

Energy Choice

Matters

September 13, 2010

Direct, TXU Ask PUCT to Set CenterPoint AMS Disconnect/Reconnect Charge at Zero

CenterPoint Energy should cease charging REPs a discretionary charge for the disconnection and reconnection of customers with provisioned advanced meters, Direct Energy and TXU Energy both said in separately filed testimony in CenterPoint's rate case (38339).

"CenterPoint Houston's discretionary charges for disconnect and reconnect of advanced meters force customers that use pre-pay services to incur artificial, non-existent costs. These charges are detrimental to the ability of REPs to provide customer-friendly pre-pay programs and, as a result, detract from a key benefit associated with the deployment of advanced meters," Direct Energy testified.

CenterPoint's current and proposed discretionary charges reflect one set of charges that applies whether or not the customer already has an advanced meter, and applies whether or not the customer is on a pre-pay program with their REP. Despite the fact that the costs for disconnect and reconnect vary significantly between customers with and without advanced metering, CenterPoint has averaged its costs across both types of customers, Direct noted.

Currently, CenterPoint charges REPs \$13.19 for a combined standard disconnect and reconnect for a customer with activated remote capability. CenterPoint is seeking to reduce these charges to \$7.08 for a combined standard disconnect and reconnect (\$3.54 each) in the rate case.

However, Direct noted that all of the costs related to the standard disconnect and reconnect stem from customers with electro-mechanical meters, and noted that CenterPoint has not requested recovery of costs related to the disconnect and reconnect of customers equipped with advanced

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Calif. Draft Would Limit Use of Tradable RECs by ESPs for RPS Compliance

A proposed California PUC decision would apply the temporary limit on the use of tradable RECs for RPS compliance, currently applicable to the investor owned utilities only, to competitive electric service providers, in order to comply with the mandates of SB 695 (R.08-08-009).

SB 695 requires that the Commission, "ensure that other providers are subject to the same requirements that are applicable to the state's three largest electrical corporations under any programs or rules adopted by the commission to implement the resource adequacy provisions of Section 380, the renewables portfolio standard provisions of Article 16 (commencing with Section 399.11), and the requirements for the electricity sector adopted by the State Air Resources Board pursuant to the California Global Warming Solutions Act of 2006 (Division 25.5 (commencing with Section 38500) of the Health and Safety Code)."

Currently, only the large investor-owned utilities are subject to the limit on tradable REC usage. The limit is currently 25%, but would be raised to 40% under a proposed decision in a separate case, first reported by *Matters* (see 8/26/10 issue).

The proposed order would extend this cap on the amount of tradable RECs allowed for RPS compliance to the competitive electric service providers. The \$50/REC price cap on tradable RECs

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Briefly:

Constellation NewEnergy Seeks Authority to Market to Residential Customers at ComEd

Constellation NewEnergy has applied for an amendment to its Illinois alternative retail electric supplier license to serve all eligible retail customers at Commonwealth Edison, including residential customers. Currently, Constellation is authorized to serve non-residential customers with annual usage in excess of 15,000 kWh at ComEd and the Ameren utilities.

Ambit Energy to Start Maryland Enrollments November 1

Ambit Energy will begin enrolling residential electric customers at Baltimore Gas & Electric effective November 1, and will start enrolling customers in Pennsylvania in the first quarter of 2011. Ambit's Maryland (6/18/10) and Pennsylvania (7/29/10) entry were first reported by *Matters*.

Clearview Electric Receives D.C. Electric License

The District of Columbia PSC granted Clearview Electric an electric supplier license to serve residential and commercial customers.

Palmer Energy Company Receives Ohio Electric Broker License

The Public Utilities Commission of Ohio granted Palmer Energy Company, Inc. an electric broker/aggregator license to serve all customer classes in all service areas (Only in *Matters*, 8/6/10). Palmer Energy Company's gas broker application is still pending.

Quest Energy Solutions Receives Maine Broker License

The Maine PUC granted Quest Energy Solutions, a trade name for Kevin J. Cobb & Associates, Inc., an electric aggregator/broker license to serve all customer classes in all service areas (Only in *Matters*, 9/6/10). Although Quest Energy Solutions only applied to serve customers at Central Maine Power, Bangor Hydro-Electric, and Maine Public Service, the PUC on its own motion expanded the license to cover all service territories.

Verso Maine Energy Receives Maine Electric License

The Maine PUC granted Verso Maine Energy a competitive electric provider license to serve its affiliate Verso Paper (Only in *Matters*, 9/3/10).

Direct Energy Partners with Pure Energies to Bundle Solar, Home Services in Ontario

Direct Energy Home Services has entered into a partnership with Pure Energies to bundle Direct's home services with Pure's solar photovoltaic installations in the Ontario market. The bundles offer various sized photovoltaic panels combined with high efficiency heating and cooling equipment and products, and a related maintenance package. The solar generated energy takes advantage of the Ontario Power Authority's feed-in-tariff program, with the solar energy produced helping pay for Direct Energy's yearly maintenance programs and high efficiency heating and cooling equipment.

