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February 2, 2015

VIA ELECTRONIC FILING

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

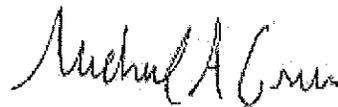
Re: Investigation of Pennsylvania's Retail Natural Gas Supply Market
Docket No. I-2013-2381742

Dear Secretary Chiavetta:

Enclosed for filing are the Comments of WGL Energy Services, Inc. in response to the December 18, 2014 Final Order issued in the above-captioned matter. If you have any questions, please do not hesitate to contact me. Thank you.

Best Regards,

STEVENS & LEE



Michael A. Gruin

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A PROFESSIONAL CORPORATION

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Investigation of Pennsylvania’s
Retail Natural Gas Supply Market**

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Docket No. I-2013-2381742

**Comments of
WGL Energy Services, Inc.**

I. Introduction

WGL Energy Services, Inc. (WGL Energy) is a licensed natural gas supplier (NGS) in the Commonwealth of Pennsylvania and first began serving commercial and residential customers in Pennsylvania in 2010.¹ WGL Energy has served natural gas supply markets since the advent of natural gas retail choice in 1996 in Maryland, the District of Columbia, Virginia, and Delaware. WGL Energy has been an active proponent of fair market rules that will facilitate retail energy competition in the jurisdictions in which it operates including Pennsylvania, and it participated in the Commission’s retail electricity market investigation and submitted comments on the issues identified by the Commission in its Tentative Order of August 21, 2014 initiating this investigation.

In the Final Order issued December 18, 2014 in this docket the Commission reviewed the comments submitted by interested parties in response to issues identified in the Tentative Order issued on August 21, 2014, directed its Office of Competitive Market Oversight (OCMO) to initiate a working group of gas industry stakeholders to “investigate potential changes or standardization of the use of capacity and storage assets,” invited interested parties to file informal comments by February 28, 2015 with OCMO “regarding supplier-related elements that

¹ WGL Energy was formerly known as Washington Gas Energy Services, Inc.

would be appropriate for inclusion on the utility-consolidated bill,” and invited interested parties to file written comments in this docket regarding “Natural Gas Supplier disclosure requirements” and “the development of account number access mechanisms” within thirty (30) days of publication of the notice of the December 18 Order in the *Pennsylvania Bulletin* or by February 2, 2015. In these comments WGL Energy addresses NGS disclosure requirements and customer account number access mechanisms.

II. NGS Disclosure Requirements

With extremely cold weather during parts of the winter of 2013 – 2014 and numerous complaints about price spikes from consumers with variable rate contracts, the Commission extensively revised its electricity supplier disclosure regulations (Final-Omitted Rulemaking Order issued April 3, 2014, Docket No. L-2014-2409385). Revised 52 Pa. Code, Section 54.5 (Disclosure Statement for Residential and Small Business Customers) and new 52 Pa. Code, Section 54.10 (Provision of Notices of Contract Renewal or Changes in Terms) became effective July 14, 2014, and contain significantly different supplier disclosure regulations from natural gas supplier disclosure statement regulations (52 Pa. Code § 62.75) that have been in effect since April 2001 (Final Rulemaking Order, Docket No. L-00000149, November 29, 2000).

The Commission initiated a review of the gas disclosure rules in this docket to determine if the new electric disclosure rules are applicable or relevant to retail natural gas supply markets. The electric rules require the disclosure of historical pricing, prior notice of price changes, variable price limits (or no limits), a supplier contract summary page and contract expiration notices, and the Commission’s concern is that current inconsistencies in the electric and gas disclosure rules might confuse customers and cause inefficiencies, particularly for suppliers in providing both gas and electric supply to customers (Final Order on Request for Clarification on

Notice Requirements for Combined Electricity and Natural Gas Disclosure Statements, Docket No. L-2014-2409385, October 2, 2014).

