Energy Choice Matters
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South Jersey Energy Co. to Expand Retail Gas Marketing to New England

South Jersey Energy Company reported economic earnings of $2.4 million for the first six months of 2010, versus $1.2 million a year ago, parent South Jersey Industries said yesterday. Economic earnings is an adjusted metric that excludes unrealized and certain realized hedging impacts.

SJI did not provide a quarterly earnings number for the competitive supplier, and has not yet filed a 10-Q. SJI's broader Retail Energy segment, which includes South Jersey Energy Co. as well as SJI's energy projects and distributed generation business, contributed $4.2 million in economic earnings in the second quarter of 2010, compared to $1.6 million in the prior-year period.

During an earnings call, executives said that SJI's stake in EnergyMark, which purchased certain New York and Pennsylvania assets of Constellation NewEnergy - Gas Division earlier this year, contributed $300,000 in incremental value.

The increase in South Jersey Energy Co.'s six-month results was driven by the previously reported electric contract with some 400 New Jersey school districts.

Marketing to small commercial and industrial electric customers in New Jersey is currently driving expansion at South Jersey Energy Co.

Additionally, executives said that South Jersey Energy Co. is expected to receive approval for several New England gas marketer licenses by the end of the year, and will look to build on its New England book by offering gas to its current electric customers.

South Jersey Energy Co. is already registered as a gas marketer in Maine and filed a gas marketer registration with the New Hampshire PUC last week. Massachusetts, Connecticut, and Rhode Island do not docket gas marketer registrations, and only update their supplier lists once the

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WGES Pa. Contracts Signed Through June 30, 2010 Equal 5% of Electric Volumes

Washington Gas Energy Services has enrolled "several thousand" electric customers at PPL Electric Utilities through the first six months of the year, WGES President Harry Warren said during an earnings call. Parent WGL Holdings described the growth as "modest" but in line with its conservative market entry plan.

Once all these contracts begin flowing, Pennsylvania electric volumes will represent 5% of WGES' total electric sales volumes, Warren said. Total electric sales were 2,358 GWh for the quarter ending June 30, 2010, versus 1,293 GWh a year ago.

Warren said that WGES began signing electric contracts with large commercial and industrial customers at PECO during the quarter ending June 30, 2010. Warren also noted, as only reported in *Matters*, that WGES recently received authorization to expand its Pennsylvania electric marketing outside of PPL and PECO, and recently received its Pennsylvania gas supplier license (Only in Matters, 7/16/10).

As only reported by *Matters* yesterday, WGES' natural gas customer count as of June 30, 2010

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Superior Plus Fixed-Price Energy Services Gross Profit, Volume

(millions of Canadian dollars except volume and per unit amounts)	**Three months ended June 30, 2010** Gross Profit	Volume	Per Unit	Three months ended June 30, 2009 Gross Profit	Volume	Per Unit
Natural Gas (1)	**5.89**	**6.8 GJ**	**86.6 ¢/GJ**	8.00	8.3 GJ	96.4 ¢/GJ
Electricity (2)	**0.88**	**73.4 KWh**	**1.20 ¢/KWh**	0.30	38.1 KWh	0.79 ¢/KWh
Total	**6.77**			8.30		

(1) Natural gas volumes and per unit amounts are expressed in millions of gigajoules (GJ).
(2) Electricity volumes and per unit amounts are expressed in millions of kilowatt-hours (KWh).

Superior Plus Gross Profits from Energy Marketing Fall

Superior Plus reported lower gross profits of $6.77 million from its fixed-price energy services business, versus $8.30 million a year ago, due to increased charges associated with natural gas load balancing which resulted from warmer weather during the 2010 quarter (all figures Canadian).

Gross profit for natural gas was $5.89 million in the second quarter, versus $8.00 million a year ago, on both lower volumes and lower unit margins (see chart above).

Natural gas volumes decreased due to a reduced residential customer count as Superior Plus continues to focus marketing efforts on commercial customers in the Ontario and Quebec markets. The aforementioned load balancing charges accounted for the decrease in natural gas unit margins.

Electricity gross profit in the second quarter of 2010 was $880,000, up from $300,000 a year ago, due to growth in Superior Plus' electric commercial customer count over the past 12 months. The commercial electricity market in Ontario is expected to provide growth opportunities in 2010 and 2011.

Superior Plus said that it expects gross profit to modestly decrease in 2010 and 2011 due to reduced customer aggregation estimates primarily in the British Columbia residential natural gas market.

