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March 24, 2014

VIA ELECTRONIC FILING

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building, Filing Room
400 North Street
Harrisburg, PA 17101

RE: Rulemaking to Amend the Provisions of Pa. Code Section 54.5 Regulations Regarding Disclosure Statements for Residential and Small Business Customers and to Add Sections 54.10 Regulations Regarding the Provisions of Notices of Contract Renewal or Changes in Terms; Docket No. L-2014-2409385; **COMMENTS OF IGS ENERGY**

Dear Secretary Chiavetta:

Enclosed for e-filing with the Commission, please find Comments of IGS Energy in the above-captioned matter.

If you have any questions regarding this matter, please do not hesitate to contact me.

Very truly yours,

Todd S. Stewart
Counsel for IGS Energy

TSS/jld
Enclosure

cc: Office of Competitive Market Oversight (via e-mail to RA-OCMO@pa.gov)
Vincent Parisi, Esq., IGS Energy
Matt White, Esq., IGS Energy
Anthony Cusati, III, IGS Energy

**COMMONWEALTH OF PENNSYLVANIA
PUBLIC UTILITY COMMISSION**

**Rulemaking to Amend the Provisions of)
Pa. Code Section 54.5 Regulations)
Regarding Disclosure Statements for)
Residential and Small Business Customers)
and to Add Sections 54.10 Regulations)
Regarding the Provisions of Notices of)
Contract Renewal or Changes in Terms)
)**

Docket No. L-2014-2409385

COMMENTS OF IGS ENERGY

I. INTRODUCTION

Interstate Gas Supply, Inc. (“IGS Energy” or “IGS”) would like to thank the Pennsylvania Public Utility Commission (“Commission”) for giving it the opportunity to comment on the important topic of notices to customers for contract renewals. IGS believes that informed and engaged electric customers are the customers that are best able to protect their own interest. Thus, IGS supports Commission efforts to encourage customer engagement and to give customers meaningful and timely information about their pricing. These efforts should be continued by the Commission, not only for shopping customers, but also for customers that receive Default Service.

When promulgating rules for customer notices it is important to remember that simply giving customers as much information as possible can be counter-productive if the information and communications are not presented properly. For instance, if communications become overly routine, or are not appropriately labeled, customers may simply ignore all communications. As

such, any Commission rules with respect to contract renewal notices should seek to strike the appropriate balance of giving customers the information they need to make informed decisions, without causing undue confusion or annoyance.

With these principals in mind, IGS submits the following comments to the rule changes proposed in this proceeding. Failure of IGS to comment on a particular proposed rule change neither indicates IGS' opposition or support for that rule change.

II. COMMENTS

A. The Proposed Rules Should be Modified to Require Clear Disclosure of Prices and Require Notice to Customer if the Rollover Price Increases Above Fifty Percent from Term to Term.

Proposed Rule 54.10(A)(II)(A) provides that at the end of a customer's fixed term contract customers who are converted to a month-to-month variable rate must receive a notice every time the variable rate changes. This is a significant change to the current rule which only requires electric generation suppliers ("EGS") to give notice to customers at the end of a fixed term, but does not require notice of every month-to-month variable rate change.

IGS does not oppose rules that would provide customers with better notice of their rollover price after a customer's fixed contract term ends. Making sure customers are informed of rollover electric prices is important as Pennsylvania continues to transition to fully competitive electric markets. However, IGS is concerned that the Commission rules as proposed may lead to excessive, and therefore counter-productive, notifications to customers.

Monthly variable prices by their very nature are designed to vary every month, but not all variable pricing is the same.¹ Thus, under the proposed rules, customers on monthly variable rates would receive a notice of any price change every month, no matter the magnitude (even

¹ For instance, some variable products are provided with a cap on how high the price may go each month. Some variable pricing provides more market responsive components, like hourly pricing, while other variable pricing provides for some level of advanced hedging and not subject to hourly fluctuations.

when the price is lowered) and regardless of the variable product type. This is in addition to the two notices that are already required before the fixed term price ends and the one notice that must be sent to customers after they rollover onto a monthly variable rate. At a certain point customers will simply begin ignoring price change notifications (by throwing away their mail or deleting their emails). This defeats the purpose of the noticing pricing changes and should be avoided.

IGS believes that with a few modest modifications to the Commission's proposed rules, customers will be able to receive sufficient notice of their electric renewal price and at the same time avoid excessive notices that can give customers a negative impression of electric shopping. Further, IGS' proposed modifications would ensure that customers do not receive substantive increases in their electric rates without proper notice or consent.

First, IGS proposes to modify the rules which allow month-to-month variable contract renewals by requiring that a standard variable price disclosure be conspicuously stated and placed in the renewal notice. This notice should, in bold and clear print, disclose the monthly variable nature of the product and disclose whether there is a limit on how much the rate can change each month.