After reviewing comments as to whether consistency between gas and electricity supplier disclosure rules should be a high priority, whether gas and electricity supplier disclosure requirements should be uniform or modified to account for market differences, and whether historical variable gas pricing information should be made available to residential and small commercial customers, the Commission found that devising consistent gas and electric rules is a high-priority issue and called for further comments to ascertain the changes to gas rules needed (Order, pages 37 – 40). To effectuate substantial changes to the gas rules, the Commission notes that a rulemaking will be required and that, given the urgency of the issue, it is treating the Order as an Advanced Notice of Proposed Rulemaking Order and soliciting comments that it will then use to frame the issues in a Notice of Proposed Rulemaking Order that it expects to issue early this year. The Commission left open the possibility of taking up issues raised in comments in the stakeholder process before proceeding with a formal NOPR with comments invited on specific proposed regulatory language but directed OCMO to review the comments and prepare a NOPR in the first quarter of 2015 to revise the regulations at 52 Pa. Code § 62.75.

The Commission asks what provisions of 52 Pa. Code § 62.75 should be revised to be consistent with 52 Pa. Code, § 54.5 and § 54.10 and identifies areas that are relevant to this request. WGL Energy has worked with the Commission’s Staff to comply with the revised electric notice and disclosure rules and provides comments on the areas identified by the Commission below.

Enhanced Variable Price Disclosure and Explanation and Disclosure of Limits or Caps

52 Pa. Code, § 54.5(c)(2)(ii)(A) requires that an EGS provide a customer with a variable price statement that explains the limit on price variability:

“If there is a limit on price variability, such as a specific price cap, a maximum percentage increase in price between billing cycles or minimum/maximum charges per kilowatt-hour for electricity during the term of the contract, the EGS shall clearly explain the applicable limits.”

WGL Energy would not object if this electricity supplier variable price disclosure requirement were to be incorporated into new gas supplier variable price disclosure requirements. WGL Energy has more significant issues with the new variable price notice requirements set out in 52 Pa. Code, § 54.10.

Explicit statement of no limits if there are no limits to a variable price

52 Pa. Code, § 54.5(c)(2)(ii)(B) provides that an EGS must provide a customer with a variable price statement that states that there is no limit on price variability, if that is the case:

“If there is no limit on price variability, the EGS shall clearly and conspicuously state that there is no limit on how much the price may change from one billing cycle to the next.”

Given the nature of a variable price contract and the objective basis that would cause a price to vary in a contract, WGL Energy does not believe the foregoing provision adds value to a customer contract. Rather, in circumstances where a variable rate contract would provide savings and benefits, such as during summer or warmer than normal weather in the winter, the statement would operate to discourage customers from entering into variable rate contracts unnecessarily. WGL Energy submits that this regulation should not be carried over into revised gas supplier disclosure regulations.

The price charged for the first billing period (a “starting price” if the price is variable)

52 Pa. Code, § 54.5(c)(2)(ii)(B) provides that an EGS must provide a customer with a variable price statement that states what the starting price will be in a contract:

“The price to be charged, per kilowatt-hour, for the first billing cycle of generation service.”

WGL Energy does not object if the above electricity disclosure regulation were replicated in revised gas disclosure regulations.

Explanation of when the customer becomes aware of their variable price for the billing period (before the billing period, at the time of billing, etc.).

It is not clear what provision in 52 Pa. Code, § 54.5 or 52 Pa. Code, § 54.10 the Commission intends to apply for the purpose of revising the gas disclosure regulations. An explanation to a customer who becomes aware of a variable price is appropriate if the customer had a fixed rate contract and did not respond to the two notices required by 52 Pa. Code, § 54.10(a)(1) and (2). Such awareness could occur before the billing period, during the billing period and, as is most likely, after the billing period when the customer receives a bill. The customer can call the supplier’s customer call center during any of these periods to obtain answers to questions about the variable rate.

