

Energy Choice

Matters

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T. W. Phillips Gas and Oil Co. Files Settlement to Implement Purchase of Receivables

T. W. Phillips Gas and Oil Co. would institute a Purchase of Receivables program, upon request, with separate discount rates for residential and non-residential customers under a settlement among the LDC, the Pennsylvania PUC Office of Trial Staff, Office of Consumer Advocate, and Office of Small Business Advocate (P-2009-2099192, Only in Matters, 4/6/09).

The settlement calls for the POR program to be available three months after the first request from an active supplier to use POR. Currently, there are no participants in T. W. Phillips' choice program.

Receivables would be purchased at a discount rate equal to the unbundled uncollectibles percentage established in Merchant Function Charges, plus an administrative adder of 0.81%. The administrative adder would be reduced or eliminated upon the recovery of one-time costs to implement the POR program.

The residential (Rate RS/RUS) discount rate would be 2.71%, reflecting an uncollectibles percentage of 1.9% plus the administrative adder. The non-residential discount rate (Rate GSS) would be 1.24%, reflecting an uncollectibles percentage of 0.43% plus the administrative adder. The bypassable Merchant Function Charges for each rate class would equal the uncollectible percentages included in the POR discount rate. The Merchant Function Charges would be updated in future tariff base rate proceedings.

A supplier that elects the Single Bill Option (utility consolidated billing) for its customer accounts would be required to sell all its accounts receivable to T. W. Phillips. Furthermore, a supplier would

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Pa. PUC Affirms No Cancellation Fee Policy for Default Electric Product Renewals

The Pennsylvania PUC will require electric generation suppliers to allow customers automatically renewing onto a default product, which occurs when the customer makes no affirmative choice at the end of a term contract, to leave the default renewal product at any time without incurring an early termination fee, in adopting revised interim guidelines regarding renewals (M-2010-2195286, Matters, 9/3/10).

Though the Commission did make several clarifications and additions, the PUC's final order affirms the two major tenets of its tentative order: default renewal products may not include early termination fees, and renewal notices shall contain either the Price to Compare, or an estimate of the Price to Compare if the Price to Compare is not yet known.

Specifically, the PUC adopted the current natural gas rule for renewals in the electric market, and ordered that in the event that the electric customer does not respond to the renewal notice, the electric generation supplier (EGS) may continue serving the customer on either a month to month product or a fixed product, provided that regardless of product type, the customer will not be charged an early termination fee for leaving the default renewal product.

The renewal notice and any subsequent notices to the customer concerning the customer's

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Pa. PUC Allows PECO to Accelerate Posting of Generation Rates to October 14

The Pennsylvania PUC has granted PECO a waiver and amendment to its default service plan to permit PECO to publish generation rates for the period beginning January 1, 2011 on October 14, 2010, about a month earlier than called for under the original timeline (P-2008-2062739).

PECO had noted that it would have the various components that comprise the Generation Supply Adjustment available by October 14, but that some of the information could not be publicly released at that time absent a waiver (Only in Matters, 9/15/10).

Allowing an earlier filing of the Generation Supply Adjustment will, "make important default service rate information available to customers and electric generation suppliers ('EGSs') as soon as possible before the expiration of PECO's generation rate caps on December 31, 2010," PECO had noted.

Specifically, the PUC's order will allow PECO, on a one-time basis, to post results from its September default service solicitation 21 days after the procurement, or on or about October 13, 2010, as opposed to the normal timeline which requires such data to be released no earlier than 30 days after the procurement.

Additionally, the PUC's order accelerates PECO's posting of the bypassable alternative energy portfolio standard charge from the November 1, 2010 scheduled posting to accommodate an earlier posting of the Generation Supply Adjustment.

The Commission noted that its review of the circumstances described in PECO's petition, "raises concerns that the particular issue here may be repeated over time."

"If that is borne out, the relief requested here will not solve the problem going forward. Accordingly, we encourage PECO to continue its work with CHARGE [Committee Handling Activities for Retail Growth in Electricity] and, if necessary, pursue more lasting modifications to the Default Service Order," the PUC said.