Second, consistent with the proposed rules for newly entered agreements, IGS' proposed rule would require a notice in any change to the EGS price that exceeds fifty percent (50%) of the previous charged price. Thus, IGS' proposed rule change would ensure that customers would receive notice, and an opportunity to switch suppliers, if the customer is about to receive a material price increase.

IGS' proposed rules for variable rollover rates strike the appropriate balance by 1) assuring that the customer will be alerted to the volatility of variable pricing by requiring a

conspicuous notice; 2) ensuring that EGSs provide notice of price increase before that material increase becomes effective; and 3) giving effective notices to customer without overloading customers with confusing or needlessly superfluous information. As such IGS proposes that the Commission modify the proposed rule 54.10 accordingly:

(A)(3)

(I) A FIXED TERM CONTRACT SHALL BE CONVERTED TO ONE OF THE FOLLOWING:

A) A MONTH-TO-MONTH CONTRACT, EITHER AT THE SAME TERMS AND CONDITIONS OR AT REVISED TERMS AND CONDITIONS, AS LONG AS THE CONTRACT CONTAINS NO CANCELLATION FEES; PROVIDED THAT NOTICE OF PRICE VARIABILITY BE CONSPICUOUSLY STATED IN THE BODY OF THE RENEWAL NOTICES REQUIRED.

(B) ANOTHER FIXED TERM CONTRACT, AS LONG AS THE NEW CONTRACT INCLUDES A CUSTOMER-INITIATED CANCELLATION PROVISION THAT ALLOWS THE CUSTOMER TO CANCEL AT ANY TIME, FOR ANY REASON, AND CONTAINS NO CANCELLATION FEES.

(A)(2) AN OPTIONS NOTICE SHALL BE PROVIDED TO EACH AFFECTED CUSTOMER AT LEAST 30 DAYS PRIOR TO THE EXPIRATION DATE OF THE FIXED TERM CONTRACT OR THE EFFECTIVE DATE OF THE PROPOSED CHANGE IN TERMS. THE OPTIONS NOTICE SHALL INCLUDE THE FOLLOWING:

(I) A STATEMENT ADVISING THE CUSTOMER OF THE SPECIFIC CHANGES BEING PROPOSED BY THE EGS AND INFORMING THE CUSTOMER OF THE CUSTOMER'S OPTIONS, INCLUDING THE CUSTOMER'S ABILITY TO ACCEPT THE PROPOSED CHANGES, TO SELECT ANOTHER EGS WITHIN A CERTAIN TIME PERIOD, OR TO RETURN TO DEFAULT SERVICE.

(II) INFORMATION REGARDING NEW PRICING OR RENEWAL PRICING INCLUDING THE PRICE TO BE CHARGED, PER KILOWATT-HOUR, FOR THE FIRST BILLING CYCLE OF GENERATION SERVICE:

(A) IF THAT CUSTOMER DOES NOT RESPOND TO THE NOTICES AND IS CONVERTED TO A MONTH-TO-MONTH CONTRACT ANY SUBSEQUENT CHANGES IN PRICING THAT INCREASES THE CUSTOMER'S PRICE MORE THAN FIFTY PERCENT ABOVE THE CUSTOMER'S LAST BILLED PRICE SHALL BE PROVIDED TO THE CUSTOMER AT LEAST 30 DAYS PRIOR TO THAT NEW PRICE BEING CHARGED.

(B) IF THE CUSTOMER FAILS TO RESPOND TO THE NOTICES AND IS ENTERED INTO A NEW FIXED PRICE CONTRACT, THE FIXED, PER KILOWATT-HOUR PRICE TO BE CHARGED AND TERM LENGTH OF THE CONTRACT SHALL BE PROVIDED.

B. The Second Options Notice is Likely to Cause Customer Confusion and Annoyance and Should not be Required

Proposed rule 54:10(A)(1)(V) requires that before a customer's fixed term is about to expire, the customer must receive an "options notice" 30 days prior to the expiration of the customer's term date. This option notice is in addition to the initial notice the customer must receive 45-60 days prior to the expiration of the term date and the notice the customer receives after the price change notifying the customer of their new price.

While IGS believes that it is important that customers have notice of their new price, as already noted, over-noticing customers can be counter-productive and give customers a negative impression of electric shopping. Thus, IGS would suggest simply deleting the proposed options notice requirement set forth in proposed rule 54:10(A)(2). Even if the options notice requirement is deleted, customers will receive two notices of the expiration of their term; one before the price change, and one after the price change, notifying the customer of the new price. Limiting the renewal notices to customers is also more consistent with the notice requirements IGS is familiar with in other states with electric Choice programs which generally only require one notice to customers upon expiration of a contract term. In the alternative, if the Commission

does not wish to delete the options notice requirement in proposed rule 54:10(A)(2), the Commission could delete the initial notice requirement set forth in proposed rule 54:10(A)(1).

