

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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June 8, 2015

Rosemary Chiavetta, Secretary
PA Public Utility Commission
Commonwealth Keystone Bldg.
400 North Street
Harrisburg, PA 17120

Re: Investigation of Pennsylvania's Retail
Natural Gas Market: Joint Natural
Gas Distribution Company – Natural
Gas Supplier Bill
Docket No. M-2015-2474802

Dear Secretary Chiavetta:

Attached for electronic filing please find the Office of Consumer Advocate's Comments
in the above-referenced proceeding.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Brandon J. Pierce', written over a large, stylized flourish.

Brandon J. Pierce
Assistant Consumer Advocate
PA Attorney I.D. #307665

Attachment

cc: Office of Competitive Market Oversight
TUS
Law Bureau

207473

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Investigation of Pennsylvania's :
Retail Natural Gas Market : Docket No. M-2015-2474802
Joint Natural Gas Distribution Company – :
Natural Gas Supplier Bill :

COMMENTS OF THE OFFICE OF CONSUMER ADVOCATE

I. INTRODUCTION

The Office of Consumer Advocate (OCA) submits these Comments in response to the Pennsylvania Public Utility Commission's (Commission) April 23, 2015 Tentative Order in the above-captioned proceeding (April 23 Order). In its April 23 Order, the Commission requested stakeholder input concerning proposed modifications to natural gas distribution company (NGDC) bills to make the bills "more supplier-oriented" for customers taking service from a natural gas supplier (NGS). April 23 Order at 4. The Commission raised three primary issues for exploration concerning NGDC-issued joint bills: (1) inclusion of the NGS's logo on the NGDC bill; (2) expansion of bill messaging space provided to NGSs; and (3) inclusion of a Shopping Information Box on the NGDC bill. April 23 Order at 4. Further, the Commission did not recommend inclusion of NGS bill inserts, but requested additional information on the topic. April 23 Order at 4. In addition, the Commission requested any additional proposals or input that would make the NGDC bill "more supplier-oriented." April 23 Order at 9. The Commission also requested cost information and cost recovery proposals for implementation of joint bill modifications. April 23 Order at 4. Finally, the Commission requested comments on the proposed implementation deadline of June 1, 2016. April 23 Order at 4-5.

In general, the OCA supports efforts to provide additional information that will assist customers in the retail market. Efforts to identify the NGS on the NGDC bill, as well as the long-standing requirements that the NGDC bill must be unbundled, that the customer's NGS must be identified with a contact telephone number, and that the NGDC's Price to Compare (PTC) must be disclosed on all bills have provided customers with useful information. As the OCA discussed in its Informal Comments,¹ the OCA appreciates efforts to help customers better understand their natural gas charges and easily access information about the NGS that is providing supply service. Further, any NGDC-NGS joint bill must not be just "supplier-oriented," but as importantly, it must be "customer-oriented," and must retain all consumer protections related to billing provided by Chapter 14 of the Public Utility Code and Chapters 56 and 62 of the Commission's Regulations. See 66 Pa. C.S. §§ 1401 – 1418; 52 Pa. Code Chs. 56 and 62. Care must be taken to ensure that mandatory disclosures and utility contact information remain appropriate in both size and prominence on the bill.

At this stage, the OCA would note that without knowing the costs of the proposed changes, and without being able to review bill design to see if these billing modifications can be achieved in a manner that does not compromise the mandatory disclosures required by law, it may be difficult to determine which of these efforts should move forward to full-scale implementation. In addition, the OCA would note that many of these changes will provide substantial benefits to the NGSs, as the changes are designed to improve the NGS's relationship with its customers through more prominent display of the NGS information on the bill. The changes are also designed to allow the NGS to provide additional messaging to its customers through a potentially lower cost method than direct mailing. The costs of these changes should

¹ The OCA filed Comments on December 12, 2013 in the Investigation of Pennsylvania's Retail Natural Gas Supply Market, Docket No. I-2013-2381742, and Additional Comments on October 14, 2014.

be borne by the NGSs utilizing the NGDC bill. Without a comparison of the costs to the benefits, it may be difficult for NGSs, as well as all stakeholders, to determine which changes are most useful.

