



Todd S. Stewart
Office: 717 236-1300 x242
Direct: 717 703-0806
tsstewart@hmslegal.com

100 North Tenth Street, Harrisburg, PA 17101 Phone: 717.236.1300 Fax: 717.236.4841 www.hmslegal.com

April 3, 2014

VIA ELECTRONIC FILING

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building, Filing Room
400 North Street
Harrisburg, PA 17101

RE: Review of Rules, Policies and Consumer Education Measures Regarding Variable Rate Retail Products; Docket No. M-2014-2406134; **COMMENTS OF INTERSTATE GAS SUPPLY, INC. d/b/a IGS ENERGY**

Dear Secretary Chiavetta:

Enclosed for efileing with the Commission, please find Comments of Interstate Gas Supply, Inc. d/b/a IGS Energy in the above-captioned matter.

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

Very truly yours,

Todd S. Stewart
Counsel for IGS Energy

TSS/jld
Enclosure

cc: Office of Competitive Market Oversight (via e-mail to RA-OCMO@pa.gov)
Vincent Parisi, Esq., IGS Energy
Matt White, Esq., IGS Energy
Anthony Cusati, III, IGS Energy

**COMMONWEALTH OF PENNSYLVANIA
PUBLIC UTILITY COMMISSION**

Review of Rules, Policies and Consumer :
Education Measures Regarding Variable :
Rate Retail Electric Products : **Docket No. M-2014-2406134**
:

COMMENTS OF IGS ENERGY

Interstate Gas Supply, Inc. (“IGS Energy” or “IGS”) submits the following comments in response to the Pennsylvania Public Utility Commission (“PUC” or “Commission”) tentative order of March 4, 2014 (“Order”), which sought comments in response to a series of questions regarding electric generation suppliers’ (“EGSs” or “suppliers”) variable price offers. IGS is committed to customer service, consumer education, and the long-term success of the Pennsylvania energy market, and thus is appreciative of the opportunity to submit comments on this important topic.

IGS responds to the questions in the Order below.

1. Should EGSs be required to provide advance notice of price changes to customers?

IGS is not opposed to providing reasonable notices in advance of price changes to customers on variable rates; however, when implementing any price change notification rules it is important to strike a balance between providing customers with sufficient information so that they can make informed decisions, without overburdening customers with too much information. Further, the Commission should be mindful of initiating rules that will increase the costs to serve EGS customers, and ultimately the prices paid by EGS customers.

With that in mind, IGS believes it is reasonable to require notice to customers for price increases; however, if a supplier self-imposes a cap to the amount a price can increase, prior to the customer enrollment, then no additional notice should be needed unless the price increase would exceed the disclosed cap. If a limit is needed regarding how much the price can increase without notice, IGS suggests 50% above the previously charged price.

This reasonable protection will help ensure customers do not receive excessive price increases without notice. This protection will also ensure that EGSs cannot increase prices substantially on a monthly basis, without giving a customer an opportunity to switch to another supplier. However, this notice rule will give EGSs the flexibility they need to make price changes to account for the volatility in wholesale electric markets. Further, this notice requirement will ensure customers are not sent monthly notices of price changes, regardless of the magnitude of the price increase or decrease.

2. Should the advance notice requirement be waived for minor contract price changes, within a certain bounds? If so, what bounds are appropriate?

IGS does not believe that advance notices need to be provided with minor contract price changes. Notice of price change to a customer for a minor change would be more likely to confuse or annoy customers than to provide customers with useful information. As such, IGS recommends that the Commission place a percentage threshold on the price increase before a notice requirement is triggered. As stated in its answer to question one, IGS believes that it is reasonable to set the threshold to trigger notice requirements for any price increases above 50% from the previously charged price.

3. 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?

IGS believes that 20 days in advance of a meter read date is sufficient notice to provide customers with the notices described in question one and two.

4. Do variable rate contracts without explicit pricing parameters provide consumers with the information needed to make informed decisions? If not, what is the remedy?

