customers, with solar compliance costs recovered through a nonbypassable rider.

Full requirements suppliers will not provide Network Integration Transmission Service (NITS), which will be provided by Penn Power.

The residential class shall include all customers served under Rate Schedules RS (including the Optional Controlled Service Rider), RH (including the Water Heating Option), WH-Residential, and GS customers served under the Special Provision for Volunteer Fire Companies, Non-Profit Senior Citizen Centers, Non-Profit Rescue Squads and Non-Profit Ambulance Services.

Existing residential rate differentials will be eliminated, and all residential customers will be charged a uniform Price To Compare Default Service Rate Rider. However, as required by Act 129, residential customers may also elect Penn Power's new Time-of-Day option, which will be limited to the first 5,000 customers who choose this service.

The commercial class shall include customers served under Rate Schedules GS (excluding GS Special Rule GSDS), GS Optional Controlled Service Rider, PNP, GM (including the Optional Controlled Service Rider), PLS, SV, SVD, SM, OH (with and without cooling capabilities), and WH Non-Residential.

Existing commercial rate differentials will be eliminated, and all commercial classes will be charged a single default service rate.

Residential and commercial default service rates will be a kilowatt-hour based charge, adjusted quarterly to reflect changes in the underlying weighted average cost of default service supply, taxes, and a quarterly reconciliation rate component.

The industrial class consists of customers served under Rate Schedules GP, GT, and GS-Special Rule GSDS.

A nonbypassable Default Service Support Rider will recover uncollectible accounts associated with default service and POR, various Midwest ISO exit-related charges and PJM integration fees, and customer education expenses.

Administrative costs of default service shall be bypassable, and shall only be recovered from customers taking default service.

Efficiency ... from 1

The draft does not include any set-asides for either specific programs or participants, but Staff said that utilities would be encouraged to develop demand response programs involving both REPs and energy efficiency service providers.

The proposal maintains the finding from earlier drafts that individual customers should not be allowed to opt-out of cost allocation under the EECRF.

The proposed amendments to the energy efficiency rule would raise an electric utility's energy efficiency goal from 20% to 25% of annual growth in the electric utility's demand of residential and commercial customers by program year 2012, and 30% of the electric utility's annual growth in demand by program year 2013.