

Wednesday, April 25, 2012 3:19 PM ET  **Exclusive**

Marketer group: Growth of electric, gas choice programs 'almost explosive'

By [Jonathan Crawford](#)

State regulators and industry officials at the National Energy Marketers Association's annual conference in Washington, D.C., on April 24 reported that consumer participation in the competitive marketplace for electricity and natural gas is enjoying strong growth.

"You are looking at an industry that is clearly in an ... almost explosive growth mode, and this is in the middle of one of the worst recessions we have had in a lifetime," NEM President Craig Goodman said at the conference.

On the electricity side, 15 states and the District of Columbia have restructured their markets, with the migration of about 5.2 million customers. NEM reported that 21 states and the District of Columbia have restructured their natural gas markets, with more than 6 million gas customers having migrated.

Michigan Public Service Commission Chairman John Quackenbush said participation in gas choice in his state reached an all-time high in March, climbing above 511,000. Electricity choice in Michigan, which is capped at 10% since state legislation was passed in 2008, also is strong. He reported that more than 8,000 industrial and commercial customers are in a queue to participate in electric choice.

Some Michigan legislators are calling for the participation caps to be raised or removed entirely. Quackenbush, however, said he does not expect the initiatives to gain any traction given the opposition from leaders in the Legislature.

Public Utilities Commission of Ohio Chairman Todd Snitchler said the latest statistics show that about 60% of eligible natural gas customers in his state have switched to the competitive market. "We think that's a good indicator of where we could be in the electric market in a little more time with development," he said.

A recent Interstate Natural Gas Association of America study indicated that Ohio consumers saved \$1.1 billion in the gas commodity in 2010. Snitchler attributed that to lower prices, but also a result of the way that gas is being purchased.

"We understand that the commodity price will fluctuate, and it's not always going to continue to drop. But we certainly understand that the competitive model has the ability to mitigate the rate [of increases] that we are going to see over time," he said. On the electric side, Snitchler said he expects all utilities will be "on the road to a fully competitive environment" by the end of 2012.

Work is under way, through the commission's Office of Retail Competition, to boost awareness among residential customers and small businesses about available energy choices, Snitchler said. The purpose of the office is to educate consumers about questions they need to ask suppliers and to give them the comfort level they need to make supply decisions.

While Ohio customers have been able to shop for generation supplies since 2001, Snitchler said he would like to see participation levels increase. Past efforts to educate the public on electricity choice were not properly executed, he said.

"The long-term benefits and market efficiency — that's our education piece that we need to be sharing with the general public — is that the market efficiencies that come with competition will far outweigh the short-term bumps in the road that we may experience between now and then," he said.

Robert Powelson, chairman of the Pennsylvania Public Utility Commission, said ramped-up efficiency efforts by utilities stemming from the restructuring of markets has allowed customers to reap \$7 billion in savings. "The amazing success story is the fact that all of those inefficient coal and nuclear plants are efficient when the shareholders of those companies had to saddle those investments," he said.

Electric rates in Pennsylvania had been 15% higher than the national average. But Powelson said they are now only 1% above the national average, thanks in part to cheap natural gas.

Still, Powelson said customer participation in electric choice is below where he wants it. He attributed the lower participation levels to customer apathy. As did Snitchler, he said more consumer education is needed to drive participation levels higher.

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Thursday, April 26, 2012 11:43 AM ET  **Exclusive**

US lawmaker to introduce pro-fracking bill to pre-empt potential ban

By [Jonathan Crawford](#)

In a bid to pre-empt what he said could ultimately be a federal ban on the use of hydraulic fracturing, U.S. Rep. Lee Terry, R-Neb., speaking at an April 24 industry conference in Washington, D.C., announced his intention to introduce legislation to safeguard the use of the practice for the extraction of natural gas.

"If we leave it to our bureaucrats in Washington, D.C., I can almost guarantee you that they will find a way to shut it down. And we can't have that," he said.

Terry, who sits on the House Energy and Commerce Committee's Subcommittee on Energy and Power, made his comments during a speech at the National Energy Marketers Association's annual conference.

Fracking technology has been credited with ushering in the shale gas boom, by making otherwise hard-to-tap reserves commercially viable. But the U.S. EPA and environmental groups have raised concerns about the potential for the practice to lead to water contamination by fracking fluids and waste water as well as air pollution from methane leaks, with tighter standards being mulled.

A staunch advocate for energy independence, Terry argued that the ability to use fracking should not be impeded. "If this administration shuts fracking down, we are now moving dramatically towards 100% dependence on foreign oil," he said. "So we have to protect the right to do fracking, but do it in an environmentally safe way."

Terry said he will likely introduce the measure in two weeks. Among other things, he said it will leave regulatory oversight of hydraulic fracturing to the states, which he said are the most capable to handle that function.

"My bill will say that fracking regulations will be on the state level because the reality is that the geographic formations are different" from state to state, he said.

The bill will go beyond protecting the industry's ability to use fracking, though. Other possible provisions include the elimination of the federal excise tax in order to promote the purchase of heavy trucks that run on natural gas.

Wednesday, April 25, 2012 5:41 PM ET  **Exclusive**

Highway bill seen as key vehicle for passage of pipeline, coal ash measures

By [Jonathan Crawford](#)

Congressional Republicans, speaking at a trade conference in Washington, D.C., said they are hopeful that a highway bill before Congress may be just what they need to pass controversial legislation involving the Keystone XL pipeline and coal ash regulations.

