Energy Choice Matters
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WGES to Begin Marketing to Residential Electric Customers in Pennsylvania

Washington Gas Energy Services plans to start actively marketing to Pennsylvania electric customers midway through its fiscal year which started on October 1, 2009, WGES President Harry Warren said during an earnings call Friday.

Efforts will be focused both on the mass market, including residential customers, as well as larger non-residential customers in the PPL and later the PECO territories. To date, Dominion Retail had been the only confirmed supplier for residential customers at PPL.

Due to the Pennsylvania effort as well as continued efforts in its traditional Washington, Maryland, Delaware and Virginia footprints as pricing remains attractive, customer acquisition costs, including marketing and commissions to sales channels, will again be relatively high in fiscal 2010 as they were in fiscal 2009. Pre-tax, WGES spent about $10 million on customer acquisition in fiscal 2009, and expects to spend about $12 million in fiscal 2010.

As reported Friday, margins drove increased earnings at WGES for the quarter and year ending September 30, 2009 (see exclusive 11/13/09 story for earnings details). Executives expect per-unit natural gas margins to decline due to narrower spreads between retail and wholesale pricing, and also from an increase in the number of larger, lower margin governmental accounts versus the start of 2009 where the loss of several governmental customers versus 2008 increased average unit margins across the book.

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Plymouth Rock Files for Dispute Resolution at N.Y. PSC to Recover $333,000 from National Grid

Plymouth Rock Energy filed to institute expedited dispute resolution proceedings under the New York Uniform Business Practices to recover from Brooklyn Union Gas (National Grid) the cost and related charges and margin associated with natural gas contracts it entered into to serve a customer on a firm basis which proved to be unnecessary as the customer's firm status was ultimately denied by National Grid after an initial approval. Plymouth Rock is seeking $333,307 in compensation.

The Schron Organization, an owner of multi-dwelling buildings within the service territory of Brooklyn Union, had previously taken service for some of these buildings under the SC 6 Temperature Controlled Service Classification (TC), under which service may be interrupted if the daily temperature falls below a designated level. In July and August of 2008, Schron held discussions with representatives of Brooklyn Union concerning transitioning its gas service from TC to firm natural gas transportation service.

According to Plymouth Rock, a National Grid account executive emailed Schron that the accounts had been approved to switch to firm service. An August 27, 2008 email to Schron from National Grid included in Plymouth Rock's petition states that, "attached is a list of accounts which have been approved by engineering to go from temperature controlled, to rate 3." This correspondence was followed by an August 29, 2008 email from National Grid to Plymouth Rock in which an account executive said that the Schron accounts, "will be good to go."

Based upon the "clear and repeated" representations from Brooklyn Union that the Schron

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DPUC Opens Investigation of Clearview Electric

The Connecticut DPUC opened an investigation of Clearview Electric due to Clearview's failure to respond to DPUC inquiries regarding a rise in customer complaints, as well as failure to respond to two letters asking Clearview to explain its unresponsiveness (Only in Matters, 10/14/09). The DPUC will investigate:

- Clearview's marketing practices in Connecticut;
- Its failure to respond to Department inquiries;
- Its compliance with the terms of its license; and
- Its fitness to continue to do business in Connecticut.

As only reported in *Matters*, the DPUC's Consumer Services Unit had, "noticed a significant increase in the number of complaints regarding either marketing issues or alleged slamming issues involving Clearview Electric, Inc." An October 9 letter directed Clearview to, "Provide the Company's policy on company employees or subcontracted employees identifying themselves either verbally, in writing, or by Caller ID manipulation (e.g., spoofing) as being a representative of a Connecticut EDC (e.g., CL&P or UI)."

Reliant, Nissan to Partner on Electric Vehicle Infrastructure

Reliant Energy and Nissan Motor Co. announced an agreement Friday to promote broader adoption of electric vehicles.

Under the agreement, Reliant and Nissan will work to make Houston a launch city for the wider use of electric vehicles, and work to establish the infrastructure of charging stations needed to support a critical mass of electric vehicles. While initial efforts will focus on the Houston region, Reliant and Nissan will also address the challenge of establishing the infrastructure, policies and services to support electric vehicles across Texas.

As part of the agreement, Reliant will develop a plan to install and operate public charging stations, initially focused in Houston. In addition, Reliant will work to develop a comprehensive set of electricity services geared to supporting electric vehicles, including home charging equipment. Reliant and Nissan are to work to ensure that the infrastructure and services are in place to support the commercial introduction of the Nissan Leaf electric vehicle in late 2010.

ICEA: Long-Term Renewable PPAs for Default Service Will Also Raise Cost of Competitive Service

An "ill-advised" procurement of long-term renewable contracts by the Illinois Power Agency (IPA) could raise rates both for default service customers and customers on competitive supply, the Illinois Competitive Energy Association said in comments at the Illinois Commerce Commission (09-0373).

