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May 22, 2018

VIA ELECTRONIC FILING

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

Re: *Rulemaking Regarding Electricity Generation Customer Choice, 52 Pa. Code*
Chapter 54
Docket No. L-2017-02628991

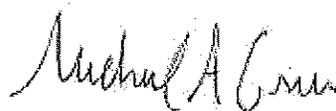
Dear Secretary Chiavetta:

Enclosed for filing are the Comments of WGL Energy Services, Inc. in the above-referend matter.

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

Best Regards,

STEVENS & LEE



Michael A. Gruin

Encl.

cc: Dan Mumford, OCMO (via email)
Matt Hrivnak, BCS (via email)
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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Rulemaking Regarding Electricity	:	Docket No. L-2017-02628991
Generation Customer Choice, 52 Pa. Code	:	
Chapter 54	:	

COMMENTS OF WGL ENERGY SERVICES, INC.

WGL Energy Services, Inc. (“WGL Energy”) hereby files these Comments in response to the Notice of Proposed Rulemaking issued on December 7, 2017 and published in the Pennsylvania Bulletin on March 24, 2018, which sought comments from interested parties on proposed changes to the Commission’s regulations regarding the electricity generation supplier (“EGS”) customer information and notice provisions at 52 Pa. Code §§54.1-54.10.

WGL Energy is a competitive electricity and gas supplier in Pennsylvania. WGL Energy supports many of the proposed revisions to the Commission’s customer information and notice regulations, which will better clarify the existing rules and align them more closely with the rules that are applicable to natural gas suppliers (“NGS”). However, WGL Energy notes that several of the proposed changes could be difficult to implement for EGSs, and in some cases could work to limit product and service options available to consumers in Pennsylvania. With those concerns in mind, WGL Energy respectfully submits the following comments.

52 Pa. Code §54.5(c)1

The Commission proposes to expand section 54.5(c)1 to require that generation charges be disclosed “according to actual prices per kilowatt hour”. The Proposed Rulemaking Order notes that this proposed revision would bring the electric rule into alignment with the natural gas rule at 52 Pa. Code 62.75(c)(1), which is helpful. However, WGL Energy is

concerned that the proposed revision's mandate for per-kilowatt hour pricing does not allow for other types of products, such as flat-bill products or unlimited energy supply products that are growing in popularity among suppliers and customers. While the requirement for EGSs to disclose prices in actual prices per kWh is appropriate for products that are priced on a per kWh basis, it clearly would not be for products that are not priced in this way. For this reason, WGL Energy submits that the new proposed "per kilowatt-hour" reference at the end of the first sentence should be removed. The new language creates more problems than it fixes by significantly limiting the universe of potential price structures that EGSs may offer. The current language in the first sentence of section 54.5(c)(1) sufficiently conveys the requirement for the contract to accurately disclose the actual price of generation charges, without unduly limiting the availability of price structures that are not based on a per kWh model.

If the new "per kilowatt hour" language is retained, then the regulation needs to be expanded to address products that are not based on per kWh price. If that language is retained, WGL Energy proposes that section 54.5(c)(1) be further revised as follows:

"Generation charges shall be disclosed according to actual prices per kilowatt hour, if the customer will be billed under per kilowatt hour price structure. If a customer will not be billed under a per kilowatt hour price structure, the contract's terms must clearly explain the pricing structure and what the customer's price for generation charges will be for a given period of time. Generation charges must include an estimate of all applicable taxes except for State sales tax and county sales tax."

This change will clarify that only per kWh pricing plans will need to disclose the actual prices per kilowatt hour, and will recognize that there may be other pricing structures where the customer will not be billed on a per kWh basis.