Approval of [TransCanada Corp.](#)'s Keystone XL pipeline, which would carry oil from the oil sands in Alberta and some U.S. states to Texas, has been at the top of the legislative wish list for many Republicans who say the project is needed to wean the U.S. off foreign oil and to create jobs.

Sen. John Hoeven, R-N.D., who sits on the Senate Energy and Natural Resources Committee's Subcommittee on Energy, said a move to attach such a legislative measure to the highway bill could make the difference.

"Even though this president says that he's going to veto it, I think we will be able to get it," Hoeven said. "And as part of the highway bill, I don't think he will veto it, but we will see."

Hoeven and Rep. Lee Terry, R-Neb., who sits on the House Energy and Commerce Committee's Subcommittee on Energy and Power, were addressing attendees April 24 at the National Energy Marketers Association's annual conference.

Hoeven said the proposed measure to speed approval of the Keystone XL pipeline should pass muster given that environmental concerns — particularly issues with the pipeline's routing through the Sand Hills region in Nebraska — were "fully addressed." Hoeven said he believes the bill has bipartisan support in the House of Representatives and the Senate, as well as the backing of the state of Nebraska.

The pipeline is viewed as a critical conduit for oil from North Dakota and other energy-rich states in the region. Hoeven hopes to be able to send more than 100,000 barrels of oil per day through the pipeline. That is on top of the 700,000-plus barrels of oil a day that it would carry from the Canadian oil sands in Alberta, which ranks as the world's third-largest source of proven reserves, behind Saudi Arabia and Venezuela. He noted that demand for the pipeline is "over-subscribed."

"We need more pipelines because states like North Dakota and others are producing a lot more energy. We also need oil from our close friend and ally Canada. We don't particularly need to be relying on it from the Middle East or Venezuela," Hoeven said.

Terry defended the attachment of the pipeline measure to the highway bill.

"The reason we added the Keystone pipeline [measure] to the transportation bill is [because] infrastructure is infrastructure, and it creates jobs and it is a foundational element to our economy to have the infrastructure," he said.

Terry said the pipeline measure as proposed in the House of Representatives would direct funds obtained from the sale of new leases and from royalties derived from natural resources to the highway transportation fund. The move is intended to offset a drop in the highway transportation fund stemming from people driving less. Raising the gasoline tax is considered a nonstarter.

"If any of you are asking is this just a political ploy to get votes for what was a difficult-to-pass transportation bill and now is veto-proof when it came out of the House Representatives, yeah, a little bit," he said.

Fly ash regulations

Also tucked into the highway bill, Hoeven said, is legislation from the Senate that allows for the recycling of coal ash, or fly ash, from coal-fired power plants.

At issue is the prospect that the U.S. EPA could place coal ash in a classification that includes hazardous waste.

"That would create a stigma because it is in a classification that we think would potentially really prevent the use of coal ash ... as a common [material] used for construction," Hoeven said.

He noted that the sale of coal ash for the manufacture of construction materials and other uses, which can fetch about \$6 a ton, has been a boon to utilities. The cost of putting it into a landfill can run about \$9 per ton, he said. Utilities produce hundreds of thousands of tons of coal ash per year. He noted that the House has companion legislation that specifically would allow power plants to recycle coal ash.

Environmental groups, on the other hand, have signaled their [intent to sue](#) the EPA for failing to update its regulations governing the disposal of coal ash. They maintain that the agency has failed to adequately address the risks posed by unsafe disposal of coal ash.

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Tuesday, April 24, 2012 6:35 PM ET  **Exclusive**

FERC commissioners stress need for dynamic pricing

By [Jonathan Crawford](#)

With the convergence of the telecommunications and electric sectors, FERC Commissioner Philip Moeller, speaking at the National Energy Marketers Association's annual conference in Washington, D.C., on April 24, stressed the need for the power industry to embrace dynamic pricing.

"Dynamic pricing has actually permeated our culture and our daily economic decisions, and yet it hasn't happened in electricity, and I believe it really needs to," he said. "We can kind of go either way as a society and I hope we will go into the direction of giving consumers more accurate, real-time dynamic pricing."

One development that is spurring the need for dynamic pricing, he said, is the ramped-up use of electric vehicles in Southern California. He said electric vehicles could dominate the marketplace "relatively soon." He maintained that the ability to encourage the shifting of loads to non-peak hours will be critical, particularly as demand loads stemming from the charging of electric vehicles threatens to "stress" and possibly "destroy" parts of the distribution system.

"We will have a society building more power plants than we need, more transmission than we need, more local infrastructure, versus accurate price signals that will allow [ratepayers] to load shift to the middle of the night," he said.

Moeller added that, with the exception of the retail power sector, dynamic pricing has become commonplace within a number of markets, such as purchasing airline tickets, rental cars or hotel rooms. He said such an embrace of dynamic pricing could be critical for the "long-term survivors" in the industry as consumers come to demand it.

"I think we are close to that point where consumers will suddenly — on an electricity level — demand options that, because of technology and hopefully the right regulatory framework, were never imaginable 10 or 15 years ago. And the key is going to be giving them those options," Moeller said.

FERC Commissioner John Norris, who also spoke at the conference, said the industry is already moving in the direction of providing dynamic pricing, albeit slowly.

"We have an energy and electric system that is built with a left-to-right mentality. ... But the transition involves now a system that is dynamic that goes left to right and right to left," he said. As examples of the transition, he pointed to the increased use of demand side management and distributed generation.

Norris said he is hopeful the industry will expand the implementation of dynamic pricing but said major barriers remain. One hurdle, he said, is an investment community that seeks returns on investments more quickly than may otherwise be available.

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