PUCO Subpoenas Info on IGS-NiSource Licensing Agreement for Columbia Retail Energy

An Ohio attorney examiner issued a subpoena to NiSource Corporate Services Company, at the request of the Northeast Ohio Public Energy Council, to produce the following with respect to its agreement to license to Interstate Gas Supply the trade name Columbia Retail Energy (02-1683-GA-CRS):

1. Any and all communications between or among Interstate Gas Supply, Inc. and Dean Bruno of the NiSource Corporate Services Company, including but not limited to letters, e-mails and/or memoranda

2. Any and all communications between or among IGS, NiSource, and/or Columbia Gas of Ohio pertaining to the Notice of Material Change filed by IGS on August 6, 2010 in Case No. 02-1683-GA-CRS

3. Any and all communications between or among IGS, NiSource and/or Columbia Gas regarding the licensing of the "Columbia" and/or "Columbia Retail Energy" tradenames/trademarks

4. Any and all documents pertaining to the licensing of the name and/or trademark "Columbia Retail Energy," including the starburst design

5. Any and all agreements between IGS and NiSource arising from or relating to the licensing of the Columbia name and/or trademark

6. Any and all agreements between IGS and NiSource under which IGS and NiSource are conducting business, including but not limited to joint ventures, partnerships, or other business arrangements.

Separately, with IGS beginning to market under the Columbia Retail Energy trade name as only noted by *Matters* yesterday (9/23/10), the Ohio Consumers Counsel issued a consumer alert notifying customers that Columbia Retail Energy is not affiliated with Columbia Gas of Ohio, or its parent NiSource.

Pa. PUC Approves Weighted Average Cost Of Gas Accounting for UGI-CPG Gas in Storage

The Pennsylvania PUC granted UGI Central Penn Gas' petition to revise its accounting methodology for gas in storage inventory from a modified last-in/first-out (LIFO) methodology to the weighted average cost of gas (WACOG) methodology (P-2010-2171611).

UGI Central Penn Gas has said that the change should reduce purchase gas cost (PGC) rate volatility for its sale service customers (Only in Matters, 4/23/10).

In order to accommodate the change in the accounting methodology from LIFO to WACOG, UGI-CPG will recalculate all inventory transactions as if the inventory was under WACOG as of October 1, 2008, which is the date that the company acquired the Central Penn Gas system from PPL Gas.

Any difference between the value of gas in storage inventory due to this recalculation will be flowed through to customers under the UGI-CPG December 1, 2010, PGC e-factor either as a credit or a debit (depending on whether the WACOG inventory level is higher or lower than the LIFO inventory level), and therefore will not affect the current cost of purchased gas.

Reflecting the difference in the PGC e-factor will not distort the Price to Compare for shopping purposes, the PUC said.

The Commission deferred authorization for UGI-CPG to utilize WACOG as its exclusive accounting methodology for gas in storage until the company's next base rate case.

Instead, until UGI-CPG's next base rate case, the PUC ordered that UGI-CPG shall utilize WACOG as its primary accounting methodology for PGC purposes but that UGI-CPG shall also maintain LIFO accounting for comparison purposes, and include in its next base rate case filing a full comparison of the two accounting methods with regard to both base rates and purchased gas costs.

Luminant Argues Hourly State Estimator Data Needed to Reduce Inefficiencies, Modeling Errors

Luminant said that its "substantial experience" with the ERCOT nodal design as a result of the market trials has prompted it to support the release of State Estimator Model data on a real-time, hourly basis, as provided in the current protocols, despite its position, as TXU Wholesale, in 2006 that resource-specific data, including offer curves, should not be released until 60 days after the operating day (38470).

The State Estimator data may arguably be used to determine resource-specific data such as generator operating levels and offer curves, though Luminant contended that generation status does not provide insight into a company's bidding behavior in the way that the release of disaggregated offer curves would.

The ERCOT Independent Market Monitor Potomac Economics cited TXU's 2006 comments in which TXU said that the release of resource-specific information near real-time, "will do substantial competitive harm to market participants." Potomac Economics recommended that the release of the State Estimator report should remain consistent with the existing 60-day timeline in Subst. R. §25.505, except that, Potomac Economics supports providing ERCOT with the ability to release transmission flow and resource output data on a much shorter timeline on a limited, ad hoc basis as determined by ERCOT as necessary to provide explanations to questions that may be raised regarding ERCOT market operations.

Luminant said that the combination of remaining short-comings in ERCOT's nodal transmission congestion model and the absence of a mechanism to resettle the market when pricing distortions have occurred as a result of modeling errors has prompted its support for the hourly release of the State Estimator data.