WGL Energy submits that the rules in 52 Pa. Code, § 54.10 pertaining to the two notices that a customer with an expiring fixed rate contract must receive should not be adopted in revised gas supplier disclosure regulations. First, these regulations are very difficult to interpret and effectively remove variable rate contracts from the market place. Second, since auto-renewal contracts cannot have a cancellation fee pursuant to Interim Guidelines (Order issued September 23, 2010, Docket No. M-2010-2195286), and renewal contracts with a cancellation fee require

affirmative signature or approval by the customer, many customers have not entered into renewal fixed price contracts but have defaulted by regulation to a proliferation of variable rate contracts. This led to the large number of consumer complaints about variable prices during the cold winter 2013 – 2014 and in turn led to the complex new rules in 52 Pa. Code, § 54.10.

A better market rule for the improvement of competitive natural gas markets in Pennsylvania is to revise the regulations to authorize workable auto-renewal contract processes with reasonable cancellation fees that provide some protection to suppliers for hedging costs associated with offering such contracts and that insure that consumers understand their renewal options and can opt out of a renewal contract. The best solution to protect against high price spikes from variable rate contracts is for the consumer to enter into fixed rate contracts, not default to variable rate contracts that require complex explanations to the customer.

The provision of historical pricing information for variable products. If so – how much history and how should it be made available to consumers?

WGL Energy did not support proposed electric supplier rules requiring EGSs to provide historical pricing because WGL Energy does not believe such pricing is necessary to assist consumers in making current market pricing decisions. 52 Pa. Code, § 54.5(c)(14) requires that suppliers post twenty-four month average billed prices on their websites or in response to telephone inquiries from customers with the disclaimer that the historical prices are not predictive of future prices as required by the regulation.

WGL Energy does not support a companion provision for gas supplier disclosure rules, because there are a wide variety of different variable rates offerings for various customer rate classes, and a historical pricing requirement could lead to customer confusion.

The use of a contract summary that includes, in a simple, easy-to-read format the key contract provisions. If so, what format is needed and what provisions should be included – keeping in mind that a summary, to be effective, has to be brief, in plain language, and prominent?

52 Pa. Code, § 54.5(i) sets forth a requirement that suppliers provide customers with a separate contract summary in a format provided by the Commission. WGL Energy appreciates the flexibility and cooperation from the Commission's Staff to enable suppliers to select presentation options that benefit the customer while minimizing costs for suppliers. WGL Energy would support a companion contract summary provision in revised gas supplier disclosure rules.

What changes, if any, are needed to contract expiration notices and the rules that should apply if a consumer fails to respond to the notices? Please refer specifically to 52 Pa. Code § 62.75(g)(1) and (2). Are additional rules needed for those consumers that are rolled onto variable-priced products upon expiration of their original contract similar to what is now in place for the electric industry, such as prior notice of price changes?

As explained above, the rule preventing auto-renewal contracts from having a cancellation fee but requiring an affirmative customer signature or approval is not a sound market rule and led to the proliferation of variable rate contracts that further led to the large number of consumer complaints about variable prices during the cold winter 2013 – 2014 and complex new rules in 52 Pa. Code, § 54.10. Rather than create the same undesirable consequences in the natural gas supply market, WGL Energy submits that the Commission should authorize workable auto-renewal contract processes that allow reasonable cancellation fees so suppliers can secure some protection for the hedging costs associated with offering fixed rate contracts with one or two year terms. Rather than modifying the gas supplier disclosure and

notice rules to make them similar with the current electric supplier rules, the Commission should revise both the electricity and the gas supplier rules to allow the auto-renewal of fixed rate contracts without affirmative signatures or approval. With such revisions, WGL Energy would support contract rules that enable consumers to auto-renew under existing fixed rate, fixed term contracts, and not default to problematic variable rate contracts. The contract summary requirement, if enacted, will highlight the features of the new and renewal offers and make them easier for the customer to understand, thereby alleviating concerns about customers being unaware of auto-renewal terms. As such, the inclusion of a contract summary should enable suppliers to offer cancellation fees as part of auto-renewal.

