Energy Choice Matters

March 3, 2010

PUCT Staff Would End Deferred Payment Requirement for Non-Vulnerable Customers Absent Emergency

PUCT Staff filed a draft proposal for publication that would eliminate the requirement for REPs to offer non-vulnerable customers expressing an inability to pay a deferred payment plan (except in cases of extreme weather emergencies and underbilling), and would require REPs to offer levelized payment plans to all Lite-Up eligible customers regardless of whether the customer is delinquent in payments (36131).

Under amendments to Subst. R. §25.480, Staff's draft would require REPs to offer deferred payment plans, upon request, to all customers whose bills become due during an extreme weather emergency (as is the case currently), or (under an additional provision) during a state of disaster declared by the governor, for customers in the area covered by the declaration.

However, the draft would strike the current requirement that compels REPs, outside of extreme weather emergencies, to offer a deferred payment plan to any customer that expresses an inability to pay and has not bee delinquent on a bill in the past 12 months. "This requirement has contributed to high levels of non-payment, and the commission believes that the more targeted provisions of the amendments will benefit customers that need additional time to pay a high bill while reducing the non-payment issues that have arisen under the current rules," Staff's draft said.

Instead, the requirement to offer a deferred payment plan outside of a weather emergency would be limited to certain low-income or vulnerable residential customers (defined below), and only for bills issued in January, February, March, July, August, or September, and only when the number of heating/cooling degree days exceeds the 10-year average.

Specifically, the following customers would be eligible for deferred payment plans outside of

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All-In Capital Cost of Tenaska Illinois Clean Coal Plant Estimated at $3.5 Billion

The estimated total "all-in" capital cost (including construction costs, escalation, financing costs, taxes, insurance, start-up costs, process license fees and other owner's costs) of the Taylorville Energy Center (TEC) clean coal plant is $3.522 billion, Tenaska Taylorville, the managing member of the project, said in a facility cost report to the Illinois General Assembly and Illinois Commerce Commission.

The estimated construction costs without escalation (including the Core Plant and Balance of Plant, but excluding financing costs, taxes, insurance and start-up costs) in January 2010$ is $2.616 billion. This estimate includes $257 million of contingency. Total estimated escalation in materials and labor beyond January 2010 until the time that such costs become fixed is $184 million, which brings the estimated construction costs of the TEC with escalation to $2.801 billion. In addition, total capital costs will include an estimated $721 million in financing costs, insurance, start-up costs, process license fees and other owner's costs, Tenaska said.

The distribution utilities and all competitive retail electric suppliers will be required, upon approval of the General Assembly, to sign sourcing agreements to procure power from the plant. However,

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Allegheny Would Include Cost of Interim Bill View Access Measure in Md. POR Discount

Allegheny Power has developed an interim and long-term solution to provide Maryland electric suppliers with electronic access to a customer's utility consolidated bill, and said that the costs of the interim solution would be recovered through the POR discount rate.

RM17 requires electric utilities to provide a supplier using utility consolidated billing, "with the same electronic access to customer bill information that it provides to the customer." Allegheny has said that since it does not offer all customers such electronic bill view access, it is already in compliance with the provision. Staff, however, considers that the CheckFree payment option available to Allegheny customers, which is a third party service, amounts to electronic bill view access, and said that Allegheny must develop electronic bill view access for suppliers.

Allegheny said that its new customer information system will provide suppliers with electronic bill view access. However, the new system will not be completed until at least 12 months from now.

In the interim, Allegheny said that it can program a query between several systems which will capture an electronic picture of a customer's bill, and forward the picture of the bill to an online access portal though which suppliers can access the bill. The estimated timeframe for such an interim solution is estimated to be three months for development, system upgrade, and implementation work.

The costs associated with the interim design, programming, and implementation work is estimated to be approximately $50,000.

Allegheny Power proposed to recover the actual incurred costs associated with implementing the interim solution with the POR recovery costs already under consideration in its RM17 compliance filing.