52 Pa. Code §54.5(c)(2)

The Commission proposes to add a new section to the regulation to state that if a price is introductory, the contract must specify the duration of the introductory period and the price for the first billing cycle after the introductory period. WGL Energy supports the requirement to provide customers with clear information regarding the duration of their introductory price. WGL Energy is concerned, however, with the requirement to state a definitive price for the first billing period after the expiration of the introductory price for products that involve a variable pricing structure following the introductory price. Variable pricing, by its nature, is fluid, and variable prices may fluctuate up or down based on current market conditions. Suppliers are not able to predict the exact variable price that will be applicable months in advance of a billing cycle, which is what this new rule would require.

There also will be an unintended consequence of the proposed rule that will be harmful to consumers. If a supplier is required to state a specific price for a billing cycle following the introductory period months at the time of contracting, the supplier will need to build in a risk adder to protect itself against the possibility that wholesale market prices will increase. The result is that suppliers will be forced to err on the side of caution and apply higher prices to the first billing cycle after the introductory period. If it turns out the market prices decrease, consumers will not be able to benefit from those falling market prices in the billing cycle following their introductory period, because the supplier had to select a price for that billing cycle months in advance, at the time the contract is provided to the customer.

Instead of requiring a specific price to be disclosed for the billing period following the introductory period, WGL Energy submits that an EGS should only be required to explain

whether the price following the introductory period will be fixed or variable, and how often the price is subject to change. Section 54.5 already has existing provisions that require EGSs to clearly explain the conditions of variability and limits of variability, and other newly proposed provisions further address that issue. Those disclosure requirements will provide the customer with adequate information about the potential price fluctuations for a variable product, and allow the customer to make an informed choice about whether a variable price product with an introductory rate is appropriate for them. Accordingly, WGL Energy submits that the new proposed rule 54.5(c)(2) should be revised to read as follows:

If the price is introductory, the pricing statement must include a statement that the price is an introductory price, provide the duration of the introductory price, and state whether the price following the introductory period will be a fixed price or a variable price. If the price following the introductory period is fixed, the pricing statement must state what the fixed price will be. If the price following the introductory period is variable, the pricing statement must explain the conditions of variability and limits of variability in accordance with the remainder of this section 54.5.

This proposed change should also be reflected in the contract summary changes.

52 Pa. Code §54.5(c)(3)(i)

The Commission proposes to add new language to this rule to require the pricing statement to include “the EGS’s specific prescribed pricing methodology.” WGL Energy understands the Commission’s goal of providing greater transparency to allow customers to make better informed decisions. The Commission notes that a similar requirement has long been included in the analogous natural gas rule at 52 Pa. Code 62.75(c)(2)(i). However, it should be noted the electricity supply market with its multiple components does not lend itself to

mechanical pricing methodologies in the way that the natural gas market does. Because of that, it will be difficult for an EGS to articulate a “specific prescribed variable pricing methodology” for variable price electricity products. EGSs can, and should, be able to provide a list of factors that will be considered in establishing a variable retail price in a given month. But it is unrealistic to require an EGS to provide a rigid formula for setting a price, which is how this new proposed language could be interpreted. Therefore, WGL Energy submits that the new proposed language in this rule should be modified to read as follows:

Conditions of variability (state on what basis prices will vary), including the factors that the EGS will rely upon to establish the variable price.

52 Pa. Code §54.5(g)

The Commission proposes to change the required language in the disclosure statement regarding contract expiration or changes in terms. The new rule would require different language for fixed duration contracts than for contracts without a fixed duration, such as month to month contracts. WGL Energy agrees that the notice requirements should be different for fixed duration and non-fixed duration contracts. However, the new proposed language for non-fixed duration contracts might be confusing, as its references “an expiration date.” WGL Energy suggests that the new language for non-fixed duration contracts should remove the reference to expiration date and only state that the customer will receive two separate written notices that precede the effective date of proposed changes.

Conclusion

WGL Energy appreciates the opportunity to submit these Comments and looks forward to continued engagement with the Commission and other stakeholders on these matters.

May 22, 2018

Respectfully submitted,

Bernice K. McIntyre

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