

Energy Choice Matters

February 18, 2008

Mass Market Pricing to be on Conn. Label, Website

Competitive electric retailers would have to disclose “generally available” residential and small commercial prices on product disclosure labels under a draft decision by the Connecticut DPUC released Friday (07-05-33).

The DPUC initiated the docket to update its current labeling rules and comply with legislative directives to make sure customers had sufficient ability to compare prices.

Retailers had asked the DPUC to waive all pricing disclosures on the labels since prices become outdated the minute they are printed for variable offers which change daily or customized pricing given to larger customers.

But the DPUC “believes the removal of price information from the disclosure label is not consistent with Conn. Gen. Stat. § 16-245o(e).” It agrees that large customers do not need pricing info on the labels since pricing and contract terms may vary for each customer. For large customers, the contract supplied to customers upon initiation of service provides the best notification of rates, the DPUC said.

“However the Department believes that price information should be included on the label for rates that are not negotiable and generally available to residential customers,” the agency added.

The purpose of the label is to help customers compare the offerings of suppliers and standard offer service -- and providing price information is the best way to compare offerings, DPUC found.

“Residential rates are generally not very complex so therefore the Department will require price information for retail rates.”

The DPUC would also require labels for “small commercial and industrial” customers to explicitly list a price per kWh, but did not define small C&Is (although the draft hints at separation by rate code while not specifying which rate codes would be considered small C&Is).

Prices would be required only for all-inclusive offerings, so the customer could make an “apples

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Allegheny Power Scolded on Md. CFL Program, Shareholders Foot Bill

Maryland Allegheny Power customers’ experience with a CFL energy efficiency program sponsored by the utility should give policymakers pause in considering the role utilities play in one of the hottest issues in the electric industry. A letter order from the PSC (Maillog # 108998) ordering Allegheny shareholders to absorb the costs of a mismanaged CFL program reveal the dangers of giving utilities ratepayer funds to offer efficiency programs, a policy the Edison Electric Institute and utilities across the nation are pushing (Matters, 2/14/08).

Perhaps most notable is that the PSC did not find any flaws with the program itself, but found serious deficiencies in Allegheny’s management and implementation of it. Eliminating such mismanagement was one of the rationales for offering more competitive services in the electric industry, since the most efficient providers would necessarily succeed in the marketplace and would be more responsive to consumer needs than franchised monopolies.

Allegheny had received the PSC’s OK to implement a fast track CFL and education program in September, but the PSC was quickly flooded with a “large volume” of customer complaints about the CFL program.

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DPU Reviewing Termination, Low-Income Assistance

The Massachusetts DPU opened a proceeding for a “comprehensive” reevaluation and reinforcement of consumer protection regulations and policies, particularly disconnect rules and low-income assistance (docket 08-4).

A fresh look is needed due to changes in industry structure and “dramatic” price increases, the DPU said.

As the Retail Energy Supply Association recently pointed out in rulemaking 07-105, competitive suppliers must follow utility termination procedures even though they can't disconnect a customer's power supply (Matters, 2/11/08). Competitive retailers weren't specifically addressed in the DPU's order instituting the new rulemaking, but its outcomes would affect them since, among other rules, the DPU is addressing 220 C.M.R § 25.00.

The DPU wants to determine how Arrearage Management Programs (AMPs) can be implemented and available for more customers. The programs let customers pay past due balances over a longer time period.

“It is our goal and expectation that higher enrollment and more successful participation in AMPs will increase low-income consumers' ability to pay their bills, and could reduce utility arrearages and the number of service terminations. Reduced service terminations could, in turn, lower the utility company's costs associated with service termination and restoral to consumers,” the DPU said.

That hasn't been the case in ERCOT where emergency moratoriums on REPs' disconnect rights have only increased arrearages that are never paid off, as Reliant Energy had reported after a 2006 summer moratorium. REPs and the social service coalition Houston Energy Advocacy Team noted consumers facing mounting debt pay bills with “hammers,” such as disconnection of service or eviction. Thus, delaying or suspending disconnections only lowers the importance of paying energy bills in consumers' stretched budgets.

The DPU admits as much later in its order, noting seasonal moratoriums on terminations, “results in the accumulation of large arrearages, especially during the heating season.”

“As a result, at the end of the moratorium on service terminations on March 15, consumers must pay large arrearages or face the threat of service termination. Extending the winter protection period beyond March 15 helps for a period of time, but may have the unintended consequence of exacerbating the problem by allowing consumers to delay making payment arrangements while the arrearage continues growing,” the DPU noted.

The Department seeks comments on whether, and how, it should clarify, modify or expand service termination regulations.

The DPU also wants to address what rights customers who have been terminated have. Right now, the term “customer of record” in the DPU's codes does not apply to a shut-off customer.

While the DPU helps customers get service restored, it doesn't have codified procedures to assist them.

Comments are due March 28.

Dominion Assures DPUC on Customer Enrollments

Dominion Retail, which in Connecticut is fed customers by aggregator Levco Tech, is fully in compliance with Connecticut General Statute 16-245o(e) regarding customer enrollment and disclosures, the retailer told the DPUC.