As only reported in *Matters*, the IPA has recommended, in a supplement to its original procurement plan, supplying about 4% of load on 20-year bundled REC and energy contracts (Only in Matters, 11/10/09).

However, ICEA noted that the IPA's supplemental recommendations for the long-term contracts, "contain no analysis or fundamental view of the market showing that these long-term contracts are in the best interests of consumers."

"The failure of process in this case is particularly disturbing because the stakes are so high. At issue is whether the Commission should bind Illinois consumers to hundreds of millions of dollars in long-term energy contracts on the basis of a slim record and logic untested by a hearing on the merits," ICEA added.

While the IPA mentions carbon risk in justifying the long-term contracts, ICEA countered that the procurement plan fails to articulate what specific price risk any federal carbon control will impose on Illinois consumers, and fails to provide any analysis of how the claimed carbon price risk compares to what costs will be imposed upon Illinois consumers as a result of entering into 20-year PPAs.

Additionally, ICEA has concerns with how the long-term contracts will affect the costs imposed upon retail electric suppliers and their customers, due to the operation of the alternative compliance payment contained in Section 16-115D of the Public Utilities Act.

The premiums in any long-term renewable

contracts, if their procurement is approved, will be included in the annual calculation of the RPS bill-impact cap. "By definition, this also means that the premiums implicit in the 20-year, long-term contracts will also be included in the [retail supplier] funded Alternative Compliance Payments ('ACP') since the ACP rate is a direct derivation of the IPA'S RPS procurement price," ICEA noted. Since by law at least 50% of retail supplier RPS compliance must be accomplished via payment of alternative compliance payments, "the premiums created by these contracts will potentially increase prices for all Illinois customers," not only default service customers, ICEA said.

While the stated purpose of the long-term contracting is to protect default service customers from price risk associated with federal carbon controls, "ICEA is concerned that the exact opposite will occur." ICEA noted that in 2009, when the IPA procurement was limited to solely buying one-year RECs, the full RPS procurement was accomplished at a price below the statutory bill-impact cap. "With the inclusion of 20-year contracts in the procurement for 4% of the procurement (57% of 2012 RPS requirement of 7%), it is highly likely that the full premium allowed under the bill impact cap will be incurred by both 'eligible retail customers' and, through the ACP rates, [competitively]-served customers," ICEA said.

ICEA also said it is "puzzled" as to why the IPA is proposing to enter into 20-year PPAs rather than utilizing the 2009 and 2010 alternative compliance payment collections (which comprise the IPA Renewable Energy Resources Fund) to fund long-term procurement. ICEA noted that one of the stated benefits of the ACP mechanism was to use ACP payments to create a fund for "premiums" for long-term contracts without further increasing the costs and price risks to default service customers.

Citing the Taylorville Integrated Gasification Combined-Cycle plant and proposed FutureGen plant, "ICEA would suggest that the limit for customer subsidization of private development has already been met." With the obligations of LSEs to purchase supplies from Taylorville, proposed contracting requirements for FutureGen, and the 4% of load to be procured under the long-term PPAs, ICEA said that 9% of default service load would be subject to long-term contracts.

"[S]tate mandated or supported long term contracts have already become such a large part of the state's supply portfolio that customers are already in peril of stranded costs and market dysfunction," ICEA said.

DPUC Affirms Narrow View of Termination Fee Prohibition in Final Order

The Connecticut DPUC affirmed without modification a revised draft decision and found that a prohibition on termination fees and additional charges in Conn. Gen. Stat. §16-244c(k)(5) applies only to customers in the supplier referral program, and only if the customer is switching to another supplier participating in the referral program, or back to utility Standard Service (Only in Matters, 11/10/09).

Dominion Retail had asked for a declaratory ruling on whether the prohibition applied to all customers eligible for Standard Service (docket 09-04-40). The DPUC ruled that the prohibition does not apply to all customers.

Aside from customers not in the referral program, termination fees may also be applied to a customer leaving their referral plan supplier and switching to a supplier not participating in the referral program. A referral customer may be required by their current provider to demonstrate that the customer is switching to Standard Service or to another participating electric supplier in order to avoid a termination fee. The decision does not expound on what evidence is sufficient for the customer to make such a demonstration.

In addition to termination fees, statute prohibits the imposition of any and all additional charges, including liquidated and actual damages, meter read fees, and fees for billing record changes, on referral customers who switch either to another supplier in the referral program, or back to Standard Service.

DPUC Asks for Comments on ISO-NE Load Data for Use in RPS Compliance

The Connecticut DPUC asked for stakeholder comments regarding the best approach to "synch up" the ISO New England resettlement process with the documentation required to establish RPS compliance for load serving entities.