Suppliers have already balked at what they consider to be high POR discount rates. In contrast, electronic bill view access has not generated as much supplier interest, and no supplier protested Allegheny's initial proposal not to provide such access. It's unclear if suppliers will find the interim bill view access solution worth a higher discount rate, especially as the interim solution may only be in place for as little as eight months (subtracting three months implementation time plus a charitable one-month PSC approval timeline from the best-case scenario of the new customer information system being completed in 12 months). At the rate POR implementation is proceeding in Maryland, it's entirely possible that POR may not even be available to electric suppliers until after the need for the interim bill access view solution has ceased. Since residential migration at Allegheny is currently, and expected to remain, meager until POR is implemented, there would apparently be little value in implementing the interim bill access view solution during a time where there is little customer mass market migration (and thus no need for suppliers to access consolidated bills).

RG&E Reports Uncollectibles Higher than POR Discount Rate

Rochester Gas & Electric reported that its actual write-offs as a percent of receivables purchased from gas ESCOs was 2.46% in 2009, versus a discount rate of 1.67% (03-G-0766).

The higher uncollectible rate resulted in $529,216 in write-offs in excess of discounts. Total gas receivables purchased were $66,789,264.

For electricity (03-E-0765), RG&E said that actual write-offs as a percent of receivables purchased from electric ESCOs was 0.90% in 2009, versus a discount rate of 0.74%. Despite having a higher amount of total electric receivables of $89,472,967 and a lower purchased discount rate, actual collections were stronger in electricity than gas, producing write-offs in excess of discounts of only $145,097 for electricity.

The gas write-offs in excess of discounts will be deferred for future recovery. For electric write-offs in excess of discounts, the $145,097 total will be subtracted from the Asset Sale Gain Account (ASGA).

RG&E said that nineteen electric ESCOs and fifteen gas ESCOs were participating in the POR program as of December 2009, serving 63,795 electric customers and 47,271 gas customers.

Separately, NYSEG reported that nineteen electric ESCOs and twelve gas ESCOs were participating in its POR program as of December 2009, serving 128,143 electric customers and 29,826 gas customers (05-M-0453). NYSEG uses a different reporting metric that does not provide write-offs in excess of discounts on a calendar year basis.

Peevey Draft Would Allow Utility-Owned Fuel Cells, Calif. ALJ Would Deny Applications

A proposed decision from a California ALJ would deny Pacific Gas & Electric's and Southern California Edison's utility-owned fuel cell demonstration proposals, but an alternate draft authored by PUC President Michael Peevey would approve both proposals at a reduced cost (A.09-02-013 et. al.).

Both SCE and PG&E proposed installing and owning 3 MW of fuel cell capacity at several separate California state university campuses.

The ALJ's proposed order finds that given the 28¢/kWh to 30.4¢/kWh weighted average levelized cost of energy from the fuel cell projects, "it is unreasonable to spend three times the price paid to renewable generation for the proposed Fuel Cell Projects, which are non-renewable and fueled by natural gas."

In addition, the ALJ's draft finds that the utilities do not satisfactorily address how full ratepayer funding of utility-owned fuel cell generation would enhance private market investment and market transformation of the fuel cell industry.

"Together, the projects would require ratepayers to pay approximately $88 million for educational support to the campuses in the hopes it will one day result in market-transforming investment decisions. This is not reasonable when other options exist to promote private fuel cell installation in California," the ALJ said.

Rather than utility ownership of the proposed fuel cells, the ALJ concluded that ratepayer funds should support fuel cells through the Commission's current Self-Generation Incentive Program and Combined Heat and Power Feed-in tariffs

Peevey's draft would approve the utility-owned fuel cells after removing several costs from their revenue requirement. First, PG&E and SCE would each be required to reduce their project capital costs to reflect a lower contingency percentage. Second, PG&E would be required to remove contingency costs and education and outreach labor costs from its estimated non-fuel operations and maintenance costs.

Peevey's proposed decision finds that the applications comply with Commission guidance for competitive solicitation of utility-owned generation, as set forth in Decision 07-12-052. Peevey said that the fuel cells are "preferred resources" under the RFO guidelines, "because they are distributed generation and clean fossil fuel."

"This means that, as preferred resources, the projects fit into one of the five categories for [utility-owned generation] outside of a competitive RFO," Peevey said.

Additionally, Peevey found that the fuel cell projects involve an advanced and emerging technology that the market is unlikely to develop, and found that an RFO is infeasible for the fuel cell projects because the circumstances of both applications involve a unique partnership between either SCE or PG&E and the state universities for educational and demonstration purposes.

