

**PENNSYLVANIA PUBLIC UTILITY COMMISSION
HARRISBURG, PENNSYLVANIA 17120**

Review of Rules, Policies and Consumer
Education Measures Regarding Variable
Rate Retail Electric Products

Public Meeting February 20, 2014
2406134-CMR

**JOINT MOTION OF
VICE CHAIRMAN JOHN F. COLEMAN, JR.
AND COMMISSIONER JAMES H. CAWLEY**

In recent weeks, some Pennsylvania electric customers received very high electric bills in amounts two and three times, and even higher, than what they would normally be billed during this time of year. Based on the number of informal complaints received at the Commission, at least four hundred customers, and maybe substantially more, have received such bills. The affected customers are participating in the competitive retail market and receiving electric supply service from an electric generation supplier (EGS) under a contract with a variable rate that is adjusted monthly. Other affected customers received electric supply service under expired fixed rate contracts that provided for variable rates on a month-to-month basis until the customer chose another supplier or returned to default service from their electric distribution company (EDC).

These high bills appear to reflect wholesale energy market volatility resulting from the very cold weather that the region has endured over the last two months. The cold weather contributed to increased and, on some days, record breaking use of natural gas and electricity within the region. As consumer usage spiked on these days, so did wholesale market prices for gas and electricity. It appears that these wholesale price increases, in whole or in part, were passed on by EGSs to retail electric customers receiving service at a variable rate. This resulted in a doubling, tripling, or even larger increases of the per-kilowatt hour rate that these customers were charged for their electric usage.

The rate consumers pay in the retail electric market is governed by the terms of their contract with their supplier. The Commission's regulations require EGSs to provide customers with a written disclosure statement explaining the terms and conditions of service, including the price charged. For customers on a variable rate, the disclosure statement must disclose conditions of variability (i.e., it must state on what *basis* prices will vary) and any limits on price variability. It appears that some customer contracts had no ceiling on the variable rate that could be charged by the EGS. While a variable rate may offer substantial savings when wholesale market prices are low, customers may experience very high bills during periods of market volatility such as occurred with the recent cold weather. It is important for consumers on variable rates to carefully review the terms and conditions of their contracts to determine if they are at risk for large rate increases at any given time.

In setting policy for retail electric markets, the Commission is guided by the General Assembly's directive that electric suppliers provide:

... adequate and accurate customer information to enable customers to make informed choices regarding the purchase of all electricity services offered by that provider. Information shall be provided to consumers in an understandable format that enables consumers to compare prices and services on a uniform basis.

66 Pa.C.S. §2807(d)(2).

After receiving these high bill complaints, the Commission immediately developed recommendations for action. A press release was issued January 31, 2014, advising consumers receiving electricity from an alternative supplier to carefully review the terms of their EGS contract. Additionally, the Commission last week directed its staff to initiate the following measures to help ensure that consumers are fully informed about variable rate products:

- Posting of a “consumer alert” as a slider on the PUC website (www.puc.pa.gov) that customers with variable contracts, or those with expired fixed contracts who are now subject to a variable rate, may see their prices increase; that such customers should check their contracts, evaluate competitive offers at www.PAPowerSwitch.com, contact their supplier and sign up for budget billing, a payment arrangement, or assistance program; and that they should conserve energy (this was done February 14);
- Posting of a “consumer alert” on the home page of www.PAPowerSwitch.com that is an abridged version of the above slider message (this was done February 18);
- Re-issuing of our January 31 press release noting the messages available on the PUC and PowerSwitch websites (this was done February 14);
- Development of a separate page on www.PAPowerSwitch.com devoted to information on fixed vs. variable products;
- Development of a fact sheet specifically on “fixed” vs. “variable” rates that will mirror the new page of www.PAPowerSwitch.com; and
- Addition of a fixed vs. variable Q&A to our existing “Shopping for Electricity” fact sheet and enhancement of the Q&A under “Frequently Asked Questions” on www.PAPowerSwitch.com to help ensure that consumers are better educated about variable rates.

Additionally, changes may be needed to the EGS disclosure statement requirements. Currently, the Commission's Office of Competitive Market Oversight (OCMO) is considering revisions to the disclosure statements to make them more user-friendly to consumers. At this point, OCMO's review should consider whether, for variable rates, disclosure statements should include some form of pricing history and whether these statements should expressly state that uncapped variable rates may be increased without limitation.

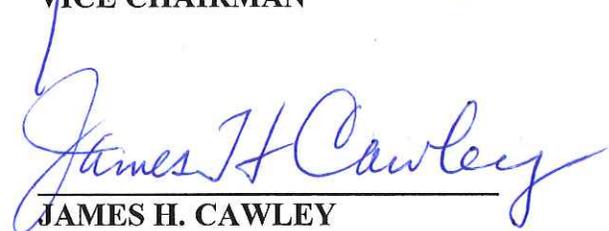
The Commission will also continue its ongoing efforts to empower customers to more quickly change generation suppliers when they are charged unacceptably high rates. Presently, a variety of regulatory requirements, technical issues, and business practices can result in a switching process that lasts as long as forty days. Reducing the length of this process will serve to mitigate adverse financial impacts from variable rate volatility.

The Commission will continue to evaluate the additional actions that should be taken to ensure that consumers are receiving adequate and accurate information to make informed decisions when purchasing electric supply. This could include adoption and implementation of additional recommendations from OCMO, including revisions to existing rules/regulations, requests for public comment on certain issues, and additional enhancements to the Commission's consumer education materials on shopping. We will also continue to ensure that our shopping website and consumer education materials are readable and understandable, and that EGS materials are coordinated with ours. We shall therefore open a proceeding and direct OCMO, as a first step, to issue the information requests listed in Appendix A related to variable-priced products. We shall further direct OCMO to provide recommendations for our review based on the comments received and any other information obtained during this proceeding.

THEREFORE, WE MOVE THAT the Office of Competitive Market Oversight prepare an Order consistent with this Joint Motion.



JOHN F. COLEMAN, JR.
VICE CHAIRMAN



JAMES H. CAWLEY
COMMISSIONER

DATE: February 20, 2014

APPENDIX A

In response to the recent volatility that has occurred with variable rate electric supply products, interested stakeholders are asked to respond to the following questions regarding variable-priced contracts:

For variable-priced contracts without explicit formulaic pricing parameters

- Should EGSs be required to provide advance notice of price changes to customers?
- Should the advance notice requirement be waived for minor contract price changes, within a certain bounds? If so, what bounds are appropriate?
- If advance notice is required, how far in advance of the meter read date should notice be provided and how can this notice be provided?
- Do variable rate contracts without explicit pricing parameters provide consumers with the information needed to make informed decisions? If not, what is the remedy?

For variable-priced contracts with explicit formulaic pricing parameters

- Should EGSs be required to provide a historical pricing history for this formulaic rate structure?
- If so, how many months should be provided, and where should this information be provided so as to be available to all participating customers?

For daily recorded and automatic meter reading capable electric utilities

- Under current plans, when will mid-cycle EGS switches be implemented?
- How much can these plans be accelerated, and at what additional cost?

For Electric Generation Suppliers who offer variable priced products

- Please provide copies of Customer Disclosure Statements for variable priced products provided through contracts in effect for service rendered for the period December 1, 2013 through February 20, 2014.