PUCT Staff Files Draft Advanced Metering Report

PUCT Staff filed a draft report to the legislature on advanced meters in Project 38327. The report provides an overview of advanced metering deployment and related activities in ERCOT, and benefits from smart meters. The report does not contain any recommendations for legislative action.

Champion Energy Services Sponsors Houston Express Soccer Club, Includes Affinity Program

Champion Energy Services has signed as grand sponsor of Houston Express Soccer Club under an arrangement which includes an affinity program under which Champion will make a donation to the club for each renewal or new residential electricity account using a specified promo code.

Maine PUC Opens Investigation of Smart Grid Coordinator

The Maine PUC opened an investigation (2010-267) to determine whether it should designate one or more smart grid coordinators in the state.

United Illuminating Reports August Migration Data

Supplier Accounts as of 8/31/10	Aug '10 Residential	Aug '10 Business	Aug '10 Total	% of Migrated Customers	Change vs. July '10 Total
Choice Energy	191	9	200	0.2%	200
Cianbro		3	3	0.0%	0
Clearview Electric, Inc.	2,152	31	2,183	1.8%	59
ConEdison Solutions	4,324	1,093	5,417	4.5%	0
Constellation NewEnergy	427	2,564	2,991	2.5%	21
Direct Energy Business	13	1,113	1,126	0.9%	6
Direct Energy Services	13,403	2,574	15,977	13.4%	(52)
Discount Power	2,868	747	3,615	3.0%	462
Dominion Retail	13,402	1,272	14,674	12.3%	(35)
Energy Plus Holdings LLC	5,668	795	6,463	5.4%	61
Gexa Energy	315	381	696	0.6%	4
Glacial Energy	27	227	254	0.2%	(23)
Hess Corporation	48	518	566	0.5%	0
Integrus Energy Services	160	1,825	1,985	1.7%	3
Liberty Power	2	82	84	0.1%	2
MXenergy	15,282	557	15,839	13.3%	1,101
North American Power	8,220	884	9,104	7.6%	1,782
Public Power LLC	13,846	1,308	15,154	12.7%	(183)
ResCom Energy	8,168	631	8,799	7.38%	2,299
Sempra Energy Solutions	28	696	724	0.6%	(2)
South Jersey Energy Co.		1	1	0.0%	0
Starion Energy	1,255	387	1,642	1.4%	177
Suez Energy Resources NA	3	274	277	0.2%	(3)
TransCanada	8	469	477	0.4%	0
Verde Energy	5,637	143	5,780	4.9%	278
Viridian Energy	4,500	630	5,130	4.3%	138
Total All Suppliers	99,947	19,214	119,161	100.0%	6,295

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	87,074	36.7%	137,956	73.3%	145,839	94.6%	370,869	64.0%
UI	150,073	63.3%	50,153	26.7%	8,273	5.4%	208,499	36.0%
Total	237,147		188,109		154,112		579,368	

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	99,947	34.5%	18,944	50%	270	91.8%	119,161	36.3%
UI	189,702	65.5%	18,974	50%	24	8.2%	208,700	63.7%
Total	289,649		37,918		294		327,861	

Citizens'/Wellsboro Seek Authority to Procure Non-Cleared Financial Products

Citizens' Electric Company of Lewisburg and Wellsboro Electric Company have petitioned the Pennsylvania PUC to amend their joint default service plan to allow the use of non-cleared financial products and physical call options in their joint supply portfolio (P-2009-2110780 et. al.).

In response to Commission concerns regarding the use of such products, which led the Commission to deny their inclusion in the default service plan as originally filed (Only in Matters, 2/26/10), Citizens' and Wellsboro proposed to limit the use of non-cleared financial products and physical call options as follows:

a. All non-cleared financial transactions will be limited to settlement at PJM's West Hub and will be either swaps or call options.

b. All non-cleared financial swaps will be fixed-for-floating swaps.

c. Non-cleared financial swaps will be used to meet up to 100% of baseload (20-25 MW) 7x24 hedge target thresholds, and up to 50% of intermediate (5+ MW) 5x16 hedge target thresholds.

d. All non-cleared financial options (i.e., "swaptions") will be purchases of call options.

e. Swaptions, together with any physical call options, will be used to meet up to 20% of summer peak requirements (i.e., June through September) and up to 20% of winter peak requirements (i.e., December through March).

f. The companies' Credit Policy will guide all bilateral counterparty credit restrictions and provisions for both financial and physical products.

"This gradual approach will allow the Companies to gain experience with the use of non-cleared financial products and physical call options and provide a basis for determining whether to expand or otherwise modify the use of such non-cleared financial and physical products in the future," Citizens' and Wellsboro said.

The companies said that the use of non-cleared financial products and physical call options would lower rates for a variety of reasons. First, the companies will be able to procure smaller, customized products to fit their

small loads (combined peak load of 71 MW), rather than being forced to procure standard 50 MW blocks and selling excess energy at a loss. Second, the companies said that the use of non-cleared financial products and physical call options will increase potential counterparties, lowering prices through greater competition for their loads. Finally, the companies said that the non-cleared financial products will require substantially less upfront credit and, therefore, reduce the cost of credit passed through to ratepayers.