Superior Plus is holding an earnings call today.

Integrys Energy Services Sees Higher Unit Margins in Both Commodities

Realized per-unit electric and natural gas margins were higher at Integrys Energy Services for the second quarter of 2010, though overall gas margins were down on lower volume. As only noted in *Matters* yesterday, Integrys Energy Services reported higher adjusted earnings of $3.2 million for the quarter ending June 30, 2010, reversing a year-ago adjusted loss of $3.0 million.

Realized retail electric margins were $23.9 million for the quarter, versus $23.1 million a year ago. Realized per-unit retail electric margins were higher at $7.49/MWh, up from $6.21/MWh a year ago.

Delivered retail electric volumes were 3,189.8, GWh, down from 3,719.3 GWh a year ago. Executives described volumes as "lower than expected," though the higher unit margins have kept earnings within the range of prior projections.

Realized retail gas margins, excluding the impact from a lower of cost or market valuation, were $3.7 million, versus $8.0 million a year ago. Realized per-unit retail gas margins were slightly higher at $0.16 per dekatherm, versus $0.15 per dekatherm a year ago.

Delivered retail gas volumes for the quarter were 23.8 Bcf, versus 54.6 Bcf a year ago. Most of the decrease in volumes (and associated margin) is related to the sale of the Canadian retail gas business last year.

Executives said that Integrys Energy Services is currently targeting medium and smaller commercial and industrial customers.

Forward contracted retail volumes for Integrys Energy Services as of June 30, 2010 were as follows (see next page):

	12 Months Starting		
	7/1/10	7/1/11	Post 6/30/12
Gas (Bcf)	58.2	13.9	4.1
Electric (GWh)	9,195	4,838	2,248

Revenues at Integrys Energy Services for the quarter were $401.2 million versus $812.5 million a year ago.

Integrys Energy Services reported that it recorded a pre-tax gain of $25.3 million on the previously reported sale of its Texas retail operations to an affiliate of NextEra Energy Resources.

The decrease in Integrys Energy Services bad debt versus the year ago quarter, reported yesterday as partially responsible for the $6.2 million improvement in adjusted earnings, was $4.0 million, and reflects the non-recurrence of a large customer default experienced in the 2009 quarter, as well as a general decrease in reserves resulting from reduced business activity.

Integrys Energy Services lowered its 2010 non-GAAP earnings guidance for its core business from a range of $15-19 million to a range of $12-15 million. Executives attributed the revision as primarily due to the impact of the final FERC order relating to the Seams Elimination Charge Adjustment.

PPL Supply Earnings Higher on Market-Based Rates

Earnings from ongoing operations at PPL's Supply segment were higher for the second quarter at $164 million, versus $34 million a year ago, on higher prices for its eastern generation from market-based wholesale and retail contracts, versus sales under rate-capped POLR contracts in the 2009 quarter.

Reported earnings from the Supply segment were $30 million, versus a loss of $86 million a year ago.

Operating revenues from unregulated retail electric and gas sales were higher at $101 million, versus $32 million a year ago.

Domestic retail sales by PPL EnergyPlus, including POLR sales at PPL and competitive retail sales, were lower at 2,165 GWh, versus 8,895 GWh in the year-ago quarter. Revenue from POLR sales to PPL Electric by PPL EnergyPlus was lower at $64 million, versus $411 million a year ago.

During an earnings call, PPL Corp. CEO Jim Miller said that PPL EnergyPlus is expanding to territories adjacent to PPL Electric, such as PECO, the FirstEnergy Pennsylvania companies, and possibly distribution companies in New Jersey. Marketing in these areas would be to large commercial and industrial customers, and would primarily be to provide another hedging tool for PPL's generation. Miller said that PPL EnergyPlus does not have huge aspirations to be a large or national retail player.

Domestic wholesale sales for Supply's East segment were higher at 16,010 GWh versus 5,769 GWh a year ago.

Gross energy margins from the Supply segment's non-trading operations in the East were higher at $526 million versus $301 million a year ago. The gains from market-based pricing were partially offset by lower realized net margins from full requirements sales contracts due to lower customer demand.

Late in the second quarter and early in the third quarter, PPL's Supply segment sold several load-following contracts to provide additional cash to support the acquisition of E.ON U.S. These full requirements contracts were for delivery for the remainder of 2010 as well for delivery in 2011 and 2012.