The OCA respectfully submits that after gathering the necessary information as part of this Tentative Order process, the Commission may wish to establish a further process to determine which changes can and should be made. In this process, consideration should be given to bill clarity, cost-effectiveness, and compliance with statutory and regulatory mandates. As to cost recovery, the majority of these changes are intended to bring more value to the NGS, and therefore, as previously stated, the OCA submits that NGSs should bear the cost responsibility for these changes.

II. OCA COMMENTS

A. Inclusion of the NGS Logo

The Commission recommends the placement of the NGS logo on the NGDC bill. April 23 Order at 5. The April 23 Order states as follows:

The Commission believes the inclusion of the logo will make the NGS's information more noticeable and will increase customer awareness of their selected NGS. The Commission also believes that the presence of an NGS logo on the NGDC bill will strengthen the relationship between the customer and their selected NGS.

April 23 Order at 5. The value of the logo on the bill goes to the individual customer/NGS relationship and would provide great benefit to the NGS from this improved relationship. Currently, the NGS name and contact information appear on the NGDC bill when a customer takes supply from an NGS. The addition of the logo would make the NGS more prominent, would correlate the NGS's supply charges to the NGS logo, and would allow the NGS to use its brand to better effect.

The Commission notes that it “believes the benefits to having an NGS logo on the NGDC bill may be worth the costs.” April 23 Order at 6. It is not possible to know whether the benefits of logo placement may be worth the costs until there is a firmer understanding of what this bill modification will cost. Additionally, the OCA submits that another unknown is how easily and cost-effectively these NGS logos can be changed when a customer switches suppliers. As part of the Commission’s review, the OCA submits that a more thorough cost-benefit analysis should be conducted prior to this modification being adopted. In addition, the OCA submits that this modification should be paid for by the NGSs, who will receive the greatest direct benefit from the use of their logo.

B. Expansion of NGS Bill Messaging Space

The Commission recommends expanding the bill messaging space made available to NGSs from two lines to four lines. April 23 Order at 6. The Commission specifically requested input on the messaging space currently available to NGSs on NGDC bills and the “feasibility and appropriateness of providing four lines of messaging space.” April 23 Order at 6. The OCA submits that the information sought by the Commission from the NGDCs is germane to a reasonable cost-benefit analysis of this bill modification. This modification is also designed to provide additional benefits to the NGSs and the costs should be borne by the NGSs. The NGSs will need to determine whether other more cost-effective means exist to communicate these messages to their customers or whether the bill message has sufficient value.

The Commission further expressed concerns that all parties should work to ensure that additional pages are not needed when providing additional messaging space. April 23 Order at 7. The OCA supports the Commission’s intent not to expand the number of NGDC bill pages. Making the bill longer and more complicated may diminish the effect of all bill messages,

particularly the mandatory messages related to natural gas service. The OCA submits that the messages provided by the NGSs should not detract from, nor be inconsistent with, NGDC messages and mandated disclosures.

Finally, the OCA supports the Commission's recommendation that NGSs use the messaging space "to provide contract expiration information, such as the expiration date, to customers." April 23 Order at 7. The inclusion of this information may strengthen customers' understanding of their own relationship with the NGS, as well as their support for the retail natural gas shopping market more broadly.

C. Inclusion of a Shopping Information Box

The Commission has proposed the inclusion of a conspicuous "Shopping Information Box" to be included on the NGDC bill. April 23 Order at 7. The April 23 Order recommends that the shopping box "should be limited to basic shopping information needed to allow a customer to more readily shop." April 23 Order at 7. The Commission asserts that this modification could be "easily incorporated by the NGDCs at a one-time cost." April 23 Order at 8.

In the OCA's view, a shopping box should include information useful to a customer when considering an alternative supplier. Information should include at least the current PTC, the future PTC as found on PA Gas Switch,² the PA Gas Switch web address, and the web address for the OCA's Shopping Guide.³ Other information may also be useful, but the OCA is cognizant of the fact that if the shopping box expands in size, other bill design issues could arise.

