

Before the Pennsylvania Public Utility Commission

In the Matter of Public Utility	:	Docket No.:M-2013-2393141
Commission Bonding Requirements	:	
For Electric Generation Suppliers;	:	January 9, 2014
Acceptable Security Instruments	:	

**Comments of Starion Energy PA, Inc.**

Starion Energy PA, Inc. (“Starion”) welcomes the opportunity to submit comments regarding Tentative Order entered on December 5, 2013. Starion began servicing Pennsylvania customers in 2011 and, in accordance with Section 2809 of the Public Utility Code, posted a bond in the amount of \$250,000.00 as required for its first year as a licensed supplier.

In 2011, at Starion’s inception, it satisfied these requirements set forth by the Commonwealth of Pennsylvania and similar requirements in other states by placing an equivalent amount of cash on deposit with a bank or bonding company, and then having a letter of credit or a bond written for the required amount. As the company grew, Starion was able to use its audited financial statements to have the bonding company issue bonds on the strength of the company’s financials. As such, Starion’s renewal bonds are currently issued without a cash deposit requirement. While a cash deposit is no longer required, as a young company Starion does have limits and restrictions on the amount of bonds that can be issued against it in contrast to the requirements of some of its larger competitors.

Currently, Starion and its affiliates are operating in nine states. While Connecticut, Maryland and New Jersey have similar financial security requirements as Pennsylvania’s initial requirement of two hundred and fifty thousand dollars, no other state has a requirement that similar to 52 Pa. Code § 54.40(d), which requires a security level to be maintained by the

licensee at 10% of the licensee's reported gross receipts. In fact, a review of the five states that require a posting for financial security show that the amount paid to Pennsylvania is three to four times higher in comparison and represents nearly 50% of the total amount of bonds posted by Starion. While some of the comments provided to the Commission to date from larger retail suppliers have focused on the size of the bonds, what is more important than the dollar amount to Starion, and likely to other start-ups and smaller suppliers, is how much of its available resources that dollar amount represents.

The 10% bonding requirement set for in 52 Pa. Code § 54.40(d) places undue financial restraints on Starion and others in the marketplace. Such restraints have substantially inhibited Starion's ability to grow and expand into additional markets. Starion strongly supports the initial position set forth by the Retail Electric Supply Association (RESA) to cap financial security requirements at \$250,000.00, or in the alternative to reduce the current security level of 10% of the reported gross receipts to 5%. Additionally, Starion would like to echo those comments previously provided to the Commission on increasing the acceptable security instruments to support any current or future financial security requirements such as surety bonds, letters of credit, guarantees or cash.

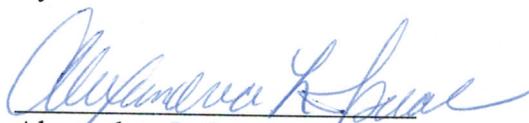
Finally, as already discussed by RESA, one of the purposes behind the security requirements are to ensure payment of the gross receipts tax ("GRT"). This structure of payment of the GRT in and of itself limits an unpaid tax liability remaining due and owing to the State of Pennsylvania. Given that GRT must be prepaid by March 15 in an amount of 90% of the reported taxes due from the prior year, the state faces little risk of being unable to collect the taxes owed.

For the reasons stated herein, Starion supports limiting the financial security requirement of retail suppliers to \$250,000.00 or in the alternative to 5% of the licensee's gross receipts.

Respectfully Submitted,

STARION ENERGY PA, INC.

By Counsel



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