Dominion customers are first marketed to by Levco. Customers sign a form with Levco that authorizes Levco to act as the customer's agent and to select a provider on the customer's behalf. This authorization form provides the customer with price, term and cancellation, billing, and payment information that take effect once Levco selects a supplier.

Thus Dominion believes customers sign a document fully explaining the nature and effect of the initiation of service as required by statute.

Dominion then sends customers a

welcome letter that includes price and terms and conditions, plus a disclosure label listing emissions, power sources and cancellation info. The label specifically notifies customers under 500 kW of their rescission period, Dominion explained.

In a contemporaneous filing, the Office of Consumer Counsel argued that Dominion “delegated at least some of [its] statutory responsibilities to Levco Tech,” although OCC did not specifically state which requirements those were.

The OCC believes nothing in the statute allows Dominion to delegate statutory responsibilities to an aggregator.

“Alternatively, if Levco wishes to contract directly with customers, Levco should be required to file an application to be an electric supplier under § 16-245o(e),” OCC said.

The OCC concedes that the statute does not require Dominion itself to have a signed service contract with each customer, as the statute merely requires (among alternate means of verification) that enrollment may commence after the “customer signs a document fully explaining the nature and effect of the initiation of the service.”

Attorney General Richard Blumenthal thinks that notice has to come from Dominion. He also objects to Dominion’s welcome letter satisfying its disclosure obligations since the letter, Blumenthal said, appears to be drafted after enrollment, while disclosures must occur “prior to initiation of service.”

However, Dominion said it does not enroll customers until after the rescission period ends, so the customers would see the disclosure label before service started.

The AG also said Dominion didn’t provide power source or emissions data to customers, but Dominion submitted a sample label it provides to the DPUC on Dec. 8, 2006.

Briefly:

IDT Eyeing Michigan Gas

IDT Energy submitted an application to become an alternative gas supplier in Michigan (U-15507). IDT told the Michigan PSC it serves 345,000 electric and gas meters in New York with over 140,000 gas customers.

Mostly they are residences and small businesses although the marketer does have some larger C&I accounts. IDT told the PSC its current customer growth is 2,500-3,500 new customers each week.

Another RSP, Another Appeal

Duke Energy Ohio is appealing to the Ohio Supreme Court a PUCO decision on its rate stabilization plan that makes Duke “subsidize” the competitive market, the utility said Friday. In October, PUCO modified Duke’s plan to allow non-commercial customers avoid certain charges Duke wanted to impose on them because of the risk customers could leave competitive supply and return to Duke. It would be more newsworthy if one of these plans didn’t get appealed to the Supreme Court.

PUCT Staff Firm on Nuke Fund

CONTINUING COVERAGE

The PUCT staff rejected a request from Texas Industrial Energy Consumers to permit customers to be explicitly allowed to initiate a review of nuclear trust fund balances in a proposed rule to implement the new funds (docket 34888). The staff thinks customers can petition the Commission for a review of the trust, and the Commission can determine if formal or informal review is appropriate. Industrials, however, won on being able to fully participate in procedures setting up the trust funds. NRG Energy had proposed limiting the right to request hearings in the cases (Matters, 2/4/08), but the staff did not adopt that suggestion in its proposal, because the funds could have a “significant” financial impact on customers.

DTE Good to Go in Texas

The PUCT approved DTE Energy Trading’s REP application (Matters, 2/11/2008), granting it Certificate No. 10158 (docket 35216).

Duke Selling Another Merchant Plant

Duke Energy is selling its 480-MW natural gas-fired peaking generating plant located near Brownsville, Tenn., to the Tennessee Valley Authority for \$55 million. Duke has

greatly trimmed its merchant fleet to focus on former Cinergy units in the Midwest and the plant no longer fit the firm's strategic focus.

Staff Suggests Texas Low-Income Discount

The PUCT staff suggested a discount of 20% for the low-income discount program (LIDA aka Lite-Up Texas) this year, based on expected enrollments and appropriations (project 24116). The proposal is to be taken up at the Feb. 22 open meeting. The staff also offered other changes to the program in docket 34887, including language to account for applying and disclosing the discount on bills for prepaid service.

NYISO Still Looking for CEO

New York ISO Board Chair Karen Antion will serve an interim CEO starting March 1 as the ISO continues its search to replace the outgoing Mark Lynch, who is leaving at the end of February. Fellow board member Robert Hiney will be interim president.

Allegheny CFLs ... From 1

The complaints "suggested that the Company did not implement the Program in accordance with the representations made to the Commission about the Program and the requirements that the Commission placed prior to the Commission's approval of the Program," the PSC noted.

After Allegheny answered questions at a Jan. 16 meeting, "it was clear to the Commission that Allegheny had failed to incorporate into its communications with its customers the fact that the CFLs that were delivered to the customer had a cost to the customer," the PSC found.

The Commission was "very clear" during a September 26, 2007 meeting that it found the brochures that Allegheny proposed to send to customers to be "lacking the necessary disclosures as to the cost to the customer and the savings if the customer were to use the two bulbs," the PSC reminded.