² http://www.puc.pa.gov/consumer_info/natural_gas/natural_gas_shopping/gas_shopping_tool.aspx.

³ http://www.oca.state.pa.us/Industry/Natural_Gas/gascomp/GasGuides.htm.

The OCA agrees that a properly designed shopping box with useful information could assist customers interested in shopping. The information proposed to be included by the OCA would allow customers to compare offers as well as routinely assess their current supplier prices. The information may encourage customers to compare offers and switch to alternative suppliers, thus growing NGS business. If such a modification can be made at reasonable cost, and without unduly complicating the customer bill or extending its length, this could be a beneficial change for the retail market.

The OCA does not, however, support the Commission's recommendation to include the Shopping Information Box as proposed in the April 23 Order. The OCA is concerned that the shopping box, as proposed, will take away from the prominence and importance of the PTC without providing any additional benefit to the customer. Further, the shopping box, as proposed, would provide little value to customers for the added cost—whether a one-time cost or not—as it provides minimal information that a customer needs when determining whether to shop for another NGS. For example, customer account numbers are already located on the bill, and third-party agents are trained to help customers find this information in the event the customer wishes to shop. The OCA is concerned that the benefits to consumers would be outweighed by the costs. If, however, the shopping box included the information suggested by the OCA above, and it could be included at a reasonable cost, the OCA would support the inclusion of the Shopping Information Box.

D. Inclusion of NGS Bill Inserts

The Commission has requested comments on the possibility of including NGS bill inserts into the NGDC bill. April 23 Order at 9. The Commission “does not recommend the inclusion of NGS inserts at this time” because “we do not have enough information . . . to show that the

benefits of inserts would outweigh the costs and complexities.” April 23 Order at 4, 10. The OCA supports the Commission’s position on this issue at this time. The OCA is concerned that the inclusion of NGS billing inserts may give the appearance that an NGDC endorses a particular NGS, or may otherwise lead customers to believe that they are obligated to shop, either with that NGS, or in general.

Additionally, the Commission requests “specific comments on the applicability of, or any necessary revisions to, Sections 62.141 and 62.142 of our regulations.” April 23 Order at 10. Specifically, the Commission lists Sections 62.142(16), which requires an affiliated NGS that communicates “verbally through radio or television to the public using the NGDC name or logo” to provide the same legible disclaimers as required under Section 62.142(15)(i)-(iii) (relating to an affiliated NGS marketing or communicating “to the public.”). 52 Pa. Code 62.142(16); see also, 52 Pa. Code 62.142(15). The OCA recommends that the Commission revise 62.142(16) to remove the qualifying language “through radio or television” such that the provision applies equally to any verbal communication with the public. The entirety of Section 62.142(16), as revised by the OCA, would read as follows:

(16) When an affiliated NGS advertises or communicates verbally to the public using the NGDC name or logo, the affiliated NGS shall include at the conclusion of the communication a legible disclaimer that includes all of the disclaimers in paragraph (15)(i)—(iii).

The Commission also requests comments and/or revisions specifically to Section 62.142(17), which restricts an NGDC from jointly marketing with an affiliated NGS, as well as restricts an NGDC from offering or providing products or services to its affiliated NGS, including billing inserts, unless the NGDC offers those products and services on the same terms

and conditions to an unaffiliated NGS. The OCA submits that the Commission should make no revisions or changes to, or change the applicability of, Section 62.142(17).

Additionally, beyond the OCA's proposed revision to 62.142(16)—that strengthens consumer protections regarding standards of conduct in the retail supply of natural gas—the OCA recommends that the Commission make no changes to Section 62.141 or 62.142 that would in any way weaken consumer protections.

E. Inclusion of Value-Added Services

The Commission, in the April 23 Order, states that, “NGDCs should not be made responsible for the collection of NGS value-added services. Therefore, we will not, at this time, propose that the NGDCs be required to include additional line items for NGS value-added services charges.” April 23 Order at 11. The OCA supports the Commission's determination on this issue.

