Energy Choice Matters

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PPL Asks That Electric Suppliers be Required to Submit Copies of Renewal Notices to EDCs

Pennsylvania electric generation suppliers (EGS) should be required to provide electric distribution companies (EDC) with a copy of any renewal notice sent to customers, PPL Electric Utilities said in comments on proposed revisions to the interim guidelines applicable to contract renewals (M-2010-2195286 et. al.).

Proposed changes to the electric renewal rules from the Pennsylvania PUC would require an estimate of the Price to Compare (PTC) to be listed on renewal notices if the actual Price to Compare is not known, and would require the electric distribution company to provide this information to suppliers (Matters, 9/3/10).

"[T]he Interim Guidelines should be amended to provide that when an EGS sends out a renewal/change notice, all affected EDCs must be provided with a copy of the notice or, at a minimum, communication that the notice has been sent to customers," PPL said.

"Because the EDC will be identified on the notice as the entity to contact regarding the PTC, it is fair to assume that the EDC's customer contact center will receive telephone calls from customers regarding the PTC and, perhaps, other provisions in the notice," PPL noted.

"Of course, specific questions regarding the EGS' products would be directed to the EGS. However, in order to adequately staff and train its customer service representatives to respond customers' calls, the EDC must be aware of the notices being issued by the EGSs doing business in its service area," PPL said.

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WGES Offering Natural Gas Product with Carbon Offset

Washington Gas Energy Services has begun offering a natural gas product bundled with carbon offsets to its mass market customers in Maryland, Virginia, and the District of Columbia.

The CleanSteps natural gas product (the same branding as used for its renewable electric product) is a natural gas offering including carbon offsets equal to 100% of usage. Additionally, WGES' standard natural gas products for new or renewed customers will, by default, include carbon offsets equal to 5% of usage for residential customers, and 3.5% of usage for small commercial customers. WGES may later offer a 50% offset product if customer demand warrants the option.

The 100% offset is available only as a 12 or 24-month fixed price product. Residential pricing is as follows:

Term/Offset	BGE	WGL (Md./DC/Va.)	Columbia (Md.)
12 Mo. / 5%	$0.710	$0.710	$0.770
12 Mo. / 100%	$0.800	$0.840	$0.840
24 Mo. / 5%	$0.770	$0.750	$0.830
24 Mo. / 100%	$0.840	$0.880	$0.900
Variable / 5%	$0.550	$0.660	--

Note: BGE, WGL prices are per therm; Columbia prices are per CCF

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Briefly:

Mint Energy Receives Maine Electric License
The Maine PUC granted Mint Energy LLC a competitive electric provider license to serve medium and large non-residential customers at Central Maine Power and Bangor Hydro-Electric. Aside from its previously reported electric supplier applications in Connecticut, Pennsylvania and Massachusetts (Only in Matters, 8/17/10), Mint said that it has submitted an application for a Rhode Island electric supplier license to serve non-residential customers. Mint is an affiliate of broker Patriot Energy Group.

EnergyCruncher.com Seeks Maryland Broker License
Start-up Energy Shopper, LLC, which will operate the online brokering website EnergyCruncher.com, applied for a Maryland electric broker license to serve residential and commercial customers in all service areas. Its principals include Dr. Leonard Merewitz, of Lama Consulting, where Merewitz brokered three customers without the requisite license as Merewitz was unaware that the consulting activity constituted brokering and required a license. Energy Shopper said that it intends to utilize affinity programs to drive customers to its website for rate comparisons and enrollments.

Etheredge Partners Seeks Maryland Broker License
Etheredge Partners LLC applied for a Maryland electric broker license to serve all customer classes in all service territories. Etheredge Partners LLC is active in Texas, Connecticut and Pennsylvania, where it trades as Energy Advisors. However, it was not apparent from its Maryland broker application that it was seeking to use the trade name Energy Advisors in Maryland.

Suncom Energy Seeks Maryland Broker License
Suncom Energy applied for a Maryland electric broker license to serve commercial customers at Baltimore Gas & Electric and Delmarva Power. Suncom is a business process outsourcing company offering various call center, telemarketing, and related services.

Energy Consultants LLC Seeks Pennsylvania Broker License
Start-up Energy Consultants LLC applied for a Pennsylvania electric broker license to serve all customer classes in all service areas. Energy Consultants LLC is comprised of the former management of North Atlantic Energy Inc.

The Legacy Energy Group Seeks Pennsylvania Broker License
The Legacy Energy Group, LLC applied for a Pennsylvania electric broker license to serve all sizes of commercial and industrial customers in all service areas.

ADL High Voltage Seeks Ohio Broker License
Texas broker ADL High Voltage applied for an Ohio electric broker/aggregator license to serve commercial, mercantile, and industrial customers in all service areas.

Reliant Says It Has Not Volunteered as POLR
Reliant Energy Retail Services, LLC informed the PUCT that it has not volunteered to serve as a POLR in any customer class for the 2011-12 term, and said that it should be removed from the preliminary volunteer POLR list (38229, Only in Matters, 9/10/10). Reliant believes its inclusion on the volunteer POLR list, in which it is listed as a volunteer in every class in every service area, is an oversight. Additionally, Reliant said that its Reliant Energy Texas Retail, LLC entity, which is listed as an non-volunteer POLR in two instances, does not meet the eligibility criteria to serve as a POLR in any service area or customer class, and should be removed from the non-volunteer and eligible POLR lists.