Peevey's draft would reject SCE's proposed treatment of fuel cell project stranded costs, which would have essentially treated the costs as reliability generation costs (rather than new generation costs), which are not subject to exemptions that certain loads receive from nonbypassable charges (NBCs).

"The Fuel Cell Projects are new generation resources as defined in D.08-09-012, even if the utilities' major reason for pursuing the project is for demonstrative and educational purposes ... We will not deviate from D.08-09-012 and create a new category of 'demonstration project' that would allow SCE to charge stranded costs from this project on municipal departing load and other customers exempt from NBCs according to D.08-09-012," Peevey said.

CLECA/CMTA Call Calif. Direct Access Proposed Schedule a "Mockery"

A California proposed decision to implement expanded direct access under SB 695, "makes a mockery of the 3-5 year phase-in required by the statute," said the California Large Energy Consumers Association and the California Manufacturers and Technology Association (R.07-05-025).

CLECA and CMTA said that under a draft order, 90% of the available direct access load under the cap, "could be spoken for and locked up within the first three months following initial re-opening of [direct access] service" (see Matters, 2/10/10 for amount of available load and schedule).

While the proposed order calls for an initial opening of 50% of the available space under the cap in the first year, CLECA and CMTA noted a 10% tolerance band will likely be invoked in the first year, raising the year-one allocation to 60%. The proposed order provides that, if the 50% kilowatt-hour limit is hit on a particular day, all direct access notices of intent submitted that day are to be accepted up to the 10% tolerance limit (e.g. up to 60%, thus, only if a day ends exactly at 50% will the tolerance band not be invoked).

CLECA and CMTA then noted that on July 1, 2010, the six-month window for accepting Notices of Intent for a year-two switch to direct access (i.e. service starting January 1, 2011) would open, for another 20% of load plus another 10% tolerance band, or 30% total.

In other words, "fully 90% of the headroom could be spoken for less than 3 months after the initial effective date of the [direct access] re-opening," CLECA and CMTA said.

In a news release, Commercial Energy of California said that the Commission should affirm the draft's rejection of creating two distinct customer classes eligible for choice (e.g. a carve-out for currently eligible direct access customers, as favored by CLECA). Commercial Energy said that it serves 2,000 businesses with over 6,000 locations in California with natural gas and other energy services.

Briefly:

Glacial Natural Gas Applying for Licenses in Eight States

Glacial Natural Gas applied for an Illinois alternative gas supplier license to serve all types of customers in all service areas, specifically citing Nicor, Peoples Gas, North Shore Gas, and Ameren (which does not have a small volume program), with a focus on small and medium-sized business customers. Glacial said that it has pending gas supplier applications in New York, New Jersey, Michigan, Massachusetts, New Hampshire, Pennsylvania, and California (Only in Matters, 3/1/10).

DPL Resources Receives Michigan Electric License

The Michigan PSC granted DPL Resources Inc. an alternative electric supplier license (Only in Matters, 12/24/09). The application was first reported in *Matters*. DPL Resources recently received an Illinois electric license and has a pending Pennsylvania electric license. As only reported in *Matters*, DPL Resources said that it will expand outside of its affiliate territory of Dayton Power & Light during the first quarter of 2010 (Only in Matters, 2/15/10).

BlueStar Names Demand Side, Operations Executives

BlueStar Energy Services named Troy Hammond as President of Demand Side Management, to lead the growth of BlueStar's energy efficiency, demand response and distributed generation business. Hammond was most recently a senior executive at Plextronics, a firm specializing in printed solar cell and lighting technology. Previously, Hammond was an associate principal at McKinsey & Co. As only reported in *Matters*, BlueStar and PaceControls recently signed an agreement under which BlueStar will deploy PaceControls' energy efficiency solutions throughout BlueStar's markets in the Midwest and Mid-Atlantic (Only in Matters, 12/24/09).

BlueStar also named Jim Petersen as Vice President of Operations, charged with customer service, billing, and day-to-day operations. Petersen had an extensive career at Motorola, where he most recently was Senior Director of

Sales and was responsible for all commercial and operational activities for the launch of Motorola Android devices.

Mich. PSC Approves Consumers GCR

The Michigan PSC authorized Consumers Energy to implement a base gas cost recovery (GCR) factor of $8.0307/Mcf for the billing months of April 2009 through March 2010.

