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February 21, 2017

VIA ELECTRONIC FILING

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

RE: Rulemaking to Amend the Provisions of 52 Pa. Code, Chapter 59 Regulations Regarding Standards For Changing a Customer's Natural Gas Supplier; Docket No. L-2016-2577413; **COMMENTS OF THE NATURAL GAS SUPPLIER PARTIES TO ADVANCE NOTICE OF PROPOSED RULEMAKING ORDER**

Dear Secretary Chiavetta:

Enclosed is the Comments of the Natural Gas Supplier Parties ("NGS Parties") to the above-captioned Rulemaking of the Pennsylvania Public Utility Commission.

If you have any questions concerning the enclosed Comments, please do not hesitate to contact the undersigned.

Very truly yours,

Todd S. Stewart
Counsel for The NGS Parties

TSS/jld
Enclosure

cc: Daniel Mumford, OCMO (via email – dmumford@pa.gov)
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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Rulemaking to Amend the Provisions of 52 :
Pa. Code, Chapter 59 Regulations Regarding : Docket No. L-2016-2577413
Standards For Changing a Customer's Natural :
Gas Supplier :

**COMMENTS OF
THE NATURAL GAS SUPPLIER PARTIES
TO ADVANCE NOTICE OF PROPOSED RULEMAKING ORDER**

At its Public Meeting of December 22, 2016, the Pennsylvania Public Utility Commission (“Commission”) issued an Advance Notice of Proposed Rulemaking (“ANOPR”) seeking comments on several proposed amendments to its regulations at 52 Pa. Code Chapter 59, regarding changes to a customer’s natural gas supplier. The proposed amendments are intended to provide an enhanced customer switching experience that is more in keeping with the expectations of today’s typical customer. Customers are currently left to ponder the question, often after a negative experience; “why, if I can order a product using a smartphone app and have it at my door in two days at no charge, or I can change my electricity provider in six days, does take as much as 45 days to switch natural gas suppliers?” To address this problem, the Commission has proposed to accelerate switching, by creating a three (3) working day requirement and to eliminate the five (5) day waiting period that currently follows a customer’s three (3) day right-of-rescission. The Commission also has proposed other changes geared to further ensuring that a customer’s wishes about their choice of a natural gas supplier are honored.

The Commission seeks comment from interested parties. The ANOPR was published in the Pennsylvania Bulletin on January 7, 2017 (47 Pa. B. 19), and comments are due 45 days later, or February 21, 2017. The Natural Gas Supplier Parties (“NGS Parties”) hereby offer their comments to the proposed rulemaking. For purposes of these Comments, the *ad hoc* coalition of NGS Parties consists of Shipley Energy and Rhoads Energy.

A. PROPOSED AMENDMENTS

1. Definitions, § 59.91.

The Commission has proposed to add new 3 definitions to the switching regulations at 52 Pa. Code § 59.91. These include definitions for “Current NGS”, “Selected NGS”, and “Supplier of Last Resort”. These changes make the regulations more understandable by distinguishing between a current and selected supplier, to whom different requirements attach, and by ensuring that the regulations reflect the notion that “supplier of last resort” (“SOLR”) service is not necessarily provided by the NGDC. The NGS Parties supports these modifications as being necessary and rational, given the approach to switching the Commission has proposed.

2. Customer Contacts with the NGDC, § 59.92.

When a customer contacts the NGDC under the current regulations, it is limited to informing the customer that it must contact its selected supplier to change suppliers, including SOLR service. The ANOPR proposes two modifications to these requirements. The first proposed change, to subsection (a), would recognize that in Commission approved programs, such as standard offer programs (“SOP”), the NGDC can be specifically authorized to switch customers to an NGS without requiring the customer to first contact the selected NGS. This change is helpful for SOP programs and the NGS Parties supports its inclusion.

The second proposed change is far more problematic for natural gas suppliers. The addition of a subsection (b) would alter the current relationship between a supplier and its customers and would interpose the NGDC into the mix. As the proposed change recognizes, a customer's relationship with its current supplier is governed by that customer's contract, which may include an early termination fee ("ETF") or other conditions regarding termination of the contract. The proposed changes would create a means for customers to switch to SOLR service without first contacting their NGS. Taking the current supplier out of the loop would do a disservice to the customer because the NGDC will not know of the contract conditions that could apply. The proposed change would only warn the customer of the possibility of an ETF.

To make good choices about their natural gas service, customers should be empowered with accurate information and not be allowed to switch and then face any consequences blindly. Other states have recognized the advantages of customers making informed choices. For example, Maryland requires that the NGDC direct the customer to contact the NGS first. The NGDC is only permitted to initiate a switch after 3 days and with the customer confirming that they did contact their current supplier and ask to be switched. This process recognizes the importance of the customer first contacting its NGS. It would be easy to dismiss such an approach as unnecessarily cumbersome, but the alternative--not requiring some form of contact with the current NGS—could prove to be more problematic in the end for a variety of reasons. We are also concerned that the proposed change will provide the NGDC with a "semi-legitimate" means of marketing SOLR service and seeking to convince customers, who may indeed have legitimate concerns, to simply abandon their supplier without seeking to address the concerns -- at the risk of possible ETFs. The NGS Parties do not deny that there was a backlog created during the polar vortex when large numbers of electric customers sought to return to default service, and the affected EGSs were

simply overwhelmed. However, with the new faster switching timeframes presented here, those concerns should be largely addressed, and a one-time event should not be the sole basis for depriving customers of the information they need to make good choices. The NGS Parties appreciate the Commission's desire to streamline the process to the maximum extent possible, but caution that eliminating the requirement that a customer first contact its NGS before switching to SOLR service is not a rule that be jettisoned lightly.