TexRep8 to Relinquish REP Certificate
TexRep8 LLC filed a notice of cessation of operations with the PUCT, having never served any customers. Pacific Fuels of Hurst, Texas acquired TexRep8 from Energy Services Group earlier this year (Only in Matters, 5/7/10).

Mass. AG Seeks Investigation into Basic Service Procurement Practices

The Massachusetts Attorney General petitioned the Massachusetts DPU to open an investigation into basic service procurement practices and issues that may arise in the procurement process of each electric utility, in order to assess the effectiveness of basic service procurement (10-BSF-A4).

The Attorney General's request was prompted by Fitchburg Gas and Electric's petition which had sought approval to modify its large customer basic service procurement pilot program. Specifically, Fitchburg Gas and Electric sought, and the DPU approved, authority to solicit fixed and variable basic service rate proposals for both the six month period December 1, 2010 through May 31, 2011 and for the three month period December 1, 2010 through February 28, 2011.

Fitchburg Gas and Electric sought such authority because of the small amount of large customer load currently on basic service, as it is concerned that the small amount of load may be unattractive to competitive wholesale suppliers. The Attorney General noted that issues raised by Fitchburg Gas and Electric may also affect other distribution companies' basic service procurements.

The Attorney General asked the DPU to solicit comments on improvements and best practices to assure that basic service procurements are the result of a fair and open solicitation process that produces the best results for customers.

Just Energy to Pay $17,250 to Resolve Alleged Substantive Rule Violations in Texas

Just Energy would pay $17,250 to resolve alleged violations of various Substantive Rules under a settlement with PUCT Staff (38657). The settlement results from an audit of Just Energy.

Staff's audit alleged that Just Energy was not in compliance with eight provisions of the Substantive Rules, including:

- Although a disclosure of early termination fees was included in the terms of service and Electricity Facts Label, such fees were not disclosed in the letter of authorization included with renewal notices, contrary to Subst. R. 25.474(e)(5)(F)
- Just Energy failed to include disclosures regarding how to obtain information about the price that would apply on the next bill, contrary to Subst. R. 25.475(d)(2)(C)
- Disconnection notices used by Just Energy failed to include certain disclosures required by Subst. R. 25.483(l)(7)

Just Energy has corrected all of the alleged deficiencies.

Pa. PUC Trial Staff Says Lack of Unbundling at PECO will Enrich Suppliers

"There is no clear evidence that the zero discount rate [in PECO's electric Purchase of Receivables program] will increase competition but there is clear evidence that it offers an opportunity for increased profits," the Pennsylvania PUC Office of Trial Staff (OTS) said in a post-hearing brief concerning PECO's electric distribution rate case (R-2010-2161575).

As only reported in *Matters* (9/2/10), a settlement in the rate case left to litigation Trial Staff's petition to unbundle supply-related uncollectibles from distribution rates, with such costs recovered via a Merchant Function Charge for default service customers, and an equal POR discount rate component for competitive supply customers. The PUC had rejected such unbundling when adopting a revised electric POR program at PECO in June. As currently approved, the POR discount rate only includes a temporary discount for implementation costs, with uncollectibles recovered in base rates.

Trial Staff contended that, "[b]y not including uncollectibles in the discount rate, EGSs will increase the amount of revenue they receive from PECO."

"In the advertised price of electric supply, EGSs recover their cost of service (including uncollectibles) plus a profit margin. That realized profit margin will increase if PECO's customers assume the uncollectible risk since such costs were included in the EGS pricing," Staff argued.

"The validity of the PECO proposal hinges on the implication that market forces will incentivize the EGSs to lower their advertised prices commensurate with the avoided costs of the uncollectibles expense," Staff continued.

However, Staff argued that, "this is an uncertain proposition."

"An EGS may lower its advertised price or it may simply maintain the price previously calculated to include uncollectibles expenses and retain the added profit. Assuming that the EGS will adopt the former proposal reflects a degree of naivete as there are logical reasons why an EGS would not do so. For example, [Staff witness] Ms. Morrissey observes that many of the EGSs preparing to enter PECO's service territory have already entered other service territories where they have included uncollectibles expenses within their advertised rates. It is not unreasonable to conclude that the EGSs would not lower the advertised price in PECO's territory in order to avoid customer pressure to lower their advertised prices in neighboring service territories," Staff said.

PECO countered that Staff's arguments, "are without support."

"First, because uncollectible accounts expense as a percent of revenue does not vary based on whether a customer buys electricity from PECO or an EGS, recovering an overall average rate of uncollectible accounts expense from all customers through distribution rates does not disproportionately burden or benefit any customer group," PECO said.

"In addition, there is simply no evidence that an EGS would include a premium in its prices for an uncollectible accounts expense which it was not incurring," PECO added.