Citizens' and Wellsboro further noted that the significant credit requirements associated with physical power contracts have prevented them from entering into longer-term contracts of four years or longer as contemplated under Act 129. "The introduction of non-cleared financial products would assist the Companies in exploring cost-effective and feasible opportunities to add a long-term product to the portfolio," the utilities said.

Citizens' and Wellsboro requested approval of their petition by the December 2, 2010 public meeting, which would allow them to use the new product in filling the 2011/2012 planning year baseload requirements.

PUCT Staff Submits Draft Assessments to Fund Internet Broadcasts of Open Meetings

PUCT Staff have submitted a draft order containing assessments on various market participants for the cost of broadcasting the Commission's meetings online for FY 2011 (38639). PURA directs the Commission to allocate such costs to REPs that serve more than 250,000 customers, power generation companies that own more than 5,000 MW of installed capacity in Texas, and public utilities and certain river authorities. The proposed assessments for REPs and generators are:

CPL Retail Energy	\$ 5,577
Direct Energy	\$ 6,988
Reliant Energy	\$29,492
Stream Energy	\$ 7,070
TXU Energy	\$40,873

Luminant	\$36,552
Calpine	\$16,552
NRG Energy	\$25,252
NextEra Energy Resources	\$11,674

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meters, with the costs of providing such service to customers with advanced meters equaling \$0.

Thus, Direct argued that requiring customers with advanced meters to pay the averaged cost of disconnection and reconnection, "inflates the cost of pre-pay service," by nearly 29% or more, based on average usage and the incurrence of two standard disconnects and reconnects per month. The additional charges for disconnection and reconnection, "would likely deter customers from a pre-pay program, thus impairing the very benefits that an Advanced Metering System ('AMS') was intended to provide," Direct said.

Direct and TXU noted that Oncor has created a separate discretionary service charge, set at \$0, to complete disconnections and reconNECTIONS for provisioned advanced meters.

Other Issues

TXU opposed CenterPoint's petition to raise the monthly residential customer charge to \$18.18 from the current level of \$1.99 (Only in Matters, 7/1/10).

"Customers who use the least amount of electricity, many of which are low income, will be the ones hit hardest by this change," TXU noted.

TXU also opposed CenterPoint's proposed storm hardening rider as premature since the PUCT elected not to require the separate tracking of costs for storm hardening, stating that "at this time it is unclear whether the benefit of such a requirement would outweigh its cost."

Regarding demand ratchets, TXU testified that CenterPoint should, at a minimum, follow the practice at Oncor and Texas-New Mexico Power and waive demand ratchets for all commercial loads with a maximum annual demand of 20 kVA or less. "TXU Energy believes a 50 kVA threshold might be more appropriate, but understands there is debate about the justification for such a change at this time," TXU said.

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would only apply to investor owned utilities, however.

Additionally, the draft order would require electric service providers to file an annual RPS procurement plan. While the PUC would review electric service provider procurement plans, it would not review or require approval for individual RPS contracts used by electric service providers, as requested by Southern California Edison.

The procurement plans must comply with all applicable statutory requirements (e.g., § 399.14(a)(3)) and contain any supplemental information or requirements set forth by a Commissioner and/or assigned ALJ. Specially, § 399.14(a)(3) requires procurement plans to contain:

(A) An assessment of annual or multiyear portfolio supplies and demand to determine the optimal mix of eligible renewable energy resources with deliverability characteristics that may include peaking, dispatchable, baseload, firm, and as-available capacity.

(B) Provisions for employing available compliance flexibility mechanisms established by the Commission.

(C) A bid solicitation setting forth the need for eligible renewable energy resources of each deliverability characteristic, required online dates, and locational preferences, if any.

In annual scoping rulings, the Commission has typically required the utilities to supplement their RPS procurement plans with information not expressly required in the statute, such as an evaluation criteria for contracts; and the submission of transmission ranking cost reports. Southern California Edison had argued that electric service provider procurement plans should contain all of these details which the utilities are required to include. However, the draft order would find that the decision as to what supplemental information, if any, to require in the annual procurement plans of the electric service providers, beyond the information required by statute, should rest with the assigned ALJ and/or assigned Commissioner in R.08-08-009 or its successor, rather than being determined in the instant decision.

The decision as to how RPS procurement

plans of electric service providers should be submitted and approved should also rest with the assigned ALJ and/or assigned Commissioner in R.08-08-009 or its successor, the proposed decision finds.

The draft order would hold that electric service providers, like all retail sellers, may not use RPS-eligible procurement from short-term contracts with existing facilities unless they have met the minimum quantity of procurement with long-term contracts or from new facilities, as set forth in D.07-05-028. To the extent that the Commission might consider other requirements or incentives for long-term RPS contracting by electric service providers, the proposed decision notes that the Commission may do so in the context of the electric service provider procurement plans.

The proposed decision would decline to extend the obligations imposed on utilities under the small generator feed-in tariff program adopted by the Commission in D.07-07-027, pursuant to AB 1969, to electric service providers.

The draft would also reject Southern California Edison's petition to cease the use of an independent evaluator for utility RPS procurements, or, in the alternative, subject electric service provider procurements to an independent evaluator.