The full requirements contracts sold by PPL's Supply segment covered approximately 1,570 MW, which reduced its ongoing load-following exposure and also resulted in $249 million of cash proceeds. The contracts were legacy contracts primarily in New Jersey and Kentucky. PPL took a second-quarter charge of about $76 million related to the sale of the full requirements contracts.

PPL is continuing to evaluate the possible sale of non-core generating assets.

TXU Targeting Installation of 100,000 Smart Energy Efficiency Devices by 2012

Based on strong customer demand, TXU Energy is targeting the installation of 100,000 smart energy efficiency devices in homes and businesses throughout Texas by 2012.

To support the strategy, TXU signed a new multi-year purchase, installation, and service agreement with Comverge, Inc. The exclusive agreement with Comverge enables TXU Energy to expand the availability of the TXU iThermostat and other smart energy devices to additional areas of Texas. Such devices were initially offered in North Texas.

To date, TXU Energy has installed roughly 20,000 smart energy efficiency devices such as the iThermostat and TXU PowerMonitor.

TXU sells the iThermostat, including installation and an HVAC inspection, for $75. TXU says the value of the bundle is $450.

"It's clear from our early efforts that consumers are actively choosing to adopt these new energy efficiency tools," said Jim Burke, CEO of TXU Energy. "We believe that's due, in large part, to our ability to make them both functional and affordable."

Comverge manufactures the communications module inside the web-enabled programmable iThermostat and provides software needed to control the thermostats remotely. The new contract expands that relationship by adding comprehensive installation and services which TXU said will result in operational efficiencies, provide additional cost savings, and enhance the customer experience.

In June, Comverge recalled about 6,300 programmable thermostats provided to TXU customers because the communication module in the thermostat can overheat, posing a risk of fire hazard.

Briefly:

Perimeter Energy Seeks Ohio Gas Supplier License

Perimeter Energy LLC, a start-up resourced by the management of Delta Energy Resources, LLC, applied for an Ohio gas supplier license to serve all customer classes at Dominion East Ohio and Columbia Gas of Ohio. Perimeter Energy was formed for the sole purpose of participating in each LDC's Standard Service Offer or Standard Choice Offer auctions. Should Perimeter fail to be successful in the auctions, it does not anticipate having business or financial activities.

Brice Associates Seeks Pa. Broker License

Brice Associates, LLC applied for an electric broker license to serve commercial customers over 25 kW and industrial customers in all service areas. Brice Associates is an engineering consulting company serving the commercial property and manufacturing industries with an emphasis on energy management, engineering design, and project management

Palmer Energy Company Seeks Ohio Broker Licenses

Palmer Energy Company applied for Ohio electric and natural gas broker/aggregator licenses to serve all customer classes in all service areas. Palmer serves as an energy manager for over 1,000 clients and has consulted for the Northwest Ohio Aggregation Coalition.

EnergyRebate Seeks Maine Broker License

EnergyRebate, which is currently licensed in Massachusetts, applied for a Maine electric broker license to serve all sizes of non-residential customers at Central Maine Power, Bangor Hydro-Electric, and Maine Public Service.

RESM Energy, LLC Receives Maine Electric License

The Maine PUC granted RESM Energy, LLC a competitive electricity provider license to serve all customer classes throughout the state. The PUC granted RESM Energy a reduction in the bonding requirement for load-serving suppliers in the mass market from $100,000 to $10,000. As part of the reduced bond level, RESM is required to file quarterly reports detailing the number of customers served, total kWh sales, and total revenues received until RESM files its first required supplier annual report. RESM asked for the reduced security level given its start-up nature and expected small volume of load. As only reported in *Matters*, RESM is an affiliate of Thermal Energy Storage of Maine (Only in Matters, 7/5/10). RESM was formed because it said that Thermal Energy Storage of Maine was unable to find a retail supplier willing to provide low-cost off-peak power to thermal storage customers, which is needed to make the electric thermal storage heaters economical.

RESM will thus provide this service itself, and is not planning to serve the larger retail market.

Hudson Energy Services Seeks Pa. Electric License

Hudson Energy Services, LLC applied for a Pennsylvania electric generation supplier license as a broker/marketer and aggregator to serve all customer classes in all service areas. Affiliates Just Energy and Commerce Energy already have Pennsylvania electric supply licenses, and Hudson Energy Services has also applied for a Pennsylvania gas license (Only in Matters, 8/4/10).

PUCT Opens Docket to Address Review of ERCOT Budget

The PUCT has opened Project 38533 to address the PUCT review of ERCOT budgets.