As only reported in *Matters*, several LSEs filed exceptions to a DPUC draft order regarding 2007 RPS compliance because of the draft's reliance on GIS Report MSS Load Data in reviewing compliance, since the MSS Load Data excludes post-90-day true-ups (Only in Matters, 10/27/09).

In its docket for 2008 RPS compliance (09-10-09), the DPUC asked for comments on various ISO-NE settlement issues, including what information (load data, MMA, adjustments, etc.) should be used in the determination of RPS compliance, and how such information should be obtained (i.e., whether the Department should require such information from the distribution companies). The DPUC also asked whether and how 90-day adjustments and post-90-day adjustments should be considered in RPS compliance reporting.

Comments are due December 7.

DPUC Affirms New Renewable Reporting Requirements

The Connecticut DPUC affirmed its proposal to require electric suppliers to annually report on voluntary renewable electric sales in addition to their RPS compliance, in a final order on load serving entities' 2007 RPS compliance (08-09-15).

The final order makes no changes to the draft findings with respect to the amounts of alternative compliance payments to be paid by 11 LSEs (see our exclusive 10/19/09 story for a breakdown by LSE). Four LSEs (Connecticut Light and Power, Constellation NewEnergy, Dominion Retail, and Strategic Energy [now Direct Energy Business]) met their obligations fully with RECs and are not required to make any alternative compliance payment. Gexa Energy, which served a negligible amount of load in 2007, also does not have to pay an alternative compliance payment.

While CL&P is not required to make an alternative compliance payment, it was directed to pay a total of $9,683 for Class III RECs it transferred from the Conservation & Load Management Fund to meet its own RPS obligations. The DPUC found the transfer, not subject to competitive bidding, to be, "an inappropriate and unacceptable taking of the C&LM Fund."

Regarding the requirement to annually report on the sales of voluntary renewable energy or "green" options to Connecticut consumers that is in excess of the RPS, LSEs will be required to provide:

- A list and description of all voluntary renewable energy or "green" options or programs offered to Connecticut customers in the applicable year, including the percentage of voluntary renewable sources offered in each program;
- The number of customers who enrolled in each such program and the total number of all the customers enrolled in all the programs;
- The total number of MWh sold to customers in each program;
- The calculation showing the number of RECs in each class needed to meet the voluntary programs;
- The number of RECs procured, shown separately by class; and
- Evidence to support the REC procurement, such as NEPOOL GIS reports.

The report is due on October 15 annually, the same deadline for the RPS compliance report.

Briefly:

Md. PSC Accepting Comments on Requests to Delay POR Implementation

The Maryland PSC will accept through December 3 responses to Pepco Energy Services' and the Apartment and Office Building Association of Metropolitan Washington's motions to delay the implementation of electric Purchase of Receivables. As only reported in *Matters*, Pepco Energy Services and AOBA have argued that more time is needed to address various issues related to the discount rate required by the PSC, which was not

originally included in any of the POR compliance plans (Only in Matters, 11/5/09).

PUCT Staff Posts Review of Meter Tampering Options

PUCT Staff posted in Project 37291 a matrix outlining the pros/cons of several possible measures to address meter tampering, including the REP and TDU proposals discussed at a recent workshop (Only in Matters, 11/9/09), as well as a Staff hybrid proposal and a proposal that would make TDUs the collection agent for amounts owed due to meter tampering. The Commission wishes to develop a proposal at its November 20 open meeting that it could act upon on an emergency basis at its following open meeting, while pursuing a long-term solution. The Staff hybrid proposal would permit backbilling for 36 months if the current customer is found to have tampered with the meter, with reimbursement of wires charges to the REP if the charges prove uncollectable. Backbilling would be limited to five months if tampering occurs, but the current customer cannot be found to have engaged in tampering.

CL&P Reports Standard Service Suppliers

Connecticut Light and Power reported that the following suppliers won tranches of its Standard Service load for the first six months of 2010: Conectiv Energy Supply; PPL EnergyPlus; Sempra Energy Trading; and Shell Energy North America.

GSE Consulting Seeks Ohio Gas License

GSE Consulting LP applied for an Ohio natural gas broker/aggregator license to serve all sizes of commercial and industrial customers at all four LDCs.

Energos Consulting Seeks Texas Aggregation Certificate

Energos Consulting Group filed for an electric aggregator certificate at the PUCT to pool residential, commercial, and industrial customers and municipalities.

Dynowatt Launches Facebook Page

Dynowatt has launched a facebook page to attract customers, and is giving away a $500 Visa gift card as well as several passes to Schlitterbahn Waterparks as part of the campaign. The facebook page also includes energy saving tips and links to Dynowatt's products

Oncor, CenterPoint Update Smart Meter Deployments

Oncor reported that it has installed 402,769 advanced meters as of October 31. CenterPoint Energy reported that it has installed 113,066 advanced meters as of October 31. CenterPoint also reported that during October, the actual construction of the common web portal and data repository to support advanced metering neared completion, and that system testing has begun.

