

California Market Update

Direct Access

April 12, 2010



Topics

- Direct Access Re-opening
- Exit Fees for New Direct Access Customers
- Utility Rate Projections Overview

Direct Access Reopening

Recap on DA and load availability:

- On October 11, 2009, Senate Bill (SB) 695 was signed into law which calls for the Direct Access market to open by April 11, 2010 for all non-residential customers.
- Although it still has to be approved, the approximate amount of load that is available to switch over a 4-year period is demonstrated below.
- The amount of load able to switch each year is expected to be as follows: *(shown in a percentage (%) of the total available load)*: Year 1 – 35%, Year 2 – 35%, Year 3 – 20% and Year 4 – 10%

UTILITY	CAP	CURRENT	AVAILABLE
SCE	11,710,000 MWhs	7,764,000 MWhs	3,946,000 MWhs
PG&E	9,520,000 MWhs	5,574,000 MWhs	3,946,000 MWhs
SDG&E	3,562,000 MWhs	3,100,000 MWhs	462,000 MWhs
TOTALS	24,792,000 MWhs	16,438,000 MWhs	8,354,000 MWhs (approximate)

Direct Access Reopening Process – Year 1 (2010)

(subject to CPUC approval)

- The utilities will establish an Open Enrollment Window (OEW) for the first 90 days of opening. During the OEW, the 6-month notice requirements are waived.
- Start date and time for submission of Notice of Intent to Switch:
April 16, 2010 @ 9am PST
- Load Available to Switch: 35% of the available load (+10% soft cap) = **38.5%**

Direct Access Reopening Process – Year 1 (2010)

(subject to CPUC approval)

Process for enrollment:

1. Submit CISR (customer information service request) form with historical usage
Note: If a customer intends to have their ESP submit the Notice of Intent for DA authorization, then they should initial “Box 6” on the CISR. This does not obligate the customer to having the ESP submit the form but it provides documentation to the utility that the customer authorizes another agent to submit.
2. At 9 a.m. PST on April 16, 2010, the utilities will begin accepting NOIs from customers or third parties (i.e. ESPs) via email or fax. If an ESP is submitting the NOI, they may be required to sign the NOI attesting to the fact that the customer authorized them to do so.
3. When submitting the NOI via email/fax, a separate NOI (by Federal Tax ID #) must be submitted. If a customer has four Tax ID numbers, four separate NOIs (one for each Tax ID) must be submitted.
4. NOIs will be time-stamped upon receipt by the utility. Each 24-hour day will be considered a “batch”
5. If cap is oversubscribed, the utilities will identify which “batch” caused the oversubscription and will then review by granular time stamp which customers are accepted and which are not.
6. The utilities have 20 days to notify the customer or ESP (via email) if they are accepted.
7. Once the customer receives notification of acceptance, they have 60 days to cause its ESP to submit a DASR (Direct Access Service Request) (i.e. “to be DASR’d by an ESP).
8. There will be a limited “waiting list” established for a certain number of customers in the event the not all customers who have accepted NOIs are DASR’d.

Direct Access Reopening - Years 2, 3 and 4 (2011, 2012 & 2013)

- Six-month notices will be required for Year 2, 3 and 4 enrollments
- Available Load (If in any year, the cap is not reached it will carry over to following year):
 - Year 2 (2011): 35% of available load (+10% soft cap)
 - Year 3 (2012): 20% of available load (+10% soft cap)
 - Year 4 (2013): 10% of available load (less any load carried over from soft cap)
- When the six-month notice is accepted by the utility, the customer must be DASR'd by an ESP within 60 days after the 6-month notice period expires.
- If the customer elects to not switch to direct access, they are subject to a 3-year minimum stay with the utility (per the current Switching Rules)

Direct Access Reopening - Year 2 (2011)

Year 2 Enrollments

- The current rules state that for a customer to enroll for 2011 (Year 2), they must give a 6-month notice.
- Currently, the 6-month notices will begin being accepted on July 1, 2010 for a January 1, 2011 eligibility date.
- A customer will be required to be enrolled within 60-days after their "eligibility date" or they will revert to utility service for a 3-year minimum stay.
- A Petition for Modification has been filed with the CUP requesting that the date for the Year 2 enrollments be delayed to July 15, 2010. If this modification is accepted, the Year 2 eligibility date would change to January 15, 2011 instead of the current January 1, 2011 as described above.
- A ruling by the Commission on this matter is expected before the end of May, 2010.

Direct Access Reopening – Utility Info

Utility Websites

Below are links to each of the utility websites where you will find all the rules and requirements for the direct access reopening. Each of these websites include the Notices of Intent (NOI), the appropriate documentation for third-party submittals of the NOIs and the process for how a customer would submit for direct access enrollment:

PG&E:

<http://www.pge.com/mybusiness/customerservice/energychoice/directaccess/electricity/index.shtml>

SDG&E:

<http://sdge.com/business/directaccess/index.shtml>

SCE:

<http://www.sce.com/b-db/esp/SB695.htm>

Exit Fees for New Direct Access Customers

What are they?

- The exit fees are the “stranded cost” that the Commission has determined should be shared by all customers that are on utility service at the time a resource is added by the utility.

How are they calculated?

- The exit fee forecasts are developed by comparing the cost of utility-owned power, Department of Water Resources (DWR) power, QF purchases and utility power purchase agreements (PPAs) to a market price benchmark.
- The CPUC established the 2010 benchmarks in November 2009. The estimated 2011 and 2012 benchmarks are based on forward natural gas prices.

Exit Fees – Give notice prior to July 1, 2010

Exit fees for customers who give notice to the utility to switch to direct access prior to July 1, 2010 are as follows.

■ SCE:	GS-2:	\$0.00711/kWh
	TOU-8:	\$0.00906/kWh
■ SDG&E:	All Rates:	\$0.00728/kWh
■ PG&E:	E-19:	\$0.01157/kWh
	E-20-T:	\$.00918/kWh
	E-20-P:	\$0.01025/kWh
	E-20-S:	\$0.01081/kWh

Exit Fees – Give notice July 1, 2010 – June 30, 2011

Estimated exit fees for 2010, 2011 and 2012 by utility for new DA customers who give notice between July 1, 2010 and June 30, 2011:

	2010	2011	2012
PG&E	\$0.01160/kWh (\$11.60/MWh)	\$0.0062/kWh (\$6.20/MWh)	\$0.0061/kWh (\$6.10/MWh)
SCE	\$0.0089/kWh (\$8.90/MWh)	\$0.0166/kWh (\$16.60/MWh)	\$0.0171/kWh (\$17.10/MWh)
SDG&E	\$0.0116/kWh (\$11.60/MWh)	\$0.0118/kWh (\$11.80/MWh)	\$0.0107/kWh (\$10.70/MWh)

Utility Rate Forecasts – General Overview

Pacific Gas & Electric (PGE):

- **January 2010:** Generation rates decrease 4-5% due to lower baseline natural gas prices
- **March 2010:** Expect 5-7% increases in transmission rates
- **January 2011:** Expect sizable increases to generation and transmission rate components. Generation is expected to increase 7% and transmission/distribution rates increase 8-10%

Utility Rate Forecasts – General Overview

Southern California Edison (SCE)

- **January 2010:** Generation rates to decrease 8% due to DWR revised revenue requirements
- **March 2010:** Expect generation rates to decrease an additional 12% and transmission/distribution rates to increase approximately 20%
- **January 2011:** Expect generation rates to increase 15% on average and transmission/distribution rates to increase approximately 4%