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|  | **PENNSYLVANIA**  **PUBLIC UTILITY COMMISSION**  **Harrisburg, PA 17105-3265** |  |
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|  | Public Meeting held March 25, 2010 |
| Commissioners Present: |  |

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| James H. Cawley, Chairman |
| Tyrone J. Christy, Vice Chairman |
| Wayne E. Gardner |
| Robert F. Powelson |
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| License Application of Avalon Energy Services, LLC, for Approval to Offer, Render, Furnish or Supply Electricity or Electric Generation Services as a Broker/Marketer | Docket Number: A-2010-2150814 |

# ORDER

**BY THE COMMISSION:**

On January 5, 2010, Avalon Energy Services, LLC (AES) filed an application seeking Approval to Offer, Render, Furnish or Supply Electricity or Electric Generation Services as a Broker/Marketer in all the Electric Distribution Companies (EDC) service territories throughout the Commonwealth of Pennsylvania. The application was filed pursuant to the Commission’s regulations at 52 Pa. Code §§54.31-54.43, which became effective on August 8, 1998, and which were established under section 2809 of the Public Utility Code, 66 Pa. C.S. §2809.

Section 2809 provides in pertinent part that:

License Requirement.--No person or corporation, including municipal corporations which choose to provide service outside their municipal limits except to the extent provided prior to the effective date of this chapter, brokers and marketers, aggregators and other entities, shall engage in the business of an electric generation supplier in this Commonwealth unless the person or corporation holds a license issued by the Commission.

66 Pa. C.S. §2803

An electric generation supplier is defined as:

A person or corporation, including municipal corporations which choose to provide service outside their municipal limits except to the extent provided prior to the effective date of this chapter, brokers and marketers, aggregators or any other entities, that sells to end-use customers utilizing the jurisdictional transmission and distribution facilities of an electric distribution company, or that purchases, brokers, arranges or markets electricity or related services to end-use customers utilizing the jurisdictional transmission and distribution facilities of an electric distribution company.

AES was registered with the Pennsylvania Department of State as a Foreign Limited Liability Company on December 21, 2009. AES proposes to act as a broker/marketer for small commercial (25 kw and under demand), large commercial (over 25 kw demand), industrial and governmental customers. AES states that it proposes to provide energy audits, energy procurement consulting and energy brokering to commercial, industrial and governmental customers. AES states that it will not function as a supplier or aggregator nor will it participate in any physical or operational function involving electric supply. AES will take no title to electricity or make or process utility payments on behalf of their customers. Currently, AES does not intend to provide these services to residential customers. Therefore, Chapter 56 residential service regulations do not apply.

If AES chooses to provide broker/marketer services to residential customers in the future, however, AES will notify the Commission Secretary by letter immediately and be required to comply with, and be governed by, applicable Chapter 56 residential service regulations as set forth in the Commission Order *Guidelines for Maintaining Customer Service at the Same Level of Quality Pursuant to 66 Pa. C.S. § 2807(d), and Assuring Conformance with 52 Pa. Code Chapter 56 Pursuant to 66 Pa. C.S. § 2809(e) and (f)* at Docket No. M-00960890 F0011, Order entered July 11, 1997. Thus, we deem it appropriate to reiterate certain items with respect to Chapter 56 of our regulations. Chapter 56 (52 Pa. Code Chapter 56) is applicable to residential accounts. An EGS cannot physically disconnect a residential customer from the electricity grid; therefore, the rules relating to residential service termination are not applicable to EGSs. An EGS may seek to terminate its generation service through an appropriate written notice to the customer and the distribution company. The residential customer can then attempt to repair their relationship with the supplier, seek a new supplier, or default to utility service at capped rates in accordance with the utility's obligations under section 2807(e), 66 Pa. C.S. §2807(e). The customer would only be disconnected from the electricity grid pursuant to appropriate regulations if the customer failed to meet its obligations to the utility or the EGS that has been designated by the Commission as the provider of last resort.

Additionally, we specifically note that the licensee must comply with, and ensure that its employees, agents, representatives and independent contractors comply with the standards of conduct and disclosure for licensees set out in Commission regulations at 52 Pa. Code § 54.43 that were enacted to protect consumers of this Commonwealth. These standards include, *inter alia*, the provision of timely and accurate information about the services offered by the licensee, the practice of nondiscrimination in service in regard to race, color, religion, national origin, marital status, etc., the safeguarding of a consumer’s personal information, and compliance with applicable state and federal consumer protection laws. Also, we take this opportunity to remind the licensee of its agreement to abide by, and to ensure that its employees, representatives, agents and independent contractors abide by all applicable federal and state laws, and Commission regulations, procedures and orders, including Emergency Orders, which may be issued verbally or in writing during any emergency situations that may unexpectedly develop from time to time in the course of business.

AES has provided proofs of publication in Pennsylvania newspapers and proofs of service to the interested parties as required by the Commission.