"Allegheny failed to change the brochure even after the Commission's finding that the brochure was inadequate and after the

Commission's directive to attach additional materials to the brochures setting forth the desired information," the Commission concluded.

Further, the PSC considered information included in the mailing regarding disposal of broken or unwanted bulbs, "confusing, vague, and different from a more informative fact sheet sent by the Company filed with the Commission on October 17, 2007 and recently sent to the Commission's Office of External Relations."

More disturbingly, "Allegheny disclosed that it had made changes to the scope of the program without informing the Commission and never alerted the Commission that the delivery of the CFLs was delayed," the PSC reported.

"In sum, Allegheny did a poor job of implementing the Program, including its failure to provide sufficient communications to its customers about the cost of the Program to the customer which would be offset by the benefits to the individual customers."

The Commission ordered Allegheny to stop a surcharge for the program and work with Commission Staff to develop an appropriate mechanism to refund any monies collected as a result of billing the surcharge since October 3, 2007.

Allegheny is to file a tariff revision withdrawing the Energy Efficiency Surcharge.

The shareholders of Allegheny will bear 100% of the costs of the programs, the PSC ruled, not because the programs were flawed, but because of the errors that occurred in Allegheny's implementation of the program.

Allegheny has agreed not to ship any more CFL kits until getting Commission approval for new language.

For customers receiving duplicate kits, the customer will not be required to return the kit. Niagara Conservation, Allegheny's vendor, will absorb the cost of those duplicate kits.

Conn. Labels ... From 1

to apples” comparison to the utility’s generation service charge on a cents per kWh basis. Retailers would have to list when the price would change (e.g., monthly, yearly, etc.).

The DPUC favors these steps because it is “concerned that consumers are not prepared to readily engage in the competitive electric market and effectively compare supplier offers to select the offer that best suits their energy needs.”

“Over the past six months, the Department has received numerous calls from business consumers who are ill-equipped to engage in the contract process with suppliers and are struggling to understand the components of the electricity charges on their bills,” the DPUC noted.

The DPUC examined a number of bills from retailers and found a variety of presentations, “many of which list unfamiliar, complex charges that are likely to cause customer confusion.”

“This range in bill presentation and supplemental information amongst suppliers creates difficulty for consumers in comparing and understanding different suppliers’ pricing and billing,” the Department said.

Due to the “complexity” of pricing and contracts, the labels will include the following questions that customers should ask retailers:

- Are you licensed to do business as a supplier or aggregator in Connecticut?
- What is your price per kWh? Is the price per kWh all-inclusive?
- If NOT – what are the other generation-related charges or fees (related to system reliability or other) and the price of each? (Ask per kWh or monthly for your usage.) Are these generation-related charges billed as direct pass-throughs or not? If not, what charges are and are not? These questions may apply ONLY to business customers.
- Is price fixed or variable? If variable, how does it vary? By time of use, by amount used or other?
- If the price changes, when and how will I be notified?

- I use about 500 kWhs per month. (This is an example. Use your own monthly consumption.) What are my monthly savings on your rate?
- How does your price per kWh compare to the price I am paying CL&P or UI for Standard Service? Does your price follow CL&P’s or UI’s price increases or decreases?
- What is the length/term of the agreement?
- Is a deposit or enrollment fee required? If YES, How much?
- Is there a credit check, a required deposit, cancellation or late payment fees and what is the cost for each?
- Will I receive one bill or two?
- Do you offer a choice of energy sources, such as renewable energy?
- Is there a bonus for signing up with you?
- What is the contact name, phone number, and customer service hours?
- Do you offer any other services?

Additionally, the Department encouraged retailers to provide a price calculator on their websites to assist consumers in calculating costs when comparing various prices.

For large customers, the label would tell customers to refer to their contract for the price, but the label would have to state whether the price per kWh is all-inclusive or not.

The new label would not need to include the utilities’ average delivery charges, which retailers had called confusing. Instead, retailers must simply state customers must also pay delivery charges to their utility.

The DPUC would remove the label’s air emissions chart but keep generic statements about emissions. The DPUC would provide retailers a uniform power sourcing chart from NEPOOL reflecting the system average for products not tied to specific generation sources, although retailers could replace this chart for their green or other physical products not supplied from the power pool, subject to audit.

The Department would require all suppliers to provide a permanent website address where their label resides, which would then be linked on the DPUC site.

For the requirement that enrolled customers receive labels on an ongoing basis, the DPUC found that labels should be distributed annually via email, bill insert or direct mailing. These follow-up labels would not need to include pricing regardless of customer class.

The DPUC would develop a website modeled after New York's powertochooseNY.org (and Steve Mitnick said the NY PSC had lost its prestige, Matters, 2/15/08) which will require retailers to submit generally available residential prices and allow them (but not mandate except in the case of a marketer referral product) to submit small C&I prices for generally available products as well.

Comments on the draft are due February 22. A sample of the new label is included in an appendix to the draft.