III. Customer Account Number Access Mechanisms

In the Order (at pp. 42-47) the Commission notes that in the Electric RMI docket it directed the EDCs to develop mechanisms that allow suppliers to obtain customer account numbers from the utility to facilitate the enrollment of customers (including enrollment in public places) and for this purpose directed EDCs to develop secure, password-protected internet websites with portals that suppliers could access to obtain account numbers (Final Order, Docket No. M-2013-2355735, July 17, 2013). The mechanisms require suppliers to document and attest to the enrollment of customers in public locations and obtain customer photo identification and signed letters of authorization. The mechanism must be able to track the information, to retain the information for three years and to provide the information to the Commission on request.

The Commission posits that the secure portal mechanisms developed for retail electricity supply markets could also be developed for retail natural gas supply markets in Pennsylvania since many suppliers sell both electric and gas service to consumers. The Commission expressed

interest in public enrollment initiatives that would diminish door-to-door and telemarketing techniques that may be considered intrusive and bothersome to consumers in their homes and that would enable consumers to shop for gas service at public places like malls and community events just like they do for other goods and services such as wireless phone service. To do this, there must be a mechanism for suppliers to access consumer account numbers.

After considering the comments submitted by interested parties including comments expressing concern with the need to protect the security and privacy of consumer information, the Commission found that the development of a secure portal mechanism with sound security and privacy safeguards for retail gas supply markets similar to the mechanism being developed for retail electricity markets is a worthy and immediate priority. Accordingly, the Commission called for formal comments within thirty days of publication of the Order in the Pennsylvania Bulletin.

With a view to the interim guidelines for the provision of eligible customer lists by NGDCs, the Commission identified the areas on which it sought comments. WGL Energy strongly supports the development of mechanisms for suppliers to access customer account numbers and provides comments on those areas below.

The technological platform to be used. EDCs were directed to develop web-based portals. Is the same appropriate for the natural gas industry or are their alternatives we should consider?

WGL Energy strongly supports the use of the technological platform that EDCs were directed to develop for retail electricity supply markets to develop web based portals for accessing customer account numbers in retail natural gas supply markets in Pennsylvania.

What security mechanisms should be utilized to protect consumer privacy? This includes the possible use of password-protections, and minimum customer information requirements for using the mechanism (customer's full name, service street address and five-digit postal code, etc.). The use of customer photo identification and a letters of authorization should also be addressed.

The same consumer privacy and security mechanisms and safeguards being developed for access to customer electricity account numbers should apply to develop privacy and security protection mechanisms for access to customer natural gas account numbers. These would include password-protections, customer full name and service address, five-digit zip code, and signed authorizations. Obtaining customer photo identification is worth considering, but it could be intrusive to customers and raise other privacy concerns.

Should the mechanisms only be available at public locations, not consumer homes or businesses? And if so, how should this be documented?

As is the case for customer account number access mechanisms being developed for retail electricity supply markets, the mechanisms for accessing customer account numbers for retail gas supply markets should be available on-line at public locations. Requirements for documenting locations and enrollments using the mechanisms should be built into the systems as is being done for retail electricity supply customers.

What capabilities should be required of the mechanism to track the usage of the system and identification of users? What should be the record retention requirement for this information - three years as in the electric industry?

The capabilities required to track usage of the customer account number access systems that EDCs are now developing should be applicable to tracking the usage of customer account number access systems that NGDCs would develop for retail gas supply markets. The record retention requirements for this information should be the same for NGDCs as they are for EDCs.

IV. Conclusion

WGL Energy continues to support the Commission's initiative to develop sound market rules to improve the competitiveness and operation of retail natural gas supply markets in

Pennsylvania and to enable consumers to secure the benefits and savings that competitive markets can provide while protecting consumers as these markets become increasingly competitive.

WGL Energy appreciates the opportunity to provide these comments and intends to participate in the working group meetings to be conducted by OCMO.

Respectfully Submitted,

Bernice K. McIntyre

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