

CHARGE Conference Call

November 18, 2010 – 1:30 p.m.

Call-in number: 1-866-618-6746 and Access Code: 6060145

Recap of Discussion

1. EGS Marketing Activities

- PUC adopted final order on November 4, 2010, which is available at the following link:
<http://www.puc.state.pa.us/general/ConsolidatedCaseView.aspx?Docket=M-2010-2185981>
- Staff provided an overview of the marketing guidelines and a summary of other important consumer protection requirements; both power points are attached to the recap

2. Supplier Consolidated Billing Implementation (no update)

- EDEWG document summarizing issues that need to be addressed for full implementation of supplier consolidated billing was circulated on August 25; and Blue Star provided responses based on Illinois experience which were distributed on October 25
- Both documents are available at links next to the agenda for the October 28 call at
http://www.puc.state.pa.us/electric/electric_CompetitiveMarketOversight.aspx
- After a more thorough review of Blue Star's responses, timeline and process for moving forward, which will ultimately lead to submission of staff recommendation to the PUC, will be discussed during the next call; any participants who wish to offer written feedback on the EDEWG questions for distribution to CHARGE may do so by emailing ra-ocmo@state.pa.us
- Currently PPL has an interim structure in place allowing Blue Star to implement SCB

3. Eligible Customer List (no update)

- PUC adopted final order on November 12, 2010, which is available at the following link:
<http://www.puc.state.pa.us/general/ConsolidatedCaseView.aspx?Docket=M-2010-2183412>

4. Estimated State Tax Amount on Bills (Placeholder)

- Question has arisen about whether the presentation of "estimated total state taxes" on residential bills is required for generation charges of EGS as there is no standard treatment among EGSs

- Staff has determined that EDC tax components are Capital Stock, Property Tax-Local and PURTA, State Unemployment Compensation, PA State Income Tax, and Gross Receipts Tax.
- Staff is conducting further review of statute and regulations to offer guidance to EGSs on this issue; interested in feedback from group on value of having information on bills about taxes (other than GRT) paid by EGSs

5. Last-In Enrollments (Placeholder)

- Spreadsheet was previously circulated to show how EDCs handle multiple enrollments for the same customer before the 16-day cut-off date
- Group has generally discussed value of standardizing enrollment process going forward; benefits of standardization were identified; and issue will remain on the list for further discussion

6. Mixed Meter – EGS Authority

- Questions have been raised about whether EGSs must have authority to serve residential customers when a residential customer is served as part of a mixed meter situation
- Staff updated the group on the status during November 18 call, noting expectation that language has been drafted in an effort to carve out exemptions so that these EGSs may not have to comply with certain inapplicable residential customer protection requirements in Chapters 54 and 56; language is under review internally

7. Estimated and Actual Prices to Compare (no update)

- Availability of estimated and actual prices to compare for inclusion in EGS renewal notices and EDC mailings to consumers
 - PPL expects to have an estimated PTC (based on roughly 95% of the auction results) available by the end of October for the first 5 months of 2011; an actual PTC will be available in mid-December for the first 5 months of 2011
 - PECO expects to have an actual PTC for the first quarter of 2011 and an estimated PTC for the second quarter of 2011 by October 14
 - FirstEnergy expects to have an actual starting PTC for 2011 available by the end of October
 - Duquesne was not on the last call but staff believes that an actual PTC for residential customers is already known for 2011; update will be provided soon
 - Allegheny will have the PTC for 2011 available within a week

8. Amount of Gross Receipts Tax Rate in 2011 Price to Compare

- Question had been previously raised as to the correct GRT rate that should be included in the 2011 PTC; staff had noted new GRT rate is 6.08% (an increase from 5.9%) and that all EGSs should be using this rate, with the gross-up factor discussed on calls earlier this year (and explained in an FAQ on PAPowerSwitch.com)
- Explanation of new GRT rate was set forth in document attached to agenda for November 18 meeting and also appears separately following this recap; staff added that this is an issue that EGSs should handle consistently but it will not always be an apples-to-apples comparison between EGSs and EDCs
- Additional questions have been raised about why the new GRT rate is handled differently among EDCs; this issue will be further discussed on the next call but the short answer is that some EDCs reflect part of the GRT in their STAS (state tax adjustment surcharge), so that some EDCs will have a reduced PURTA cost (due to refunds) in their STAS, but the total GRT imposed on electricity receipts of EDCs and EGSs for 2011 will be the same, at 6.08% grossed up to 6.47%