World Energy Solutions Narrows Loss

World Energy Solutions, Inc. narrowed its GAAP net loss for the second quarter to $499,000, versus a loss of $795,000 a year ago. Adjusted EBITDA for the quarter was $93,000, versus negative $244,000 a year ago. Gross profit improved to $3.1 million for the quarter, from $2.7 million a year ago. Revenue for the quarter was $4.0 million, up from $3.7 million a year ago. Sales and marketing costs were $2.4 million, versus $2.7 million a year ago, while general and administrative expenses were higher at $1.2 million, versus $828,000 a year ago. As in recent quarters, World Energy said that it experienced strong brokering of retail supply in the Ohio and Pennsylvania markets, as well from government clients.

Ameren Core Merchant Earnings Lower

Core (non-GAAP) earnings for Ameren's merchant generation operations were $17 million in the second quarter of 2010, compared to $73 million in the second quarter of 2009. The decline in core earnings was largely due to lower realized power prices and higher fuel and related transportation costs. GAAP losses for the merchant segment were $2 million in the second quarter of 2010 versus GAAP earnings of $75 million in the second quarter of 2009, due to unrealized mark-to-market losses in the 2010 quarter versus unrealized mark-to-market gains in the year-ago period. During an earnings call, executives said that the merchant unit is targeting wholesale and large retail opportunities with customized and value-added load shaped products as it hedges its open positions in 2011 and beyond.

Edison International Reports Higher Adjusted Earnings from Trading

Edison International reported higher adjusted operating income from energy trading activities in the second quarter of $31 million, up from $17 million a year ago, on increased revenue in congestion and basis trading. Edison's Midwest Generation segment reported an adjusted operating loss of $39 million, versus adjusted operating income of $74 million a year ago, due to scheduled plant outages, unrealized losses related to hedge contracts, and a decline in realized gross margin from reduced generation in the 2010 quarter. The Homer City facilities reported break-even adjusted operating results, versus $47 million in adjusted operating income a year ago, due to the same factors negatively impacting the Midwest Generation results.

EnergyConnect Offering Integrated Software to Track Multiple Demand Response Opportunities

EnergyConnect Group Inc. has developed a web-based, integrated software platform called GridConnect to provide demand response customers with real-time energy information to facilitate participation in price-response and ancillary service market curtailment opportunities in addition to dispatchable capacity programs.

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registration is approved.

As with its New England electric operations, South Jersey Energy Co.'s New England gas marketing will rely on a joint venture with Halifax American Energy Company, LLC. In New Hampshire and Maine, South Jersey Energy Co. said that it will market to customers with consumption greater than 10,000 therms per month, and said that it will not serve residential or small commercial customers.

SJI's Retail Energy segment reported income from continuing operations of $10.9 million for the quarter, versus a loss of $2.9 million a year ago.

WGES ... *from 1*

increased to 160,900 versus 148,800 a year ago. Warren reported that the majority of this increase represents residential customer growth.

WGES' natural gas gross margins declined about $6.5 million versus the year-ago quarter, due to warmer weather in the spring of 2010 versus the spring of 2009, and gains in the 2009 quarter from favorable gas price movements.

WGES' electric gross margins were about $3.5 million higher versus the year-ago period on customer growth. WGES' electric customer count as of June 30, 2010 was 141,700 versus 98,900 a year ago.

Natural gas sales in the quarter ending June 30, 2010 were 87.2 million therms, versus 102.8 million therms a year ago.

Warren said that WGES has experienced higher acquisition costs for large commercial and industrial customers due to higher agent fees. Mass market acquisition costs declined versus the year-ago quarter, largely due to relatively fewer acquisitions versus the prior year's record customer growth from opportunistic marketing efforts undertaken in response to the difference between wholesale and default service prices.

Warren affirmed that WGES is increasing marketing efforts in Maryland given the introduction of Purchase of Receivables.

After the quarter end, WGES experienced a decrease in electric margins due to extreme hot weather and associated demand in its service areas, which drove up supply costs since hedged amounts are based on expected volumes under normal weather. Still, WGES expects to achieve its earlier estimate of $5-6/MWh electric margins for the year.

However, the lower electric margins experienced in July has prompted WGES to reduce its expected yearly operating results by about $2 million, partially offset by a reduction of $1 million in operating and interest expense.

As more fully discussed in yesterday's issue, WGL Holdings reported non-GAAP operating earnings for its retail energy-marketing segment of $6.0 million for the quarter ending June 30, 2010, compared to non-GAAP operating earnings of $9.6 million a year ago