The, "experience [in market trials] has revealed some remaining short-comings in the nodal transmission congestion model. That is important because ERCOT will be relying upon that model to dispatch the system to address transmission congestion, and market prices will be driven by those ERCOT dispatch decisions," Luminant said

"The combination of this market trial experience and the absence of an after-the fact pricing revision mechanism has led Luminant to conclude that real-time transmission congestion information is vital if the market is to have a reasonable opportunity to reduce the duration of costly market inefficiencies and modeling errors, the results of which will be literally irreparable for market participants," Luminant said.

However, Exelon, International Power America, NRG Texas, Shell Energy North America, and Topaz Power Holdings (filing jointly) and Calpine urged the PUCT to maintain the 60-day disclosure standard in Subst. R. 25.505, and opposed the release of State Estimator data either hourly or after only 14 days as provided under a draft modification to the rule.

Releasing State Estimator data after only 14 days could allow market participants to determine "vulnerable" positions of certain participants, such as a short position, resulting in inflated offers to that vulnerable market participant, the jointly filing generators said.

"Depending on the topology, congestion and load at the time, a market participant can take the State Estimator output and the LMP at the resource node and begin to reverse-engineer the offer curve. Knowing another generation unit's offer curve would encourage a generator to bid just under its competitor's offer curve, even if the competitor's unit has a higher cost, instead of bidding based on its own costs," the jointly filing generators said.

The jointly filing generators also dismissed the argument, raised at several open meetings, that data similar to the State Estimator report is available from private sources, and thus publishing the State Estimator data publicly would make the data more accessible and transparent for smaller participants that cannot afford privately compiled data. The jointly filing generators reported that the information currently available from private services can be inaccurate and may not be available at all for some units.

The South Texas Electric Cooperative also opposed releasing the State Estimator report any earlier than after 30 days, "because of the harm that would occur to the competitive market and the increase in power cost customers within the ERCOT Region would experience."

"It is unlikely that smaller market participants will benefit from the posting of such information. The cost for the software that would be necessary to even read such information could not be justified by smaller market entities seeking to keep their costs down so they can be competitive. However, the larger market participants can use the information, and most likely will use the information, to better enable them to maximize their profits. They can also use the information to manipulate the market, particularly the day-ahead market," STEC said.

STEC noted that the State Estimator report information is currently available immediately to the ERCOT Market Monitor, ERCOT Staff, PUCT Staff and to transmission service providers, and said that such entities should be able to detect any problems in the operation of the market that would be visible from the State Estimator report, precluding the need for the public release of the data to perform this monitoring function.

APPA Says Faster Market Data Release Needed to Counteract Effect from Cross-Control

The American Public Power Association issued an analysis conducted by Professor John Kwoka in which Kwoka says that statistical evidence indicates that bidders that are or expect to be marginal in the market bid more aggressively when they have greater information about rivals, showing that, "permissive market rules on cross-control have significant anticompetitive effects."

Examining the New York ISO market, Kwoka noted that bidders gain information about rivals' costs through their fluid portfolios of supply contracts. "[Bidders] can have supply contracts with any number of actual generation owners whose output they bid into the auction. Crucially, bidders can alter their portfolio of such contracts as often as they wish. As a result any single bidder will have nearly-current information about other generation units with which it had recent (but expired) contracts," Kwoka said.

"This contractual control conveys information about rivals - notably, their costs - that is not available in truly competitive markets and

permits bidding into the auction market at levels higher than otherwise would be the case," Kwoka added.

"The practical importance of this effect is established by analysis of data from operation of the New York ISO auction market for electricity in 2006-2008. The Report finds that during this time period on average any single bidder controlled about twelve different generators in the 6-month period preceding any bid that it made. An examination of bidding practices finds that the level of bid submitted by any one bidder increases with the number of contracts that the bidder previously held, that is, the number of rival generators whose unit cost data were revealed to it by recent cross-control," Kwoka said.

"In particular, other things being equal, each additional generation unit previously controlled is found to result in a bid that is 0.6 percent higher. For the average bidder, with 12 previously controlled units, this implies a 7 percent increase in marginal bid price," Kwoka concluded.

APPA said that Kwoka's analysis shows the need for greater data transparency in the wholesale electricity markets operated by RTOs, specifically the public release of offers to sell power, costs of operating units, and identities of generating units on the next operating day. "Such data transparency would allow for needed oversight and accountability of the wholesale electricity markets," APPA said.

