Richards Energy Comments on Default Service M-00072009

Richards Energy Group, Inc. is an energy consulting engineering firm. We have been licensed by the PUC as a broker/marketer in PA since 1999. Our power purchasing consortium, REAP, continues to expand, and currently has over 900 industrial and commercial electric accounts. REAP has been active and successful finding shopping deals within PA from 1999 through today (yes, we actually have a 3MW client shopping in PPL right now, which is quite an accomplishment, considering the market). We would like to offer our comments from the perspective of a firm that has had to make deregulation work for its customers even when few others have been able to shop.

69.1801. No comment.

69.1802. There is no "competitive market discipline" when PTC, the yardstick for shopping, is allowed to change quarterly, monthly, or more often…this turns the yardstick into a rubber band. This is a terrible way to "encourage the entry of new retail and wholesale suppliers" to the market, except to the extent that suppliers can provide long-term, fixed rate options. Unfortunately, these options may or may not be more expensive than default, with no reasonable way of predicting which. It certainly provides no "appropriate measure of regulatory certainty for ratepayers", except that EDC default rates are "certain" to change monthly or even more frequently.

69.1803. No comment

69.1804. If a program of 2 to 3 years can be mandated, why not have fixed prices mandated for the same period?

69.1805. In "allowing the development of a competitive retail supply market", it seems the Commission is going overboard in their zeal to keep EDC's whole for their costs. However, if a competitive retail market is achieved, then much of this careful planning gets wasted…if many shop, they won't be buying power from the EDC, so how is the EDC supposed to commit to purchasing short or long term supply for an unknown but diminishing quantity of load? This paragraph also states a concern that long term contracts would "mute demand response", then 69.1810 eliminates demand charges, which will more than "mute" demand response within the EDC rates…rather it will eliminate any deterrent to running on-peak, making interconnection peaks even higher and corresponding price spikes as well. If you want demand response at all but you eliminate demand charges, then you must mandate on and off peak KWH pricing as well…In the PA Power case, it seems a travesty that PA Power had to purchase on and off peak power for default service, then blend it into a system average to offer a single, non-time dependent price to native loads. Odds are pretty good that without the economic incentive to consume off-peak, the blended system average on the next go-around will certainly have a higher

percentage of on-peak power. If ever there was a deterrent to demand response, that rate structure embodies it.

69.1806. Obviously this was legislated, but it certainly adds another log to the fire of rate shock at just the wrong time, when market forces are fueling huge increases already.

69.1807. See comments at 69.1805. Also, it seems like the Commission, in its zeal to try to keep price shock in tow, is instead almost creating another competitor…the EDC, which is supposed to be discouraged, not encouraged, from keeping customers on default supply.

69.1808. If the Commission truly desires to make a competitive market, an "administration" element could be added to the EDC's default rate, similar to the adder in New Jersey…you could justify this adder to cover excess costs the EDC would incur when shopping is more successful than anticipated, and the EDC needs to 'get rid of" the commitments it made to buy power ahead of time. This would skew the default rate to be higher than market, and would tend to encourage more shopping.

69.1809. See 69.1802. There is a conflict of promoting shopping while allowing "regular price adjustments" which causes quarterly, monthly or more often changes in PTC…how can shopping be promoted when there is no fixed pricing benchmark to weigh it against?

69.1810. Rate efficiency vs. energy efficiency: Removing demand charges promotes inefficiency. With no demand charge, there's no incentive to keep everyone from operating on-peak, making power costs skyrocket on peak. The existence of demand charges and declining block rates was the reason our REAP power purchasing group was able to find deals for high PTC customers when the futures market started to peak. It is the only reason we still have a 3MW industrial customer in a shopping deal in PPL territory. This was also the same reason we were not able to shop effectively in Met Ed and Penelec territories as futures started to peak, since their rates are not very demand-sensitive. Concerning energy efficiency, how can you promote conservation measures when you have no price certainty to measure your actions against? That's a disincentive in itself, since economic payback is the primary reason people will embrace energy efficiency. And I have no evidence of any of my clients being excited about using more energy because it was at the tail end of their declining block…more energy costs more money, no matter how inexpensive it is per KWH. I do, however, have evidence supporting installation of energy efficient projects, such as lighting retrofits, which not only reduce energy consumption and cost, but also INCREASE PTC FOR THOSE CUSTOMERS, MAKING IT EASIER, NOT HARDER TO SHOP, WHEN RATE STRUCTURES INCLUDE DEMAND CHARGES AND DECLINING BLOCK RATES. I would be pleased to share details of this phenomenon with the Commission at any time…it seems counterintuitive until you realize that the inefficient lighting in most

cases has a higher load factor than the overall plant load…thus, reducing the lighting load overall reduces that high load factor base, and increases the overall PTC for that location.

69.1811. It would be far better for ratepayers to prepare by putting those "prepay" dollars into conservation measures such as above, which will reduce their overall consumption and make it easier to shop (if rate mechanisms aren't tampered with).

69.1812. Since we've had to deal with all the EDC's in PA over the course of deregulation, we agree that common standards and processes would make data acquisition much better, but only if these processes are made available through commonly accepted means…for example, some but not all the data we need in PECO territory is available electronically through flat file downloads on a quarterly basis…this is not only cumbersome, but painful, to accommodate…the files are divided by daily meter reads…all the customers that are read on a single day have to be downloaded in order to gain access to one! In contrast, PPL data is more friendly, but requires several hoops to be jumped, and comes at substantial cost.

69.1813. I'd appreciate an explanation of what this means, as well as

69.1814. An explanation of this, and

69.1815. An explanation of this. I'm quite concerned about what this might mean, however, since our business is to gather up industrial and commercial customers into our consortium to leverage better power purchasing deals for all of them. Essentially, we are a customer referral system that's been in existence for the past 9 years and has been working quite well…I don't mind competition in a free enterprise way, but I'm certainly not open to having some rules made that obviate our 9 years of hard work.

69.1816. We have no comments about supplier tariffs, but I certainly think the public interest would be served by instituting common retail supply contracts and terms that all suppliers agree to use (although part of our business is to cut through the differing terms and conditions in the various supplier contracts to determine the best fit for our clients).

69.1817. A Retail Choice Ombudsman sounds like a good idea, but perhaps for residential and small business customers? Richards Energy has been able to serve that function when required for its industrial and commercial clients, but it really hasn't been required that often.

Frank J. Richards, P.E.