Mich. PSC Extends Electric Supplier Renewable Reporting Deadline

The Michigan PSC issued an order moving the deadline for alternative electric suppliers to submit annual renewable energy reports from May 1 annually to June 30 annually, beginning with the initial compliance report which is now due by June 30, 2010. The PSC reminded suppliers that their renewable energy compliance plans on file with the PSC must be renewed every two years. The PSC has also updated the electric supplier application form to include the new requirements for renewable energy and net metering compliance plans.

Oncor Files Recommendations to Increase Confidence in Smart Meters

Oncor filed in project 36157 several proposed measures to increase confidence in its advanced meters, in response to customer complaints of higher bills in the Killeen area coincident to the installation of smart meters (Matters, 2/12/10). Though Oncor has said that its testing has shown the meters to be accurate (attributing the bills to extreme cold weather), Oncor suggested further independent testing, as well as allowing customers in the Killeen-Temple area to obtain a free smart meter test. Oncor further recommended that it be allowed to provide 100 free in-home usage monitors to customers in the Killeen-Temple area. Oncor also sought to conduct a "side-by-side" test of the old versus advanced meters using 24 volunteers.

Exelon Reports Dates Reliability Concerns Terminate for Sought Retirements

Exelon said that it has been informed by PJM that reliability concerns related to the retirement of its Cromby and Eddystone units will remain until transmission upgrades are completed according to the following schedule:

Cromby Unit 1	May 31, 2011
Eddystone Unit 1	May 31, 2011
Cromby Unit 2	May 31, 2012
Eddystone Unit 2	December 31, 2013

Exelon notified PJM that it would continue operations beyond its desired deactivation date of May 31, 2011 to accommodate construction of transmission system reliability upgrades, provided that Exelon receives the required environmental permits and adequate cost-based compensation.

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extreme weather emergencies:

- Customers receiving, or eligible to receive, the Lite-Up discount
- Customers designated as critical care customers under Subst. R. §25.497
- Customers who provide adequate information to the REP that the customer's household income is at or below 200% of the federal poverty guidelines, and
- Customers, "that can demonstrate that they have experienced an unexpected catastrophic event that prevents them from paying the full amount"

Additionally, REPs would only be required to make a deferred payment plan available to customers in these four groups if:

- For a bill issued in July, August, or September, the number of cooling degree days for the prior month exceeded the previous 10-year average of cooling degree days for that prior month by more than 5%
- For a bill issued in January, February, or March if the number of heating degree days exceeded the previous 10-year average of heating degree days for that prior month by more than 5%

The number of cooling/heating degree days would be based on reports from the National Weather Service, with the draft rule designating a specific city to apply to all customers within each of the eight ERCOT weather zones.

However, REPs would no longer be able to refuse a deferred payment plan for eligible customers due to credit or payment history.

For deferred payment plans resulting from the cooling/heating degree criteria (and not those prompted by an extreme weather emergency), a REP may require the customer to make a minimum payment to enroll onto the deferred payment plan. The minimum payment amount would be no greater than the monthly average of the last twelve months of bills to the customer's current premises. REPs would not be permitted to seek an additional deposit, however.

Deferred payment plans would be required to defer the amount owed over five billing cycles (versus the current three), unless the customer requests a shorter period.

Regardless of what criteria prompted the deferred payment plan, the customer would agree, "[b]y entering into this agreement, you are agreeing that you will not be allowed to change service to another provider until the terms of the deferred payment plan are met."

Aside from codifying that customers must agree not to switch REPs, the draft rule otherwise does not codify any rules relating to a switch-hold, or what authorization REPs would have to enforce the agreement. While a switch hold related to meter tampering is being addressed in Project 37291, and the mechanics could be replicated, it would seem additional language would be required in a rule addressing the REP's authorization to block a switch due to an unfulfilled deferred payment plan, as REPs cannot currently block a switch.

Regardless of whether the customer qualifies for a deferred payment plan, REPs would be permitted to offer customers such a plan voluntarily.

Levelized Payment Plans

Subst. R. §25.480 would be amended such that REPs are required to make a levelized billing plan available to customers eligible for the Lite-Up discount program regardless of whether the customer is delinquent in their bills, and regardless of what type of product the customer is on.

