

CITIZEN POWER

Public Policy Research Education and Advocacy

December 10, 2012

Rosemary Chiavetta, Secretary
Pa. Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

Re: Investigation of Pennsylvania's Retail Electricity Market; Docket No. I-2011-2237952

Dear Secretary Chiavetta:

Enclosed for filing please find the Comments of Citizen Power, Inc. in response to the November 8, 2012 Tentative Order in the above-referenced proceeding.

Please do not hesitate to contact me should you have any questions.

Respectfully Submitted,



Theodore Robinson
Counsel for Citizen Power

Enclosures

**BEFORE THE PENNSYLVANIA
PUBLIC UTILITY COMMISSION**

Investigation of Pennsylvania's)
Retail Electricity Market)

Docket No. I-2011-2237952

COMMENTS OF CITIZEN POWER, INC.

I. Introduction

Citizen Power would like to thank the Pennsylvania Public Utility Commission ("Commission") for this opportunity to comment upon the Proposed End State of Default Service set forth in the November 8, 2012 Tentative Order. Citizen Power is a regional, nonprofit, energy advocacy organization based in Pittsburgh. Since 1996, Citizen Power has been involved in the process to deregulate electricity generation in both Pennsylvania and Ohio, investing significant resources in an attempt to enact policies that protect consumers, especially low-income customers, and the environment.

II. Comments in Answer to the Proposed End State of Default Service

A. Guiding Principles

Citizen Power supports efforts to promote residential shopping because of the opportunities for consumers to benefit from lower prices and expanded product offerings. In addition, we recognize the fact that higher shopping numbers encourage more suppliers to participate in the retail marketplace, potentially driving down prices further. However, we also believe that default service should be an attractive option for those

residential customers who choose not to shop. In our view, default service should be designed in a way that limits its impact on retail markets as long as the desirability of the default service product itself is not compromised.

B. Provision of Default Service

Citizen Power agrees with the Commission that electric distribution companies (“EDCs”) should continue in the role of default service provider (“DSP”). Since the recommended default service product is a full requirement, load-following contract acquired through an auction, there are no additional benefits from having an electric generation supplier (“EGS”) fill the default service function.

C. Applicability of Proposed End State

Citizen Power has no comment on this issue.

D. Default State Product

1. Medium and Large Commercial and Industrial Rate Classes

Citizen Power has no comment on this issue.

2. Residential and Small Commercial and Industrial Rate Classes

Citizen Power generally agrees with the Commission’s recommendation regarding residential procurement. However, in our opinion, semiannual auctions should be used instead of quarterly auctions. Semiannual auctions offer more stable prices for default service customers, which is a significant benefit to residential customers trying to

budget their expenditures. In addition, semiannual auctions provide a less frequently changing price to compare ("PTC") for customers who wish to shop.

The disadvantage of semiannual auctions would be a greater chance that the PTC significantly diverges from the market price of electricity. Specifically, the worst case scenario would be a situation where there is a considerable change in the market price of electricity after the PTC is set by an auction. If there is a large decrease in the market price, default service customers are paying more than they would have with quarterly auctions. If there is a large increase in the market price, it becomes difficult for EGSs, in the short-term, to compete with default service.

Citizen Power believes the advantage of having more stable default service for residential customers outweighs the small chance that prices change substantially after a default service auction. First of all, large price swings, though not unheard of, are not a commonplace occurrence. Second, if there is a large price swing, the impact is limited to six months. Third, if the market price decreases, default service customers have the opportunity to shop and save money. In fact, the discrepancy between the PTC and the market price provides a marketing opportunity for EGSs to increase market share. Fourth, if the market price increases, there is only a temporary impact on the ability of EGSs to compete with the PTC. It is unlikely that an EGS would choose not to participate in a market based on a small chance that the PTC will be below the market price for a short period of time, whether that period is three months or six months. In fact, the number of EGSs currently participating in retail markets that have default service delivery periods of greater than six months illustrates that a change to quarterly auctions is not necessary.

E. Transition Timeline

Citizen Power has no comment on this issue.

F. Consumer Protections

Citizen Power supports the Commission's position that consumer protections should remain intact and fully in effect.

G. Portability of Benefits for Low-Income Customers

Citizen Power opposes the portability of Customer Assistance Program ("CAP") benefits without the development of standardized consumer protections applicable to all of the EDC service territories. We are concerned that by allowing each EDC to develop its own plan, not all of the EDC service territories will include consumer protections that prevent low-income CAP customers from paying rates above the PTC. We believe that a statewide framework regarding what consumer protections are necessary should be developed before each EDC develops their individual plans.