"Indeed, EGSs are looking to meet or beat their competitors' prices in order to serve customers, and thus could not afford to include extra charges. Thus, in other words, customers will not pay the uncollectible expense twice as OTS surmises - once in distribution in rates and again in EGS charges. Rather, under PECO's proposal all customers would pay for uncollectible expenses just once - in distribution rates. The OTS appears to acknowledge this fact when it states that '[p]ricing offered by an EGS to PECO's customers will be set to cover the supplier's cost of service and will consider pricing offered by other EGSs in PECO's service territory,'" PECO noted.

Aside from objecting to Staff' petition as an impressible attempt at another bite of the apple, given the PUC's June POR order, Dominion Retail said that Staff's argument amounts to speculation, and stressed that, "speculation, and inaccurate speculation at that, cannot carry the day in light of the evidence showing, in this record and from the prior proceeding, that PECO's proposal is less costly to implement and produces the same net result."

Pa. Renewals ... from 1

While PPL did not object to the proposal that the electric distribution companies shall be responsible for calculating the estimated Price to Compare to be used by suppliers, PPL sought several clarifications regarding this responsibility. For example, if an EDC changes its Price to Compare on a quarterly basis, its obligation to provide an estimated Price to Compare should extend for no more than three months or one calendar quarter into the future from the date of the request for an estimate, PPL said.

"PPL Electric recognizes the desire to provide PTC information to customers who are trying to make decisions regarding the possible extension of a contract with an EGS. However, the Company does not believe that customers will benefit from receiving a future PTC that is too speculative and subject to significant changes. The guidelines currently could be interpreted to require the EDC to provide an estimated PTC for the entire contract term," or longer than the Price to Compare would actually be in effect, PPL said.

Furthermore, PPL said that if an EDC changes its Price to Compare on a quarterly basis, the EDC's obligation to provide an estimated PTC should not require updates of that estimate any more frequently than on a quarterly basis. "The Company anticipates that it will have to devote substantial resources to calculating the quarterly PTC. EDCs should not be required to devote additional time and expense to developing more frequent estimates solely for the purpose of EGS renewal/change notices," PPL said.

The National Energy Marketers Association argued that an estimated Price to Compare should not be listed on renewal notices because the estimate will be confusing to customers since it will likely be different from the actual Price to Compare. NEM said that the Commission should instead focus on educating customers about the nature and meaning of the utility Price to Compare, how often it will change, and when such rates are applicable.

The Pennsylvania Utility Law Project also opposed including an estimated Price to Compare on renewal notices since customers cannot make an "informed" choice by relying on what will essentially be estimates that are inaccurate by their very nature. PULP favors requiring the renewal notice to only inform the customer of how to obtain the Price to Compare online or by phone.

While the Office of Consumer Advocate had previously supported the position espoused by PULP, OCA says that it can accept the use of an estimated Price to Compare with several conditions. Among other things, OCA said that supplier renewal notices should direct customers to OCA's shopping website in additional to the PUC PowerSwitch website to obtain Price to Compare information. Additionally, OCA said that the PUC should monitor the accuracy of the estimates, and be prepared to make changes in its policy if large deviations between the estimates and actual Prices to Compare result. Finally, OCA said that the PUC should ensure that the information about the Price to Compare, and how to obtain the actual Price to Compare, that is provided on renewal notices is prominent and understandable.

NEM and BlueStar Energy Services argued that customers should only be directed to the Commission and its PowerSwitch website, as an unbiased source, to obtain Price to Compare information, and should not be directed to the electric distribution company.

Default Renewals

The PUC's tentative order would apply the current natural gas renewal standards to electric renewals, and provide that, absent affirmative action, a customer could only be automatically renewed onto a month to month product, or a fixed product without an early termination fee.

NEM, BlueStar, and Washington Gas Energy Services all opposed the proposed change, arguing that it would interfere with the customer's expectation for seamless service and desire for price stability, if the customer is forced onto a month-to-month product because of the rule.

BlueStar stressed the difference between the retail electric and gas industries as justifying a different approach for electric renewals, noting that electricity cannot be stored unlike natural gas. According to BlueStar, "provisions allowing gas contracts to be canceled without penalties have very different financial and operational consequences than EGS contracts. There has been no discussion of these issues in the CHARGE [working group] meetings and BlueStar strongly opposes this approach without the benefit of a full and complete understanding of the resulting financial consequences."

WGES noted that in neighboring jurisdictions, automatic renewals for fixed terms carrying early termination fees are allowed provided that the customer is adequately notified of the upcoming renewal. WGES said that there have not been any adverse consumer impacts from such policies.

WGES ... from 1

WGES' standard early termination fee of the greater of $150 or $20 per month for each month remaining on the contract term applies to all fixed priced contracts.

WGES is offering the offsets under a partnership with Sterling Planet, the Chesapeake Bay Foundation, and trucking giant J.B. Hunt. Offsets will initially result from shifting J.B. Hunt trucking shipments to intermodal rail. WGES and Sterling Planet will also establish a carbon reduction fund administered by the Chesapeake Bay Foundation to develop local carbon offset projects. Contributions to the fund are expected at $200,000 annually when WGES's current customer base transitions to the new standard offer.