For all other customers, REPs would only be required to make a levelized payment plan available for customers on a fixed rate product of at least six months in length, and where the customer is not delinquent in their payments. The rule clarifies that for customers on traditional post-pay service, the customer is not considered delinquent until the due date for a bill has passed and the customer has not paid (in other words, a customer is not delinquent simply because service is billed after the fact, which means the customer always has an outstanding [but not past due] obligation until paying that month's bill).

Per the draft, a REP may bill or credit any over- or under-recovery as frequently as every six months, and shall bill or credit any over- or under-recovery at least every twelve months. Alternatively, a REP may recalculate the customer's average consumption and adjust the customer's required minimum payment as frequently as every billing period.

Critical Care Customers

The draft also revises disconnection provisions related to critical care residential customers under Subst. R. §25.483. The draft would remove protections related to customers who would become "seriously ill or more seriously ill" due to disconnection in favor of relying on the critical care designation in determining the protections available.

To disconnect a critical care customer, a REP would have to abide by the following:

The REP shall serve the customer with a written notice of its intent to disconnect service not later than 21 days prior to the date that service would be disconnected. The REP shall obtain a signed, U.S. mail certification of delivery or an affidavit from the person delivering the notice that it was received by an adult at the dwelling unit. If the REP unsuccessfully attempted both of these methods of delivery, the REP shall serve the notice by both first-class mail and leaving a door hanger.

The notice shall include a statement that the customer may protest the disconnection, within seven days of receipt of the notice, if the income of the occupants of the dwelling unit is not sufficient to pay the full amount due and one of the occupants qualifies as a critical care customer.

If the customer protests the disconnection, the REP shall consider the information submitted by the customer and may reject the customer's protest on one of the following bases:

(A) Notwithstanding any prior designation of a customer as being a critical care customer, no current occupant of the dwelling unit has a medical condition that would qualify the occupant for critical care designation;

(B) The customer or other adult occupant of the dwelling unit is capable of making payments for electric service; or

(C) The customer or other adult occupant of the dwelling unit has a pledge from one or more government or community organizations that will provide assistance in making full or partial payments of at least fifty percent for electric service

If the customer has provided information that a current occupant of the dwelling unit has been designated as a critical care customer, the REP shall not reject the customer's protest for the reason specified in paragraph (A) above unless it has medical grounds and documentation that supports its decision. "Adequate medical grounds for disconnection includes battery-powered equipment that can sustain the occupant's life that is either in the occupant's possession or that can be readily obtained by the occupant for less than $100."

If the REP rejects a customer's protest, it shall at a minimum offer a deferred payment plan.

If the customer protests the disconnection of service, and the REP rejects the customer's protest, or if the REP and customer are not able to negotiate a payment plan, the REP shall notify the customer that the customer may appeal the REP's decision by filing a complaint with the Commission. The REP shall not disconnect the customer during the appeal process.

Separately in Project 37622, Staff issued a proposal for publication that would define critical care residential customer as a, "residential customer or person residing with that customer who is dependent upon a medical device, such as a breathing machine, that requires continuous electric service to sustain life or is dependent on electric heating or cooling to prevent a significant deterioration or exacerbation of the person's medical condition." The proposed definition removes the former "dangerous or life-threatening condition" language.

The proposed new Subst. R. §25.497 still requires REPs to inform customers of the availability of the critical care designation via the Terms of Service, but directs customers to submit critical care applications directly to the TDU, though the REP must still accept any forms it receives and forward them to the TDU. However, the TDU would contact the customer directly regarding any application deficiencies, rather than the REP performing this function as is required currently.

All REPs that serve residential customers would be required provide information about critical care designation to each residential customer three times a year. The REP may include this information in the same notice as the REP will be required to send regarding the availability of the Lite-Up Texas program. Under Project 36131, REPs' obligation to send notices regarding the Lite-Up Texas program would increase to three times per year, rather than twice annually. The draft in Project 36131 also removes the reference to the Prompt Payment Act (Texas Government Code, Chapter 2251) from Subst. R. §25.480.

Tenaska ... ***from 1***

while the utilities' procurement will be limited by a cost cap, legislation does not impose a cap on the costs which competitive suppliers must pay for their share of the plant's power, which will increase to the extent the utilities' cost cap limits the share of power that the utilities were originally to be allocated.