Kwoka's study is "[The Effect of Cross-Control on Bidding Behavior and Prices in Electricity Auction Markets](#)."

Briefly:

Pa. PUC Waives Requirement for October Adjustment to PPL Generation Rates

The Pennsylvania PUC approved PPL Electric Utilities' request to continue the current Generation Supply Charge rates through December 31, 2010, and to defer the collection of an under-recovery of generation costs from January 2010, without interest, until January 1, 2011 (M-2009-2145482, see Matters, 9/6/10).

Energy Edge Consulting Receives Pennsylvania Broker License

The Pennsylvania PUC granted Energy Edge Consulting, LLC an electric broker license to serve commercial customers over 25 kW, industrial customers, and governmental customers in all service areas (Only in Matters, 7/5/10).

Penstar Power Files Intent to Use Customer Prepayment Device or System in ERCOT

Penstar Power, LLC filed with the PUCT a notice of intent, under confidential seal, to provide retail electric service using a customer prepayment device or system.

Sen. Wendy Davis to Introduce Legislation Barring Switch Hold on Deferred Payment Plan Customers

Texas State Senator Wendy Davis announced this week that she will introduce legislation in the 2011 session to prohibit a retail electric provider from preventing a customer from switching to another REP, "if that customer has entered into a deferred payment plan and made progress in paying that debt."

PUCT Staff Seeks to Revoke REP Certificates of TGT Energy, LLC; Urban Energy Source, LLC; and Good Guys Power, LP

PUCT Staff have filed separate petitions to revoke the REP certificates of TGT Energy, LLC (38710), Urban Energy Source, LLC (38711), and Good Guys Power, LP (38712), alleging that each has failed to meet the new financial requirements of Subst. R. 25.107(f) and has failed to provide retail electric service to customers within 24 months of its certificate being granted by the Commission.

TXU to Fund Installation of 12 Electric Vehicle Chargers in Dallas-Ft. Worth

TXU Energy will fund the installation of at least a dozen charging stations spread across Dallas and Fort Worth. TXU Energy has also offered to reimburse the cities for the cost of the electricity at the charging stations for city vehicles for three years, and for the public's vehicles for the first year. The locations and type of charging station equipment will be selected by each city.

Reliant Energy Offering HVAC Filters Through Online Store

Reliant Energy has introduced a new online service allowing customers to order replacement air filters for cooling and heating systems. Reliant Filters Made Easy allows customers to schedule delivery of filters regardless of whether they are a Reliant customer. Reliant said that the website offers "competitive" pricing and free delivery.

Pa. PUC Approves Citizens', Wellsboro Generation Rates

The Pennsylvania PUC approved Citizens' Electric Company of Lewisburg's updated Generation Supply Service Rate of \$0.082207 per kWh effective for the three-month period beginning October 1. The PUC approved Wellsboro Electric Company's updated Generation Supply Service Rate of \$0.072044 per kWh effective for the three-month period beginning October 1 (Only in Matters, 9/3/10).

No Offers in Dynegy Go-Shop Period

Dynegy reported that its 40-day "go-shop" period, during which it sought alternative proposals to its announced acquisition by an affiliate of The Blackstone Group, expired without any alternative acquisition offers. Dynegy said that 42 parties were contacted about exploring a transaction, and eight entered into confidentiality agreements with Dynegy and were provided with access to certain non-public information regarding Dynegy.

Pa. PUC Grants Customer Info. Waiver to Facilitate Retail Choice Study

The Pennsylvania PUC said that it granted PPL Electric Utilities' petition for a one-time, limited waiver to release certain customer information to Pennsylvania State University for the purpose of conducting an academic study on competitive markets in Pennsylvania following the expiration of rate caps (Only in Matters, 8/20/10). A written order was not published yesterday.

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be required to elect the Single Bill Option for its residential customer accounts, and would be required to sell all of its residential customer accounts receivable to T. W. Phillips.

T. W. Phillips would purchase only receivables associated with natural gas supply charges and no other services that may be provided by competitive suppliers. The natural gas supply charges eligible under the POR program would not include any charges associated with the following: termination fees; energy efficiency service or equipment; a non-recurring charge billed by a supplier for calling the supplier's call center or negotiating a payment plan; security deposits charged by a supplier; other equipment or services provided by a supplier, such as heating equipment repairs or maintenance policies; or any charges associated with carbon based attributes, including value added green products such as carbon offsets.