As competitive electric markets evolve in Pennsylvania, and more customers actively engage in the competitive market and shop for a competitive product, customer's will naturally become more aware of the risks and benefits of the different products in the market, including variable price products. That said, IGS also believes there is a need for customer education with respect to variable priced products. Those education measures can be in the form of reasonable notice requirements (as discussed above), reasonable price disclosure requirements, and information sent to customers about their opportunity to switch suppliers.

It is important to remember, however, that any education measure should be competitively neutral and not designed to scare customers away from shopping for electric supplier, or encourage customers to return to default service. Therefore, as the Commission contemplates measures to give notice about price increase for shopping customers, the same notice requirements should be given to customers that receive default service price increases. Further, as the Commission requires additional disclosures or bill messages about the customer's options in the market place, those messages should also go to default service customers, and highlight the ability to choose competitive products.

5. Should EGSs be required to provide a historical pricing history for this formulaic rate structure?

Properly structured, it may be reasonable to provide historic pricing for a formulaic rate structure. However, the problem with historical pricing information is that it is often incorrectly used for price comparisons that are not on an apples-to-apples basis. Historical pricing does not take into account the actual product in which the customer has enrolled, and the additional bundled services the customer receives with that product. For instance, a customer may pay a higher per kilowatt hour (“KWH”) price for an EGS product, but that customer may also receive energy efficiency service, a smart thermostat, a solar panel, renewable energy or some other service in addition to the electric commodity that is included in the price. As EGSs offer a more diverse range of products in the market, this problem is likely only to be compounded.

If the Commission decides to require EGSs to provide historic pricing information, the Commission should do so, only if the following measures are taken:

1. The historic pricing data is clearly separated by product type so that fixed rates are not compared to variable rates, and products bundled with energy services are not compared to plain vanilla energy charges;
2. Different product types are not aggregated into one average EGS historic price;
3. The disclosures do not require an EGS to incur an undue burden or cost, particularly if the default service rate will not be required to bare the same costs;
4. For any historic price that is provided to EGS customers, the same historic price data about the default rate must be provided to customers on default service; and
5. Proprietary information of an EGS is protected.

If the Commission desires to require EGSs to provide historical pricing information, the best means to do so, while remaining within the above parameters, is to only require data on the EGSs historical standard variable price in the market, and exclude all other prices and products.

6. If so, how many months should be provided, and where should this information be provided so as to be available to all participating customers?

IGS believes that, assuming the measures above are put in place, one year of historic variable price data is reasonable.

7. Should EGSs describe specifically how future formulaic prices are determined?

IGS does not object to reasonable disclosures for variable pricing formulas. It is important to note, however, that there are already existing requirements under PUC regulations related to variable rate information disclosure.¹ Any additional modifications to these existing requirements should take into consideration that:

1. More information does not necessarily mean more clarity. Additional information about the complex pricing models that can differ dramatically among suppliers may not necessarily facilitate comparison shopping and might even discourage customers from regularly reviewing their energy choices; and
2. It is difficult to tie pricing to a specific index due to the numerous inputs required to price electric products in the market (e.g. energy, capacity, NITS, zonal variations on price etc.); therefore if there is a rule that requires EGSs to tie pricing to a specific index, then this rule could lead to higher EGS prices because EGSs may choose to increase prices to cover the risk of variables that are beyond the control of the EGS;
3. In a competitive marketplace, EGSs are entitled (and in some cases, legally obligated) not to disclose their confidential business models.

The Commission should keep the following factors in mind if it is considering changing the current variable price disclosure requirements.

¹ 52 Pa. Code § 54.5 relating to disclosure statements for residential and small business customers.

IGS is greatly appreciative of the continued efforts of Staff and the Commission seeking to further improve customer awareness and understanding of their energy options. We look forward to working with the Commission, Staff, EDCs, and other stakeholders in continued service of our common interest in advancing the retail electricity market in the Commonwealth.

Respectfully submitted,



Todd S. Stewart
PA Attorney I.D. #75556
Hawke McKeon & Sniscak LLP
100 North Tenth Street
P.O. Box 1778
Harrisburg, PA 17105-1778
E-mail: tsstewart@hmslegal.com
Telephone: (717) 236-1300
Facsimile: (717) 236-4841

*Counsel for IGS Energy, Shipley Energy Company,
and Dominion Energy Solutions*

DATED: April 3, 2014