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May 10, 2018

***Via Electronic Filing***

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

In re: *En Banc* Hearing on Implementation of Supplier Consolidated Billing
Docket No. M-2018-2645254

Dear Secretary Chiavetta:

Enclosed for filing on behalf of Calpine Energy Solutions, LLC ("Calpine") are its Comments in response to the Secretarial Letter dated March 27, 2018 in the above-referenced matter. Calpine is not interested at this time in testifying at the *en banc* hearing on June 14, 2018, but would consider an invitation to do so should the Commission conclude that Calpine offers a unique perspective as a dual-billing electric generation supplier.

Should you have any questions or require additional information, please do not hesitate to contact me.

Very truly yours,

THOMAS, NIESEN & THOMAS, LLC

By [signature]
Charles E. Thomas, III

Enclosure
cc: Becky Merola (w/encl.)

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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**COMMENTS OF**
**CALPINE ENERGY SOLUTIONS, LLC**

## I. INTRODUCTION

Calpine Energy Solutions, LLC ("Calpine"), by and through its counsel, submits the following Comments in response to the Pennsylvania Public Utility Commission's ("Commission") Secretarial Letter dated March 27, 2018 in the above-captioned matter. In particular, the Commission has requested comments from interested parties on a number of topics designed to guide the discussion on the legality and appropriateness of implementing electric generation supplier consolidated billing ("SCB") in Pennsylvania.

Calpine is an independent, national provider of energy and energy-related services across twenty states, including Pennsylvania where it is a licensed electric generation supplier ("EGS") serving commercial, industrial, municipal and residential customers throughout the Pennsylvania. As one of the nation's largest independent retailers and marketers of retail energy services, Calpine offers customers a wide variety of energy-related procurement and risk management services to meet the individual needs of its customers and capture the benefits of a restructured utility environment. In addition to its product and service offerings, Calpine has built its own state of the art billing systems and uses dual billing exclusively for its Pennsylvania customers.

Calpine offers the following comments to provide its perspective on issues concerning the potential implementation of SCB in Pennsylvania. While Calpine has a vested interest in the

SCB issue, Calpine is not interested at this time in testifying at the *en banc* hearing on June 14, 2018, but would consider an invitation to do so should the Commission conclude that Calpine offers a unique perspective as a dual-billing EGS in the Pennsylvania retail market.

## II. COMMENTS ON TOPICS DESIGNED TO GUIDE SCB DISCUSSION

### A. Impact on the Market

Pennsylvania has nearly two million customers presently served by EGSs across the eight largest electric distribution companies' ("EDCs") territories.[1] Electric shopping is not only robust at the residential level, but there is also a long standing successful and functioning market for Pennsylvania commercial and industrial customers. Pennsylvania's current retail electric market allows each licensed EGS the freedom to choose which products and services to offer, meaning there are almost certainly as many different potential business plans, products, and services as there are electric suppliers.

The impact SCB will have on the existing market – whether positive or negative – depends on the Commission's determination as to whether SCB will help or harm the market and whether it is in the public interest to offer another billing option to Pennsylvania consumers given the success of the current market. While it does not draw any conclusions on those questions at this time, Calpine cautions that implementation of SCB in Pennsylvania, if pursued, must be done with extreme care and in a manner which does not result in the creation of disparate treatment for those that do not select the SCB option or the creation of an uneven playing field for competitive EGSs. Moreover, not only do the mechanics of SCB need to be fully considered and vetted before implementation (a topic that Calpine does not address herein

[1] Pennsylvania Office of Consumer Advocate's *Pennsylvania Electric Shopping Statistics As of 4/1/2018 available at* http://www.oca.state.pa.us/Industry/Electric/elecstats/Electric%20Shopping%20Statistics_Apr2018.pdf.

and requires more substantive development), but the Commission, more importantly, must weigh the cost allocation and oversight ramifications of SCB.

### 1. Cost Allocation

With respect to cost allocation in particular, it is imperative that **all** direct and indirect costs of SCB be identified and allocated exclusively to those suppliers electing to use or alter an EDC's billing system to their own company's benefit.

One of the basic decisions each individual business has to make is how to bill their customers. A one-size-fits-all approach will not work for Pennsylvania's retail electric market. As the market in at least one other state demonstrates, not all suppliers choose SCB when offered to bill their customers. A critical factor in that decision is that there are significant operational costs and responsibilities in providing a bill to customers. These costs include initial start-up costs, such as designing and building an IT infrastructure to support customer billing and the creation and operation of a full-time billing department, but also ongoing costs related to technology enhancements, legal, tax and accounting services, receivables risk management (e.g., credit and collections), posting, employees (e.g., benefits and pay), additional customer service needs, and customer outreach and education. If these costs are not accounted for and properly allocated during the implementation of SCB, it could tilt the scales and harm certain suppliers, like Calpine, which already directly bill their customers and, thus, take responsibility for their own billing costs and risks.

Implementation of SCB could result in a fundamental shift in the various relationships between the Commission, individual suppliers, and the extensively regulated utilities. Oversight is imperative, but requires significant time and expense to do so. There would be substantial oversight costs borne up front to implement SCB and then continuing costs for ongoing oversight and compliance. These oversight costs would also need to be identified and separately accounted for and should be borne solely by those suppliers that chose to participate in this type of program.

### 2. Oversight

Defining and establishing the proper level of oversight is also critical in ensuring that retail consumers maintain all existing protections. Retail suppliers are not regulated to the same extent or same manner as a public utility, nor should they be. The Commission controls nearly all aspects of an EDC's service, including the rate of return on equity, the rates and terms for specific services, and default service obligations. EGSs, on the other hand, are not utilities as that term is defined under the Public Utility Code (except for some very limited situations) and thus enjoy significant flexibility in the terms and conditions of their services and the products they offer to Pennsylvania consumers. By approving a SCB option, the Commission would be shifting control of important customer service functions to a less regulated entity. This is a delicate dynamic, and it is imperative that adequate rules and safeguards are adopted and that EGSs participating in SCB are held accountable for their actions to avoid harming the integrity of the competitive retail market.

### 3. Summary

Ultimately, Calpine submits that *any and all* costs associated with the implementation and policing of SCB, including costs related to consumer education and costs incurred by EDCs and the Commission, should be shouldered solely by participating EGS. This ensures a fair and equitable cost recovery mechanism that follows cost causation principles and makes certain that those EGSs participating in this billing option assume the responsibility for all associated costs now and in the future. It will also ensure competitive neutrality and avoid rewarding participating EGSs to the detriment of non-participating EGSs.

## III. CONCLUSION

Calpine appreciates the opportunity to comment on the Commission's investigation concerning the implementation of SCB. For the reasons set forth above, Calpine respectfully request that the Commission consider the foregoing comments and suggestions in formulating any decisions related to SCB that may result from this proceeding.

Respectfully submitted,

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