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VIA ELECTRONIC FILING

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, Filing Room
Harrisburg, PA 17120

RE: Investigation of Pennsylvania's Retail Natural Gas Supply Market;
Docket No. I-2013-2381742; **COMMENTS OF NATURAL GAS
SUPPLIER PARTIES WITH REGARD TO DISCLOSURE
REQUIREMENTS**

Dear Secretary Chiavetta:

Enclosed for electronic filing with the Commission are the Comments of Natural Gas Supplier Parties with Regard to Disclosure Requirements in the above-captioned matter.

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

Very truly yours,

Todd S. Stewart

*Counsel For
Dominion Retail, Inc. d/b/a Dominion
Energy Solutions, Shipley CHOICE, LLC
d/b/a Shipley Energy, Rhoads Energy
Corporation and AMERIGreen Energy*

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Enclosure

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Investigation of Pennsylvania's Retail :
Natural Gas Supply Market : Docket No. I-2013-2381742

**COMMENTS OF NATURAL GAS SUPPLIER PARTIES
REGARDING DISCLOSURE REQUIREMENTS**

NOW COME, Dominion Retail, Inc. d/b/a Dominion Energy Solutions (“DES”), Shipley CHOICE, LLC d/b/a Shipley Energy (“Shipley”), Rhoads Energy Corporation (“Rhoads”), and AMERIGreen Energy (“AMERIGreen”) (collectively “NGS Parties”) and hereby offer their comments as requested by the Pennsylvania Public Utility Commission (“Commission”) in its Order at this Docket, entered December 18, 2014. In its Order, the Commission requested comments on a number of specific subjects with regard to disclosure requirements and variable prices. In response to the Commission’s request, the NGS Parties suggest that as a general matter, the Commission establish requirements for the natural gas industry that are consistent with those in the electric industry. Doing so makes implementation more consistent for NGSs that also are EGSs and, most importantly, makes it less likely that the customer experience will vary greatly as between the two industries. Since the purpose of the regulations is to inform customers about their service, we should first seek to do no harm by having rules that are unnecessarily inconsistent.

I. Enhanced disclosure concerning variable prices; explanation and disclosure of any limits or caps.

The Commission's Regulations for natural gas supplier ("NGS") disclosure statements are found at 52 Pa. Code § 62.75. Specifically with regard to variable rates, the regulations require:

- (2) The variable pricing statement (if applicable) shall include:
 - (i) Conditions of variability (state on what basis prices will vary) including the NGS's specific prescribed variable pricing methodology.
 - (ii) The starting price and the ceiling price, if the ceiling price is applicable.

52 Pa. Code §62.75(c)(2). As the Commission's Order points out, the regulations for electricity markets have recently changed to require significantly more disclosure when a supplier is offering variable rates. The regulations now require stating if there is or is not a cap, and if there is not a cap, a statement that there is no limit on price changes from billing cycle to billing cycle.

(c) The contract's terms of service shall be disclosed, including the following terms and conditions, if applicable:

- (1) Generation charges shall be disclosed according to the actual prices.
- (2) The variable pricing statement must include:
 - (i) Conditions of variability (state on what basis prices will vary).
 - (ii) Limits on price variability:

(A) If there is a limit on price variability, such as a specific price cap, a maximum percentage increase in price between billing cycles or minimum/maximum charges per kilowatt-hour for electricity during the term of the contract, the EGS shall clearly explain the applicable limits.

(B) If there is not a limit on price variability, the EGS shall clearly and conspicuously state that there is not a limit on how much the price may change from one billing cycle to the next.

(iii) The price to be charged, per kilowatt-hour, for the first billing cycle of generation service.

52 Pa. Code §54.5(c). The NGS Parties do not take issue with the Commission's approach in the electricity markets being adapted to the natural gas markets. The NGS Parties also suggest that the Commission consider providing reviews of NGDC terms and conditions by Commission staff.

The NGS Parties believe that informed and knowledgeable customers are the best customers and support changes to allow customers to better understand the basis for their natural gas commodity charges. Suppliers are motivated to make sure their customers have an excellent experience and certainly that means, in the first instance, compliance with Commission regulations, including making sure that the materials they use are also compliant. At present, however, the only "on-the-record" review of NGS terms and conditions by Commission staff (i.e., disclosure statement) is at the time the NGS seeks a license. It would be helpful for suppliers to be able to ask for a review from Commission staff, of new or revised terms and conditions, and then for that review to protect the supplier from complaints that its terms and conditions are non-compliant, so long as the supplier uses the language that was approved by staff. Such an opportunity would ensure that customers are more likely to receive compliant materials, and would ease the risk that suppliers face when making new product offerings, and must guess at what staff or an administrative law judge will consider acceptable at some future point and will make sure that the customer experience has the best chance of being satisfactory. Such a review can also be used as a tool to promote consistency of usage and terminology that also will assist in improving the customer experience.