Regarding the financial and technical requirements of the license application, AES has supplied financial information, specifically a statement of income and balance sheet year ending December 31, 2009, and a financial institution line of credit. AES has also provided historical employment information for executive, management and staff personnel indicating that they have the necessary consulting, utility and/or regulatory experience. Sufficient information has been provided by AES to demonstrate its financial and technical fitness in order to be licensed as a broker/marketer in the Commonwealth of Pennsylvania.

AES did not provide a $250,000 bond as required by the license application; however, it did provide a bond in the amount of $10,000 and requests that the Commission reduce its security requirement from $250,000 to $10,000. In support of this request, AES explains that it will not be collecting any gross receipts from its customers or generating electricity. Also, Applicant will not make electric utility payments on behalf of its customers. AES contends its services are solely to act as a marketer/broker engaged in the business of negotiating the purchase of electricity for commercial, industrial and governmental consumers of electricity.

The Commission believes that the reasoning on which AES bases its request for a bond reduction from $250,000 to $10,000 is similar to that offered by the other EGSs that have successfully petitioned the Commission for a bonding level of $10,000. Two of the EGSs are Co-eXprise, Inc. (Co-eX), at Docket No. A-110166, whose request was granted January 20, 2006, and Premier Energy Solutions (PES), at Docket No. A-110170, whose request was granted July 26, 2006. In the case of Co-eX, the company explained that, as a consultant, it will provide its customers with an evaluation and selection process from which to select the best positioned licensed electricity supplier/generator and award business. In the case of PES, the company explained that it requested an EGS license to become EDI certified with the utilities, in order to be able to efficiently and effectively obtain electricity usage information for the customers to whom it provides consulting services. PES intended to utilize the information to help its customers reduce their overall spending for electricity. PES also stated that it would not take title to power.

The Commission believes that AES proposes to operate in a similar manner and therefore should be granted similar relief and be permitted to provide a bond or other approved security in the reduced amount of $10,000. However, AES’s bonding level is contingent upon the company’s business model as described in this Order.If AES takes title to generation supply for its customers, and/or charges customers directly for that generation supply, a $10,000 level of bonding may not be appropriate.Therefore, we will direct AES to notify the Commission 45 days prior to a change in its business model, whereby AES takes title to generation supply and/or bills its customers directly for that generation supply. This will provide the Commission with an opportunity to review and adjust AES’s approved bonding level prior to AES implementing those changes.

AES has provided the required Pennsylvania Emergency Management Agency contact information.

As of March 1, 2010 no protests have been filed.

We find that the applicant:

1. Is fit, willing and able to properly perform the service proposed in conformance with applicable provisions of the Public Utility Code and lawful Commission orders and regulations, specifically including 52 Pa. Code Chapter 56 (relating to Standards and Billing Practices for Residential Utility Service).

2. Has agreed to lawfully abide by all Commission regulations, procedures and orders, including Emergency Orders, which may be issued verbally or in writing during any emergency situations that may unexpectedly develop from time to time in the course of doing business in Pennsylvania.

We further find that the proposed service, to the extent authorized by the license, will be consistent with the public interest and the policy declared in the Electricity Generation Customer Choice and Competition Act.

Upon full consideration of all matters of record, we find that approval of this application is necessary and proper for the service, accommodation and convenience of the public; **THEREFORE,**

**IT IS ORDERED:**

1. That the application of Avalon Energy Services, LLC is hereby approved, consistent with this Order.

2. That Avalon Energy Services, LLC request for a reduction in the required bond level from $250,000 to $10,000 is hereby granted.

3. That the security amount of $10,000 shall remain in effect for Avalon Energy Services, LLC as long as Avalon Energy Services, LLC does not make a change to its business model in Pennsylvania, whereby it would take title to generation supply and/or bill its customers directly for generation supply.

4. That a license be issued authorizing Avalon Energy Services, LLC to begin to offer, render, furnish or supply electric generation supplier services as a broker/marketer to small commercial (25 kw and under demand), large commercial (over 25 kw demand), industrial and governmental customers in the electric distribution company service territories throughout the Commonwealth of Pennsylvania, as specified in this Order.

5. That if Avalon Energy Services, LLC proposes to change its business model as described in Ordering Paragraph No. 3, it must notify the Commission at least 45 days prior to the changes. With the notice, the Company must provide an update to the nature and scope of business information that was required by Pa. Code §54.40(c) to justify the modification granted in Ordering Paragraph No. 3. This will provide the Commission the opportunity to review Avalon Energy Services, LLC’s bonding level and adjust as appropriate, prior Avalon Energy Services, LLC implementing the proposed changes to its business model.

6. That if Avalon Energy Services, LLC changes its business model without providing to the Commission the notice and information required in Ordering Paragraph No. 5, then the reduced bonding level permitted by Ordering Paragraph No. 2 shall cease effective with the date of the change in the business model. The level of bonding effective at that time shall be $250,000 or the level required by 52 Pa. Code §54.40, whichever is greater.

7. That this proceeding at Docket No. A-2010-2150814 be closed.



**BY THE COMMISSION,**

James J. McNulty

Secretary

(SEAL)

ORDER ADOPTED: March 25, 2010

ORDER ENTERED: March 26, 2010