FERC to Hold RTO Responsiveness Conference

FERC said that it will hold a technical conference "in the near future" to provide a forum for interested participants to discuss the responsiveness of jurisdictional RTOs and ISOs to their customers and other stakeholders, one of the facets of Order No. 719 (ER09-1048 et. al.).

OCC Seeks Rehearing of PUCO Order Disaggregating RECs

The Ohio Consumers' Counsel and other consumer and environmental groups petitioned for rehearing of the Public Utility Commission of Ohio's order striking the term "fully aggregated" from the definition of a REC under the rules governing renewable energy compliance, arguing that PUCO's order disaggregates RECs and could lead to double counting (Only in Matters, 10/16/09).

WGES ... from 1

For fiscal 2010, WGES forecast natural gas margins of $0.55/Dth to $0.65/Dth, and electric margins of $4.25/MWh to $5.25/MWh. The forecast unit margins are expected to produce about a $5 million decrease in gas gross margin for fiscal 2010. Electric margin is expected to increase about $5.5 million despite lower per-unit margins due to WGES' strong customer acquisitions in the latter half of fiscal 2009, as well as anticipated growth in 2010.

Explaining the year-over-rear growth in

electric customers of 52,000 (see 11/13 story), WGES said that its marketing initiatives have been very successful due to exceptionally favorable pricing opportunities relative to default service, and favorable competitive conditions in the large commercial markets.

For the fourth quarter of fiscal 2009 on a pretax basis, electric margins of $7.4 million far outpaced electric margins of $367,000 in the year-ago quarter, reflecting customer growth and higher per-unit margins. Sales volumes rose to 2.1 million megawatt hours, more than double the total from the year-ago quarter, reflecting strong growth of new residential and commercial electric customers.

Natural gas sales margins for the fourth quarter of fiscal 2009 increased $7.8 million pretax over the fourth quarter of fiscal year 2008, reflecting higher unit margins which more than offset a decrease of 1 million dekatherms, primarily reflecting fewer large commercial accounts in the current period.

Executives said that in addition to the Pennsylvania market entry, WGL Holdings' non-regulated businesses will continue to focus on opportunities in the solar energy market and developing other alternative energy sources, as well as on expanding asset management optimization activities.

Plymouth Rock ... from 1

accounts were eligible for firm transportation service, Schron executed a natural gas sales agreement with Plymouth Rock dated September 5, 2008. Plymouth Rock secured the necessary wholesale natural gas contracts for the entire winter heating season commensurate with the anticipated load requirements of Schron. Such purchases were not only prudent, but required for compliance with various provisions of the Uniform Business Practices and Gas Transportation Operating Procedures Manual mandating specific levels of delivery by ESCOs, Plymouth Rock said.

After the supply agreement between Schron and Plymouth Rock was executed and Plymouth Rock acquired and purchased the requisite natural gas supply, National Grid reversed its earlier decision to authorize the transition of the Schron accounts from TC to firm service. By e-mail letter dated September 12, 2008, National Grid notified Schron that. "[w]hile we may have communicated to you that we would move ahead with your request to switch to firm service, our determination as to whether we can serve you on a firm basis without compromising existing service to other customers must be based on additional engineering studies, which are scheduled to be completed by Friday, September 19th." All rate changes, "from TC service to firm service are on hold until the pending engineering studies have been reviewed," the email stated.

In the same email, Grid's representative noted that any reversal of a switch to firm service may impact plans and commitments that had been made for gas service and that, "the Company would be willing to discuss the nature of such commitments and whether compensation is appropriate," should any switches to firm service ultimately be reversed.

Later in September Schron and Plymouth Rock were advised that, due to engineering constraints, the Schron accounts would not be allowed to move to firm service as first indicated.

Plymouth Rock said it subsequently advised National Grid that since it had secured wholesale supply contracts to serve Schron's anticipated load based on Grid's previous representations, it would be appropriate for Grid to reimburse Plymouth for the costs and damages associated with such supply contracts. Plymouth Rock and National Grid have been in discussions regarding the amount of compensation since late 2008. According to emails included in Plymouth Rock's petition, points of dispute include whether any margin should be reimbursed, and the length of time to be covered (Grid has suggested November 2008 through March 2009, but Plymouth Rock has asked for November 2008 though September 2009, based on the length of the contracts).

The $333,307 sought by Plymouth Rock reflects the spread on the cost of the supply contracts and the current market price, margin, and a monthly carrying charge.

As Plymouth Rock contracted for supply, "in direct conformance with its GTOP obligations to National Grid, it is only right and proper that the Company compensate Plymouth for the costs it

incurred in order to meet the obligations established by the Company which subsequently turned out to be erroneous," Plymouth Rock said.