C. Past EGS Average Prices Are Unlikely to Give a Customer Useful Information

Proposed rule 54.5(14)(I) requires that an EGS provide the customer with an internet address and telephone number where a customer can obtain the EGS' average monthly billed price for that customer's rate class over the last 12 month period. Proposed rule 54.5(14)(II) then requires the EGS to make a conspicuous statement to customers that "historical pricing is not indicative of present or future pricing."

First, on its face, directing customers to look at an EGS's past pricing, and then requiring EGSs to tell customers that past pricing is not indicative of future pricing, is contradictory and likely to only confuse customers. EGS' past pricing for *all customers* over a period of time in the past, has no relevance to the actual price a single customer has agreed to pay over a future period of time. This contradictory information provided to customers is likely only to confuse customers about the price of electricity they will pay.

Second, EGSs will incur significant costs to track past pricing information and to make that pricing information publicly available on a website. Because most EGSs are likely to charge customers different prices over a period of one year, it will be difficult to aggregate the average price that all customers pay over a one year period, and update that information monthly. This problem is exacerbated as suppliers offer a wider range of electric products including time-of-use pricing, seasonal pricing, flat monthly bills, etc. As the Commission's regulatory requirements raise the cost of providing electric service to customers, those cost increases will lead to increases in prices that shopping customers pay.

Third, an EGS's average aggregate price over the past year does not take into account the actual product in which the customer has enrolled, and the additional bundled services the customer receives for that product. For instance, a customer may pay a higher per KWH price for an EGS product, but that customer may also receive energy efficiency service, a smart thermostat, a solar panel, renewable energy or some other service in addition to the electric commodity that is included in the price. Again, as EGSs offer a more diverse range of products in the market, this problem is likely only to be exacerbated.

Finally, pricing information of an EGS is competitively sensitive information that could be used to an EGS's detriment by competitors. Disclosure of pricing information could also potentially lead to anti-trust and predatory pricing concerns, which should be avoided, particularly given the information has minimal value to customers.

For the reasons above, IGS recommends that the Commission delete the provision in Section 54.5(14)(I) as the information required in the rule is unlikely to provide customers with useful and relevant information but rather will only increase the cost of serving customers. However, if the Commission believes that some historical pricing data must be provided, it would be far more relevant and less costly, if EGSs were required to post a "standard variable rate" as opposed to all rates.

D. Appropriate Notices and Information Should Also be Provided to Default Service Customers

As already noted, IGS is a strong proponent of engaging and informing customers about the products and prices that they receive. One of the great benefits of electric competition is that customers who shop and engage in the electric market are more aware of their electric pricing and consumption than customers who simply remain on default service. For these reasons, while IGS believes that it is appropriate to inform and engage electric shopping customers about their

pricing, the Commission should also make efforts to inform Default Service customers about their electric pricing and options available in the market. In fact, many customers who remained on the Default Service rate over the last several years missed out on savings opportunities because they were not aware or otherwise informed about the alternative products that were available to them.

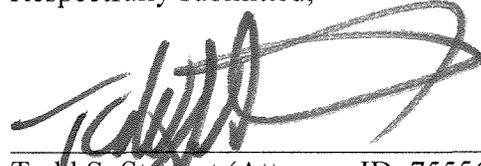
For these reasons, as the Commission takes measures to inform shopping customers of the prices they pay, the Commission should also take measures to inform Default Service customers of the prices they pay. For instance, Default Service customers should be sent notices of Default Service price changes, similar to notices sent by EGSs to their customers. Further, in the notices to Default Service customers, Default Service customers should be encouraged to review prices of EGSs and should be informed that they may be paying a higher price by remaining on Default Service. Of course, the cost of providing notices to Default Service customers should be recovered in the Default Service rate, as the cost of notices to shopping customers must be paid for by EGSs.

If the Commission does not take measures to encourage Default Service customers to shop, and at the same time continues to raise the cost of EGSs to provide service to customers, then the great benefits Pennsylvania has seen from competitive markets will be diminished. Further, if the Commission initiates rules that intentionally, or unintentionally, encourage customers to return to default service, then Pennsylvania's electric markets will simply become less vibrant, and the innovative products and services that have great potential to transform the way customers use electricity for the better, will never materialize.

III. CONCLUSION

During this period of volatility in electric markets, it is important not to lose sight of the benefits competitive electric markets have brought to Pennsylvania business and residential customers. It is also important not to lose sight of the potential fully competitive markets have to transform a previously stagnant monopoly industry into a vibrant competitive market that provides previously un-thought-of value added products and service to customers. Therefore, as the Commission contemplates ways to provide effective consumer notification measures to customers, those measures should be balanced and not inherently favor the Default Service product in the market. To do otherwise would risk giving up the gains that have, and will, be achieved by introducing competition into electric markets.

Respectfully submitted,



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Dated: March 24, 2014