H. Supplier Consolidated Billing

Citizen Power supports the recommendation that the Office of Competitive Market Oversight develop a proposal regarding how to make supplier consolidated billing ("SCB") available as a billing option. However, we believe that any recommendation should address the issue of net metering. Any DSP, whether an EDC or an EGS, should both provide bills that clearly show savings due to net metering and

support EGSs wanting to provide the option of net metering to their customers. In other words, an EGS providing a net metering option to their customers and wishing to use SCB should be provided with all the necessary information to calculate net metering savings.

I. Accelerated Switching

Citizen Power has no comment on this issue.

J. Provision of Metering Services

Citizen Power supports the Commission's position that EDCs should continue to provide metering services.

K. Provision of Energy Efficiency and Conservation Programs

Citizen Power agrees with the Commission that EDCs should continue to provide EE&C services to retail electric customers as defined within Act 129. We also support their recommendation that EGSs should independently provide energy efficiency services to customers.

L. Existing Long-Term Contracts

1. Long-Term Alternative Energy Credits Contracts

Citizen Power supports the Commission's proposal to hold all presently-effective alternative energy credit ("AEC") contracts harmless from any changes to the default service structure resulting from this proceeding. In addition, we also agree that addressing

the issue of cost recovery on a case-by-case basis is the preferred approach because the status of long-term AEC contracts varies from EDC to EDC.

2. Other Long-Term Contracts

Citizen Power has no comment on this issue.

M. Future Long-Term Alternative Energy Credits Contracts

Citizen Power believes that the EDCs should be required to file the AEC procurement plans. These procurement plans should be composed of a mix of medium-term and long-term contracts, and the goal of the procurements should be to meet 50% of the Tier 1 AEC and SAEC requirements for any given service territory.

First, the EDC, whether or not they are the DSP, is the most appropriate entity to file the AEC procurement plans. EDCs have experience procuring Tier 1 AECs and SAECs through long-term contracts. In addition, the role of the EDC is potentially more stable than the role of DSP. By having an EDC procure long-term AECs and SAECs instead of a DSP, the possibility that the Commission approves a new DSP while there are outstanding long-term contracts, necessitating the transfer of contracts from the previous DSP to the new DSP, is avoided.

Second, the EDC's procurement plan should include a significant percentage of long-term contracts. Long-term contracts are preferable because they guarantee a stream of income for potential renewable generation projects. This reduces the risk of these projects, allowing for renewable generation facilities to be financed at a lower rate than they otherwise would have been. In some cases, the guaranteed stream of income is the

difference between a project being funded and not being funded. Long-term contracts both reduce risk resulting in lower cost renewable projects and allow for more renewable generation to be constructed which increases future supply and lowers the cost of compliance in future years. Citizen Power recommends that a procurement plan should consist of 50% long-term contracts and 50% medium-term contracts.

Third, the size of the AEC procurement plan should be 50% of the projected Tier 1 AEC and SAEC requirements for any given service territory. These AECs and SAECs should first be allocated to default service obligations. If the number of AECs and SAECs exceeds what is needed to fulfill the default service obligations, the remaining AECs and SAECs should be allocated to the EGS on a pro-rata basis tied to the load of each EGS.

N. Statewide Consumer Education Campaign

Citizen Power agrees that the website www.PAPowerSwitch.com should be a central component of the consumer education campaign. As part of the campaign, we recommend that advertisements are purchased on the major search engines directing consumers to the PAPowerSwitch website. For instance, if “pa electricity shopping” is searched in Google, the PAPowerSwitch website is the fifth result. We believe that it would be beneficial if consumers who are trying to learn about retail shopping are initially directed to a website that has extensive information regarding offers versus the website of a single EGS, which may or may not have the best terms.

O. Regulatory Costs and Assessments

1. Annual Electric Generation Supplier Licensing Fee

Citizen Power supports increasing the annual electric generation supplier licensing fee to order to defray a greater percentage of the administrative costs associated with the regulatory oversight of EGSs. However, we do not have an opinion regarding whether a flat fee or a percentage fee with a cap is a preferable method.

2. Recovery of Electric Industry Assessments through an Automatic Adjustment Clause

Citizen Power has no comment on this issue.

III. Conclusion

Citizen Power appreciates the opportunity to provide comments regarding the proposed end state of default service.

Thank you for your consideration of our comments.

Respectfully Submitted,



Theodore Robinson
Counsel for Citizen Power