3. Customer Contact with NGSs, § 59.93.

The changes to subsection (1) are intended to align the rules for the natural gas industry with those in the electric industry and to streamline the switching process by making it more predictable. Under the current rules, customers often use the 5-day "waiting period" as a second rescission period—thus extending the switch period by at least 8 days. Under the proposed rules, there is a single 3-day rescission period after which the selected supplier may notify the NGDC to initiate the switch. This change creates a more predictable process that continues to provide consumer protection via the 3-day rescission period, the confirmation letter and the enhanced anti-slamming regulations.

Subsection (2) requires the NGDC to verify the accuracy of the information provided by the NGS, to ensure the correct customer is being switched. It also re-enforces that customers will receive a switch confirmation letter from the NGDC notifying them that their supplier has been changed. Otherwise the changes to this subsection are merely cosmetic.

4. Time frame requirement, § 59.94.

The primary modification proposed for this section is to require that customer requests to switch suppliers (including switches to SOLR service) be completed within 3 business days of the receipt of the electronic enrollment transaction by the NGDC. When coupled with the 3-day

rescission period, the proposed change will require that switches are completed in as few as 6 days, which is a major improvement over the current process which can take considerably longer.

There are many good reasons for supporting this change, but none stands out so much as the need to provide customers with a better experience – one that meets or exceeds expectations of switch times in a modern world. We have all had customers contact us to switch, possibly because the weather is changing and they are thinking about the gas bill, and we must be the bearer of the bad news that it could take nearly two months to effectuate the switch. As often as not, customers decline to switch, and will accuse us of providing bad service. Such a scenario should not happen, particularly when there are ways to address the underlying issue.

Providing a better customer experience by providing what the customer wants in a timely and effective manner is a best practice in any industry. Gas customers are also electricity customers and creating consistent rules across industries, where practical, also improves the customer experience by lowering frustration levels and presenting customers with a logically similar approach. This could not be more true for those suppliers that provide both electricity and natural gas; similar rules make the sales process less complex. Allowing faster switching further empowers customers, by giving them the ability to vote with their feet and switch suppliers if they are not satisfied with the product or service, thus holding suppliers more accountable. In short, there no reasonable disagreement with the premise that faster switching is better for customers. The three-day timeframe, in reality, makes it likely that a customer will be switched within a week, which is a substantial improvement over the current process and the NGS Parties fully support the change.

The Commission has recognized the supposed roadblocks to the proposed changes, and has laid the groundwork to overcoming them: by allowing flexibility for NGDCs to design the

program and the means to acquire off-cycle usage data; and, by allowing ample time for NGDCs to formulate an approach. The NGS Parties view the issue of capacity assignment as somewhat of a red herring, since under most NGDC programs, only choice customers are assigned capacity. That is, suppliers currently are required to obtain capacity for larger customers regardless of when they switch. With relatively few customers switching per month, it does not appear to be “too much to ask” to require NGSs to obtain capacity for new choice customers in the short term before the monthly assignment, to the extent NGDC’s are unable to assign additional capacity off-cycle. True-up on the additional capacity can be done during the annual reconciliation with the NGDC. Providing off-cycle usage data similarly should not be an issue, as many NGDCs already estimate customer bills on a somewhat regular basis. Providing an off-cycle meter read or estimate so that customer can change suppliers does not appear to be a complex process.

The NGS Parties view the notion of faster switching as a customer service issue for the customers we share with the NGDC. Anything we can do to improve that experience benefits both parties. Historically, slow switch times have been an area that causes friction with customers, dissatisfaction up front, or being angry when they receive a bill and they still are not receiving service at the lower NGS provided rate because they have not yet been switched. While we acknowledge that there may be technical issues to be solved, they are not major issues in the grand scheme and should not be the reason that these customer service changes do not happen; that would be tragic.

5. Persons authorized to act on behalf of a customer, § 59.95.

The NGS Parties agree with the Commissions intention to remove section 59.95. It is not appropriate to require the NGDC to be the gate keeper of persons who are authorized to switch an account. This is a role that NGSs do not care to take on, and they should not be forced to do so.

6. Customer dispute procedures, § 59.97.

The proposed changes to this section are directed toward restoring a customer to the *status quo ante* in the unfortunate event that their NGS is changed without their consent. The NGS Parties do not engage in customer acquisition strategies that provide a substantial risk of customers being switched unknowingly or against their will and support reasonable measures to address the problem. The specific significant change proposed here, is to allow the customer to contact their original NGS and seek to return to taking service from that NGS. We support this approach.

7. Implementation, § 59.100.

The Commission has proposed that the requirements of the amendments be implemented within one year of final publication. The NGS Parties support the notion of a fixed period for compliance and implementation, otherwise the potential exists for the process to drag on longer than needed. If NGDCs are facing what they view as insurmountable or at least very time consuming issues, they should approach the Commission sooner rather than later and seek extensions that are calculated to provide the necessary time for compliance, not a blank check.

B. CONCLUSION

The NGS Parties are grateful for this opportunity to provide comments to the Commission and they look forward to continuing the dialogue with interested stakeholders. The Commission has proposed the critical next steps to ensure that the competitive energy markets are as aligned as much as reasonably possible where customer facing procedures are concerned, and to ensure that customers experience a consistent and satisfactory switch experience, not one that seems unrealistically elongated or complex. The NGS Parties strongly support these measures and the Commission's efforts to provide customers with sufficient information to participate in the process.

Respectfully submitted,



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