9. Displaying Prices on PAPowerSwitch (no update)

- Suggestion has been made for consistency in the way pricing is displayed on PAPowerSwitch; major concern is that in some instances, an introductory price rather than an average price is being displayed
- Group has discussed possible remedies, noting the difficulty of making apples-to-apples comparisons due to variations in the components that are included in EGS prices and suggesting that a working group may need to be formed to develop clear guidelines
- A short-term solution to the use of an introductory price would be if PAPowerSwitch can accommodate showing both that price and the price that will be in effect after the introductory period; staff will consult with the Office of Communications and report back to CHARGE

10. Budget Billing for Variable-Priced Products (Placeholder)

- Group has discussed whether it is appropriate or necessary to require EGSs to offer budget billing option to customers in connection with variable-priced products
- Staff appreciates the feedback and will consider it in providing a recommendation to the PUC

11. CHARGE Contact List

- Contact list is on website at the following link:

http://www.puc.state.pa.us/electric/electric_CompetitiveMarketOversight.aspx

- Please send contact information or updates to ra-ocmo@state.pa.us; purpose of this list is to enable stakeholders to contact one another directly to resolve issues and is separate from email distribution list

12. Meeting Schedule for Remainder of 2010

- December 9, 9:30 a.m.
- *December 21, 9:30 a.m. (Please note date change; Tuesday rather than Thursday)*
- January 6, 2011, 9:30 a.m.
- January 20, 2011, 9:30 a.m.
- February 3, 2011, 9:30 a.m.
- February 17, 2011; 9:30 a.m.
- March 3, 2011; 9:30 a.m.
- *March 24, 2011; 9:30 a.m. (Please note date change; March 17 and March 31 will be cancelled and replaced by March 24 due to a recent change in PUC's Public Meeting schedule)*

2011 GRT Rate

As published in the *Pennsylvania Bulletin* on September 18, 2010 (40 Pa.B. 5423)¹, the Pennsylvania Department of Revenue (DOR) has established a Public Utility Realty Tax Act (PURTA)-related surtax of 1.8 mills (0.0018) effective January 1, 2011, which is paid upon the basis of gross receipts.

Staff at the Pennsylvania Public Utility Commission has confirmed with DOR that both electric distribution companies and electric generation supplier companies must pay the PURTA-related surtax in addition to the statutory gross receipts tax of 59 mills (0.059) for a total gross receipts tax level of 60.8 mills (0.0608) on calendar year 2011 gross receipts.

In addition, we have previously explained that EDCs and EGSs must apply a gross-up factor to determine the total amount of GRT that is owed to Pennsylvania. Starting on January 1, 2011, the gross-up factor is calculated by the following formula: $1/1-6.08\%$. This results in total GRT liability of 6.47% (as rounded to the nearest hundredth).

Consistent with guidance we have provided in the past, EGSs will be obligated to pay GRT to Pennsylvania in the amount of 6.47% on the base price of electric generation supply. Any GRT rate that is being charged to consumers must be included in offers or price quotes and must match the GRT amount that is included in electric generation supply charges on bills.

The EDCs' handling of the incremental GRT liability imposed by the PURTA-related surtax will depend on tax amounts that are already reflected in the State Tax Adjustment Surcharge (STAS) rates charged to customers. While the PURTA-related surtax is recoverable by EDCs through the STAS mechanism, retail rates must also reflect any reduction that is related to associated PURTA refunds received by the utility. As a result of such refunds, EDCs may be billing customers an amount that is below the total GRT liability of 6.47%.

¹ Link to notice: <http://pabulletin.com/secure/data/vol40/40-38/1802.html>