Suppliers participating in POR must agree not to reject new customers based upon credit issues or payment histories, and may not require a separate security deposit.

The offering of the POR program by T. W. Phillips is voluntary, T. W. Phillips at its discretion may decide to terminate the program.

T. W. Phillips would be allowed to disconnect competitive supply customers whose receivables it has purchased in the same manner as it disconnects sales service customers.

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contract or contract terms shall include a statement which informs the customer that the new month-to-month or fixed term agreement may be cancelled by the customer at any time, subject to the applicable switching rules and procedures as set forth in the electric distribution company's (EDC) tariff.

"This statement must be prominently displayed on the notice. If the EGS contacts the customer or the customer contacts the EGS by telephone concerning the customer's contract, the EGS must, during the call, inform the

customer that they may cancel at any time without penalty (subject to the applicable switching rules and procedures as set forth in the EDC's tariff)," the PUC's order states.

"These requirements shall remain in place until the customer affirmatively enters into a new agreement with the EGS, or another EGS, or returns to default service with the EDC," the Commission ordered. In other words, continuing notice of the customer's ability to cancel a default renewal contract is to be provided in the renewal notice and in any subsequent notices regarding the customer's contract, or contract terms.

The PUC dismissed suppliers' concerns about risk premiums in default renewal pricing due to the inability to charge an early termination fee for a customer on a default renewal product, as the Commission said that the guidelines, "are limited to residential and small business customers with comparatively low usage profiles." The Commission suggested that suppliers would be able to use any long power positions resulting from the cancellation of a default renewal contract in supplying newly enrolled customers.

The Commission also said that if suppliers wish for the Commission to expand the use of automatic renewal provisions (or "evergreen contracts"), "this can be addressed in a more appropriate proceeding, possibly the rulemaking that we directed be initiated to revise the renewal notice regulations at 52 Pa. Code § 54.5."

Regarding concerns about grandfathering existing contracts under the new default renewal provisions, the PUC offered the following: "[T]his should not be a concern as long as the contract is consistent with the regulations, and the customer had been given sufficient and accurate information about the terms of the contract so he or she could make an informed decision before signing the contract. However, we would dissuade a supplier from attempting to enforce a contract that is not consistent with these standards."

The PUC's final order confirms that the renewal notice shall contain the Price to Compare or an estimate of the Price to Compare if the Price to Compare is not known. "While admittedly providing an estimate is not without its problems, as noted by several of the parties,

we believe that this is the most reasonable option," the PUC said.

"We believe that customers need to have some point of reference, even if it is an estimated PTC, in front of them as they consider their options in regard to renewing an agreement with their current supplier, on the same or different terms, or trying to find another supplier. Forcing customers to go elsewhere to obtain this basic information is unnecessarily burdensome," the Commission added.

The EDC will develop the Price to Compare and any estimate. If the EDC changes its Price to Compare on a quarterly basis, its obligation to provide an estimated Price to Compare will extend for no more than three months into the future from the date of the request, and updates of that estimate will not be required more frequently than on a quarterly basis.

Notably, the final order modifies the guidelines so that not only will the estimated Price to Compare be included on renewal notices, but it will also be posted on the EDC's website.

If the renewal notice contains an estimated Price to Compare, the estimate shall be clearly labeled as an estimate, and there shall be a statement that the Price to Compare is subject to change based upon the EDC's default service plan. Additionally, the notice should inform the customer of an approximate date that the actual Price to Compare will be established, and explain how it can be obtained.

The PUC ordered that customers should be directed to the EDC, PaPowerSwitch.com, and the Office of Consumer Advocate's website to obtain the current Price to Compare.

The Commission declined to require electric generation suppliers to provide EDCs with copies of their renewal notices, or notification of renewal campaigns. "Suppliers will be sending expiration notices to customers throughout the year as contracts expire, and sending copies of each of these notices to the EDCs would be burdensome and of questionable use since this will become a routine activity. However, we do encourage suppliers who plan to send a significant volume of notices within a specific timeframe to contact the EDC with information about what is to occur," the PUC said.

The Commission held that the interim

guidelines do not supersede or alter existing settlements and orders relating to the Price to Compare at PECO, where orders in P-2008-2062739 and P-2009-2143607 addressed the unique situation of providing the Price to Compare as PECO is ending demand-based, declining block generation rates for small business customers. Additionally, the interim guidelines will not apply to the aggregation program at Pike County Light & Power.