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PA PUC
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Secretary James J. McNulty
PA Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

Docket # L-00040169
Docket # M-00041792

Secretary McNulty:

Please accept the following comments on the proposed Rulemaking Order and Regulations concerning Provider of Last Resort issues.

Background

Richards Energy Group, Inc. has been active in the PA deregulation market since its inception. We hold EGS License # A-110072. Our focus has been, and always will be, as a proponent for industrial, commercial and institutional end users. We seem to fill the niche between the Small Business Advocate and IECPA...that being the large group of energy consumers with little or no organized advocacy representation for PUC/Electric Utility issues. Our REAP electric users' Consortium includes 752 electric accounts which consume nearly 1 billion KWH/year and purchase over \$67 million of electricity per year in PA. Based on 1/1/2005 OCA statistics compared to our active contracts with suppliers, REAP members comprise 33% of all existing industrial and commercial shoppers in PPL territory.

We have a vested interest in making deregulation work in PA.

Issues

1. We have a concern that some local distribution companies, in an attempt to treat all customers alike, will treat new customers (or old customers who have never shopped) as they treat customers coming back from shopping, rather than the other way around as the "Choice" Act suggests. I'm referring to the "annual contract date" some LDC's are clinging to, and appear to be forcing new customers into, allowing no customer to shop without penalty unless he shops on his "anniversary date."
2. Please provide a definition for what is meant by and who is bound by "Term of Service" (page 11 of Order). When a "term of service" is proposed by the PUC for "at least one year" or longer, do you mean that the default provider has to commit to provide default supply for at least one year, or that the customer has to remain on default supply for at least one year?
3. Please provide a definition for "Customer Charge" (page 16 of Order). Please provide clarity on whether this charge will be included in the price to compare, since it is proposed to be removed from the distribution part of the bill.
4. By having some customer care services provided by supplier and some from default provider (page 17 of Order), an additional level of complexity will result for customers trying to figure out whether they will save money by shopping. We have seen the increased complexity caused by other "add ons" like Gross Receipts tax added to the

supplier's price...if not done carefully, this "customer charge" will add confusion and potential error to the shopping process.

5. By not requiring all end users above 500 kW to have a fixed rate default option (page 18 of Order), there will be no basis for shopping comparison..."price to compare" will cease to exist for these customers. And I know there are many larger end users who lack the sophistication, time or desire to intelligently evaluate market rate pricing vs. shopping at some fixed price. 94 of the 752 accounts that are in our group fall in the "greater than 500 kW" category, and the vast majority of them would be hard-pressed to make these decisions with no yardstick (price to compare) to provide a frame of reference. The positive aspect of this requirement is that most end users will likely seek price certainty over totally variable market pricing, which will drive them to shop. Unfortunately, they will pay whatever they have to in order to get it, even though the variable rate may be much less expensive. I don't believe that many end users, on their own, will seek demand response solutions to market pricing fluctuations.
6. On page 23 of the Order, there is a statement implying that LDCs will have control over return to default for supply contracts that "exploit seasonal price variations". This is a classic "fox guarding the henhouse" scenario, and is unnecessary, if the default option is a market based rate to start with. By definition, market-based rates eliminate seasonal pricing variations and any potential for exploitation. Even the "fixed rate option" defined in 54.182. Definitions, suggests seasonal differences which eliminate the potential for such "exploitation."
7. The "length of the term of default service" (page 24 of Order), presuming this refers to the amount of time an end user needs to stay on default rather than the amount of time a default service provider has to guarantee service, is an important one. It is the antithesis to an end-user "exploiting seasonal prices"...some LDC's feel they have a right to keep a customer a full year...others feel they have a right to keep a customer forever, except one day a year (happy anniversary), and still other claim to allow a customer to leave whenever they want, but feel their tariff allows them to serve up a minimum demand charge until the next May. I think that's exploitation of the end user, and it isn't right.
8. 54.123(a)...the whole tone of this seems backwards...shouldn't suppliers who enter legal supply contracts with end users normally have the right to return the end user to default service at the contracted completion date, unless certain conditions occur? This paragraph makes the default provider the gatekeeper, which could subject both the supplier and the end user to abuse and exploitation
9. 54.123(d)...please clarify who the penalty is imposed upon...I presume the supplier, not the end user.
10. 54.186.(b)(2)...I'm wondering how the default service provider can accomplish this when he doesn't know who's going to be shopping and therefore not needing this supply.
11. 54.189.(d)...I'd like to see all the "Commission regulations pertaining to changing generation service providers" listed here, so it's crystal clear what the customer needs to do to go shopping "at any time."

Thank you for this opportunity to comment.

Frank J. Richards, P.E.