II. Explicit statement of no limits if there are no limits to a Variable Price.

In the context of describing variable rates to customers, it is important that customers know the bounds of variability, and also, know that there are no bounds, if indeed none exist. However, it may not be sufficient for customers to simply know that there are no upper limits on variability, because customers may not understand the potential range of variability and historical pricing information may not offer much help. That is, if the highest rate ever charged under a variable rate contract in the history of variable rates were \$10/mcf, that data point may be useful for a customer to understand the probable range of prices, but as we all learned last winter with electricity rates, when multiple systems become extremely stressed, highly anomalous prices can occur, and customers are rarely prepared. The quandary is how to educate customers about what would seem to be the high end of the probable range of prices, without giving them false sense of security. The Commission's regulations for the electricity market make that point clear by requiring suppliers to remind customers that historical pricing is no indicator of future pricing. In short, while the NGS Parties agree that there should be a statement of no upper limit of variability for variable rate products which have no limits, we urge the commission to consider how best to educate customers on what that means to them.

III. The price charged for the first billing (a "starting price" if the price is variable).

The requirement of providing the starting price has proven to be quite problematic for many suppliers who offer variable rate products. The reason is that many variable rate products are calculated after-the-fact, based upon the actual costs of serving that customer through the billing cycle. By requiring the supplier to provide a starting price, before those costs are known or knowable, the Commission would require the supplier to essentially make a guess about what the costs will be, and to then take the risk for at least one billing cycle, that its guess will turn out

to be anything close to reality. The NGS Parties are well aware of a customer's need to know the price, at least for the first month, in order to make accurate comparisons of one supplier's fixed rate offering to another. However, requiring that suppliers provide such information may provide little insight into the future rates of the supplier, when the rates become truly variable in nature. Just as the Commission is aware when providing historical information to customers, customers need to know that the first month's rate that may be advertised may not be indicative of the rates customers will experience over the life of the contract. It is also difficult with some customers to ensure that they understand that just because we can tell them the rate, in advance, for one billing cycle, we will be able to tell them in advance for any other billing cycle, and indeed, we will not know that rate for any other billing cycle.

The policy question is whether it is more important, as a matter of policy, for customers to know the price that they will be charged for the first month, despite the anomalies it creates for customer understanding later on, or whether the Commission can trust that customers will be capable of understanding that a variable price that is calculated after the fact cannot be known in advance. The NGS Parties understand that this is not an easy choice, but urge the Commission to consider the potential for confusion if we inform customers about contracts in contradictory ways. Perhaps it would be better for such contracts (where price is calculated after-the-fact) to ensure that the supplier explains that fact to the customer, rather than having the supplier fix a rate for the first month.

IV. Explanation of when the customer becomes aware of their variable Price for the billing (before the billing period at the time of billing, etc.).

As discussed above, there are various methods for calculating variable prices, and no matter what method a supplier chooses to offer, that supplier must describe the calculation. The question is whether the supplier should likewise be required to explain the timing of the

calculation to the customer so that a customer, if so inclined, has the ability to act in order to minimize their own risk. So long as the Commission does not seek to regulate when suppliers are able to calculate a price, and limit such regulation to telling the customer when the price will be calculated, suppliers should not be disadvantaged. In some respects, knowing when the price is to be calculated may be as important as knowing how the price will be computed in understanding one's exposure and one's ability to avoid prolonged exposure to prices that fall outside a customer's comfort zone. In short, it is important from a customer understanding perspective that customers understand when the price is calculated and the period to which it applies, that is, forward-looking or backward looking. Currently, on the electricity side, there is no similar requirement. Nonetheless, this may be one area where the natural gas could lead the way to see if such information is useful to customers.

V. The provision of historical pricing information for variable products. If so, how much history and how should it be made available to consumers.

A part of its revisions to the disclosure statement requirements for the electric industry, the Commission recently required that EGSs provide 24 months of historical data to customers either on their website, or by phone if the customer so chooses. As part of that statement, the Commission also requires that suppliers provide a notice that historical pricing is not indicative of future pricing. With energy markets generally showing that they have the potential for great volatility, it is certainly true that customers would have been done a great disservice had a similar requirement been in place in the summer of 2013 and had customers relied upon such information to gauge the relative volatility of the prices offered by suppliers. Certainly the historical information would have given customers a general sense of where a supplier's prices

fall, but for suppliers that calculate rates on a daily basis, the average of all those rates may not provide customers with an accurate perspective.

It may be true that in the larger scope, the costs of maintaining average pricing information may not be insurmountable. However, the obvious question remains; why require suppliers to provide information that we all recognize may be of dubious value to customers? Stated differently, twenty-four months of history may not provide customers with any real basis to determine what future prices are likely to be, and may result in customers reaching incorrect conclusions. Some other more practical concerns lie in the actual method of calculation – is this to be a load-weighted average, or a simple average, do we provide average rates by day, assuming we calculate rates daily, or do we average the daily prices to provide monthly price data, and then does that become so granular as to pose competitive issues for suppliers? These issues should be addressed. In short, the NGS Parties urge the Commission to consider these factors when deciding whether to require them to post this information, and if so, how much.