Tenaska said that the levelized cost of power in 2010$ for the 30-year term of the sourcing agreements is projected to be approximately $0.15/kWh. In 2010$, the cost of power from the plant is projected to average $0.148/kWh during the first 10 years of commercial operation from 2015 to 2024. The projected cost in nominal year dollars starts at $0.163/kWh in 2015 and is $0.191/kWh in 2024. These costs assume a 75% capacity factor for the Power Island.

"Even without taking credit for the lower overall cost of power in the market that results from the TEC's increasing the market supply, the average projected rate impact over the 30-year Sourcing Agreement term is only 1.81% based on 2009 electric rates. This represents an average increase of approximately $1.82 on the average monthly bill for residential customers, or $0.06 per day beginning in 2015," Tenaska said.

The rate impact calculation is expressed as a percentage of the average rates for eligible retail customers (basically, residential customers and small business customers) during the year ended May 2009, which Tenaska said was approximately $0.115 per kWh. Although not discussed in the executive summary of Tenaska's report, the $0.115/kWh figure appears to be an all-in rate including supply and distribution.

For example, the residential Purchased Electricity Charge for non-electric space heating customers at Commonwealth Edison for the period ending May 2009 was $0.07572/kWh for the summer, and $0.07395/kWh for non-summer months. For the 2009-10 delivery year, the ComEd residential supply charge is even lower, at $0.06589/kWh in the summer and $0.06435/kWh for non-summer months.

Tenaska further said that, "[i]n order to provide a basis for comparing the cost of energy from the TEC to units that do not have flexibility of dispatch to operate at less than full output (like the TEC), the estimated cost per kWh should be calculated based on the assumption that the TEC is dispatched at full output 100% of the time the Facility is available (a 92% capacity factor)."

Using this capacity factor, the estimated total cost per kWh is lowered to $0.133/kWh in 2010$ on average during the first ten years of commercial operation, and ranges from $0.151/kWh in 2015 to $0.175/kWh in 2024 in nominal year dollars.

Additionally, Tenaska said that if a series of market savings to be obtained by the plant are credited against the per kilowatt-hour cost of power from the plant, the projected levelized cost would be $0.119/kWh, while the net cost of power would be $0.112/kWh in 2010$ on average during the first 10 years of commercial operation, and would range from $0.123/kWh in 2015 to $0.168/kWh in 2024 in nominal year dollars.

Revenues to be credited to customers from the plant, as estimated by Tenaska's report, include:

- $15.2 million annually in 2010$ from substitute natural gas sales
- $9.0 million annually in 2010$ from carbon dioxide sales
- $3.6 million annually in 2010$ from molten sulfur sales
- $18.1 million annually in 2010$ from surplus NOx allowances
- $21.9 million annually in 2010$ from capacity revenues

Tenaska also said that by increasing electric supply in Illinois, all Illinois electric ratepayers would benefit from an estimated $1.2 billion in nominal dollars in savings during the TEC's first 10 years of operation as it reduces the market price of power.

Reacting to the report, the Illinois Competitive Energy Association said that the Tenaska plant, "would result in billions of dollars in subsidies and higher electric rates from Illinois electric consumers."

"[I]n just an initial review of the report, it appears that under any scenario the project will impose billions of dollars in electric power costs upon consumers that are several times in excess of current market prices and provide hundreds of millions in profits to Tenaska," said Kevin Wright, President of ICEA.

The sourcing agreements required to be executed by competitive suppliers (especially in light of the disparate treatment received versus the utilities), "would represent an unsustainable, non-market driven (and possibly unconstitutional) cost for suppliers to bear," ICEA said

"As a result, retail electric suppliers could exit the Illinois marketplace to the detriment of Illinois consumers who would be left with fewer choices and opportunities to lower their electric costs," ICEA said.

"We should not sacrifice the successful competitive retail electricity market that currently provides over half of the electricity consumed in the State in order to have Illinois residents and businesses subsidize for the next thirty years a clean energy experiment for the 16th largest privately owned company in the US," Wright said.

The ICC has hired Boston Pacific Company and its subcontractor, MPR Associates, to assist in the preparation of its analysis, which must be submitted to the General Assembly within six months. The ICC is accepting comments on the report through April 16.