F. Costs and Cost Recovery

The Commission requested that the NGDCs and other parties provide cost estimates for implementing the changes to the joint bills. April 23 Order at 12. The OCA supports this recommendation and notes that a meaningful cost-benefit analysis can be undertaken only after NGDCs and other parties provide cost estimates. The OCA submits that the joint billing proposals contained in the April 23 Order should not move to full-scale implementation until it has been demonstrated that the benefits outweigh any costs.

Additionally, the Commission has proposed that the costs of the joint bill proposals be “recovered from all distribution customers on a non-bypassable basis through a surcharge or some similar mechanism.” April 23 Order at 12-13. The OCA submits, however, that the costs of joint bill programs should be borne by the NGSs since these costs are a direct function of the

NGSs' use of the NGDC bill to collect their charges. NGSs benefit from the convenience and cost-effectiveness of including their charges on NGDC bills and benefit from the Purchase of Receivables programs that allow the NGDCs to collect payment, and even to disconnect service for nonpayment, of the NGS charges. Consumers have already paid for the billing systems generating their current bills. These incremental changes bring greater value to NGSs who use this system for more than the current purpose.

The OCA submits that incremental costs to the existing billing operations should not be borne by ratepayers. It is not enough to say that “residential customers will ultimately benefit” from these charges. This completely ignores the “ultimate benefit” to NGSs from such changes. For example, the Commission itself notes that in the instance of placement of an NGS logo on the bill, “the inclusion of the logo will make the NGS’s information more noticeable and will increase customer awareness of their selected NGS.” April 23 Order at 5. The Commission further notes that including the NGS logo on the NGDC bill will “strengthen the relationship between the customer and their selected NGS.” April 23 Order at 5. As the Commission states, the costs of placing each NGS logo on the NGDC bill are for the benefit of a customer’s selected NGS—that is, to make the bills “more supplier-oriented.” April 23 Order at 4. Such specific customer/NGS relationship costs are no different from any other cost incurred by an NGS in maintaining its relationship with that customer, and should not be borne generally by all customers through a non-bypassable surcharge or any other similar mechanism.

G. Timeline

The Commission recommended that the proposed bill modifications be implemented no later than June 1, 2016. April 23 Order at 13. The OCA submits that modifications should be

implemented only after they are shown to be cost-justified. It may be better to establish a timeline later in the process when we see results of other efforts to increase shopping.

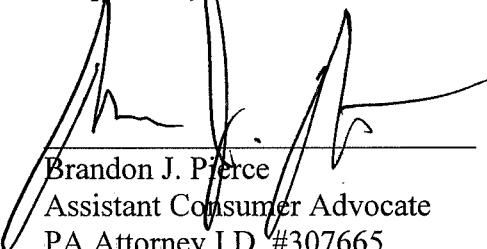
H. Provision of Draft and Sample Bills

The Commission proposes that if it determines that the joint bill proposals in the April 23 Order should be pursued, “we propose that all jurisdictional NGDCs provide to OCMO, for its review and feedback, a draft of their revised bills, at least 45 days in advance of the active dissemination of the new bills.” April 23 Order at 14. The OCA supports the Commission’s proposal to have OCMO review and provide feedback on NGDCs proposed bills at least 45 days prior to their dissemination to customers; however, the OCA submits that this process should be more open and transparent by including the statutory advocates in the review and feedback of the revised bills. Specifically, the OCA is interested in ensuring that the location and prominence of the information proposed to be included—in relation to other key statutory and regulatory aspects of the bills—is appropriate and in a format that can be easily understood by customers.

III. CONCLUSION

The OCA supports the Commission's efforts to ensure that customer bills include accurate and timely disclosures that help customers better understand their natural gas charges and easily access NGS and shopping information. The OCA submits that the Commission must ensure that all existing consumer protections are maintained and that all costs resulting from billing changes are appropriately assigned to those benefiting most directly and to the greatest degree from those changes. The OCA respectfully requests that the Commission consider the OCA's positions as described above. The OCA looks forward to continuing to work with the Commission and other interested parties to further improve customer bills.

Respectfully Submitted,



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