VI. The use of a contract summary that includes, in a simple easy-to-read format to key contract provisions. If so, what format is needed and what provisions should be included – keeping in mind that a summary, to be effective, has be brief, in plain language and prominent?

In its electricity regulations, 52 Pa. Code § 54.5(i), the Commission requires that a contract summary, the so-called “Schumer Box”, to be provided to customers whenever the disclosure statement is required. The NGS Parties do not oppose this requirement. However, they do suggest that for the summary to be useful, it must indeed be a “summary” of the relevant contract terms so that customers can easily understand the terms, and so that if they are so inclined, customers can compare the summary side-by-side with a summary from another offer, and the formats and terminology would be comparable.

A recapitulation of the entire contract in the guise of a summary serves no one. The essential elements of a summary appear to be: 1) type of contract, (e.g., Fixed or Variable), and if variable when/how the price will be determined; 2) the price to be charged the first month; 3) whether the quoted price is an introductory price (yes or no); 4) If the price is introductory, how many months will it be charged; 5) if an introductory price, how will price be set after the introductory period; 6) the term in months; 7) is there an early termination or cancellation fee (yes or no); and, 8) what is the amount of the early termination fee. If the rate is an uncapped variable rate there should be a statement, at some conspicuous spot on the page, that there is no limit on the rate. These are very similar to the differentiating terms use on PaPowerSwitch and PaGas Switch. If much more complexity is offered, it will overload customers and the benefits of the summary will be lost, that is, the more information that is added, the more difficult the document is likely to become for customer comprehension. This summary should be the first page of the disclosure statement.

VII. What changes, if any, are needed to contract expiration notices and the rules that should apply if a consumer fails to respond to the notices? Please refer specifically to 52 Pa. Code § 62.75(g)(1) and (2). Are additional rules needed for those consumers that are rolled onto variable-priced products upon expiration of their original contract, similar to what is now in place for the electric industry, such as prior notice of price changes?

The referenced sections of the regulations, 52 Pa. Code § 62.75(g)(1) and (2), currently require two notices (at 60 and 90 days) prior to contract expiration for “fixed term” contracts. While the term “fixed term contract” appears to imply that the contract is for a fixed term, and does not have an automatic renewal provision, however, there is no definition of “fixed term contract” in the regulations. The regulations at 52 Pa. Code §54.5(g) and §54.10(A) also incorporate the term “fixed term contract” and likewise fails to define it. It may be helpful to

add a definition in order to ensure that all parties are aware of the Commission's intentions. It is instructive that the gas regulations do provide that only one notice is required at contract expiration if the change in terms is a reduction in the price. The NGS Parties suggest that in the interest of not burdening customers with unnecessary notices and relieving suppliers of the need to mail such notices, that if the supplier is not proposing any change, i.e., not to the terms, not to the price, there should not be a need for two notices.

In its recent revisions to the regulations for EGSs, the Commission included a more robust list of notice and other requirements for serving customers at the end of a fixed term contract or whenever a change in terms is proposed. 52 Pa. Code § 54.10. In general, the NGS Parties can accept these conditions if the Commission feels they are needed, noting however, that every time NGSs are required to contact customers, expense is added that necessarily shows up in the prices customers pay, and that such notices are not required of NGDCs when they change their prices, thus creating a further advantage for default service. While it may be true that NGDCs are required to post notices of quarterly price changes, those costs are not recovered as commodity costs and are far less stringent than the requirements being proposed for NGSs.

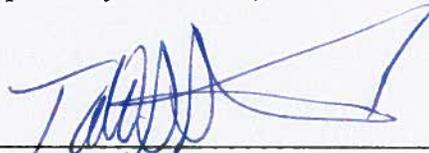
Specifically with regard to the requirement that a supplier provide notice of any price changes 30 days in advance may prove to be problematic. The NGS Parties recognize that this requirement attaches only when: 1) a fixed term contract is ending, or when they are proposing to change the terms and conditions of service; 2) the customer fails to respond to the second of two notices; and, 3) the customer's contract is converted to a month-to-month contract. However, for variable rate products that are calculated after the fact, there is no real means to provide advance notice of price changes. Even for variable rates calculated in advance of the billing cycle, it will be a significant challenge to provide 30 days' notice, before the "price being

charged,” which implies that notice is required 30 days in advance of the billing cycle. This requirement essentially eliminates the opportunity for suppliers to provide any market sensitive variable rate to customers; meaning suppliers will have to hedge, or purchase supply, well in advance. Such a requirement will eliminate the sort of flexibility that some customers may find useful.

The NGS Parties are not aware that there have been the sorts of issues in the natural gas industry that were present in 2014 in the electric industry regarding variable rates. Accordingly, as a general matter they do not believe that many of the requirements recently implemented in the electric industry regulations are needed for the gas industry. However, if the Commission believes that need for consistency requires that these changes be made, the NGS, with the noted exceptions, can agree.

The NGS Parties thank the Commission for this opportunity to provide comments on such important issues and they look forward to assisting in the RMI process as it moves forward.

Respectfully submitted,



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