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June 24, 2013

**VIA ELECTRONIC FILING**

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2nd Floor  
Harrisburg, PA 17120

**Re: Use of Fixed Price Labels for Products With a Pass-Through Clause**  
**Docket No. M-2013-2362961**

Dear Secretary Chiavetta:

Enclosed for filing are the Comments of Washington Gas Energy Services, Inc. in the above-captioned docket.

If you have any questions, please do not hesitate to contact me. Thank you.

Very truly yours,

STEVENS & LEE

*Linda R. Evers/dd*

Linda R. Evers, Esquire  
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**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

<b>Use of Fixed Price Labels for Products</b>	:	
<b>With a Pass-Through Clause</b>	:	<b>Docket No. M-2013-2362961</b>
	:	
	:	

**Comments of  
Washington Gas Energy Services, Inc.**

Washington Gas Energy Services, Inc. (WGES) hereby submits comments on the Commission’s Tentative Order dated May 23, 2013, on the appropriate use of the “fixed price” label (hereinafter “Tentative Order”). The Commission has opened this proceeding to examine appropriate methods for electric generation suppliers (“EGSs”) to label electricity offerings that may include a fixed price for one or more components (e.g., the commodity), but that also include pass-through costs for other components that can vary (such as costs imposed by PJM, the North American Electric Reliability Corporation, etc.).

In its Tentative Order, the Commission proposed amending its definitions of “fixed price” and “variable price”:

Fixed Price: ~~A fixed electricity~~ **AN ALL-INCLUSIVE rate PRICE THAT** will remain the same, for a set period of time **OF AT LEAST THREE BILLING CYCLES.**

Variable Price: ~~A~~ **AN ALL-INCLUSIVE** variable electricity rate **PRICE THAT** can change, by the hour, day, month, etc. according to the terms and conditions in the supplier’s disclosure statement.

Additionally, the Commission proposed a definition of “price with pass-through clause”:

**PRICE WITH PASS-THROUGH CLAUSE: AN ALL-INCLUSIVE PRICE  
SUBJECT TO CHANGE BASED ON VARIOUS FACTORS AS SPECIFICALLY**

**DESCRIBED IN A “PASS-THROUGH CLAUSE” IN THE SUPPLIER’S  
DISCLOSURE STATEMENT.**

WGES stands in favor of clear communications that allow our customers to make well-informed decisions based on full disclosure. However, WGES does not believe the Commission should limit the types of products and services that EGSs can offer by adhering to the three narrow definitions proposed in the Tentative Order. WGES is concerned that the tight definitions may inhibit our creativity for future product offerings. Accordingly, where innovation and expanded options are positive developments for customers, the Commission’s proposed definitions may limit future customer benefits. Pricing structures can change over time; EGSs should have the flexibility to engage in new ideas and offerings, and not be penalized if new ideas defy old categories. The Commission should be flexible and understand that new offers may defy easy categorization.

One issue that causes concern with the Commission’s proposed definitions relates to EDC billing systems. Some WGES products meet the Commission’s proposed definition of “fixed price” now, but it could be difficult to determine the correct label if WGES is forced to adjust the total monthly cost, subject to a refund later, if EDC billing systems are unable to accommodate how these products are billed. Another issue relates to situations in which a customer elects to add features such as renewable energy during the term of the contract. WGES opposes labels and definitions that would remove the ability to adjust our fixed price to include such customer-elected add-on features.

Further, adding more definitions and jargon to already crowded disclosure statements is not good for customers. WGES believes the term “Price with Pass-Through Clause” will create more customer confusion. The disclosure statement already is a lengthy document that requires

a small typeface to fit on one page. WGES has worked to streamline the disclosure statement as much as possible, and adding more content is contrary to that customer-focused goal.

In WGES's experience, EGS fixed price contracts generally contain a "regulatory change clause." This type of clause provides EGSs with the discretion to assess an increased charge to a consumer. Where unavoidable, unhedgeable, and unforeseeable regulatory cost components are imposed or rise, EGSs must have the flexibility to pass the components through, as long as the ability to do so is fully disclosed in a regulatory change clause. Without this flexibility, EGSs would be left with limited options for mitigating their risks. As long as the use of a regulatory change clause is fully and properly disclosed in fixed price contracts, it should be allowed.

In its Tentative Order, the Commission outlined a number of potential methods for labeling long-term, fixed price products that include the pass-through of regulatory-related cost changes. The Commission should adopt a method that allows for the definition of a "fixed price" product to include the pass-through of additional costs as a result of regulatory changes, and should not adopt narrow definitions that will limit the ability of EGSs to offer new products and services in the future.

WGES appreciates the opportunity to offer comments on this topic.

Respectfully Submitted,

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