



April 3, 2014

VIA E-FILING

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

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

Dear Secretary Chiavetta:

Enclosed please find the comments of UGI Energy Services, LLC in response to the Commission's Order entered March 4, 2014, in the above-captioned proceeding.

Should you have any questions concerning this submission, please feel free to contact me at (610)-992-3750 or elatiehm@ugicorp.com.

Respectfully yours,

A handwritten signature in black ink, appearing to read "Melanie J. El Atieh". The signature is fluid and cursive.

Melanie J. El Atieh
Attorney for UGI Energy Services, LLC

Enclosure

Cc: Office of Competitive Market Oversight (via e-mail at ra-OCMO@state.pa.us)

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

COMMENTS OF UGI ENERGY SERVICES, LLC

I. INTRODUCTION

UGI Energy Services, LLC d/b/a UGI EnergyLink (“UGIES” or the “Company”), a licensed Electric Generation Supplier (“EGS”) at Docket No. A-2013-2369288,¹ hereby submits comments to the Pennsylvania Public Utility Commission’s (“Commission’s”) Order entered on March 4, 2014, in the above-captioned docket (“March 4th Order”), whereby the Commission, among things, opened the above-captioned proceeding to examine current rules, policies and consumer education measures regarding variable rate retail electric products, directed the Commission’s Office of Competitive Market Oversight to oversee the proceeding and requested comments from interested parties to the issues identified by the Commission in the March 4th Order. The Commission required comments to be filed within thirty (30) days of the entry date of the March 4th Order, or by April 3, 2014.

¹ The Company, formerly known as UGI Energy Services, Inc. d/b/a UGI EnergyLink, was initially licensed by the Commission as an EGS on July 24, 1998 at Docket Nos. A-110076. Effective October 1, 2013, the Company underwent an intra-corporate merger solely for the purpose of converting its corporate form of organization from a Pennsylvania corporation to a Pennsylvania limited liability company (“LLC”), changing its name to UGI Energy Services, LLC while maintaining its trade name, UGI EnergyLink (the “LLC Conversion”). In connection therewith, the Company sought and obtained prior Commission approval to transfer the Company’s EGS license to the successor LLC entity, UGI Newco, LLC (“Newco”). Specifically, on September 12, 2013, the Commission entered an Order at Docket No. A-2013-2369288, authorizing the transfer of and issuing an EGS license to Newco, and in the same docket, the Commission issued a Secretarial Letter on November 15, 2013, approving a name change on the EGS license to UGI Energy Services, LLC d/b/a UGI EnergyLink.

II. COMMENTS

A. Background

UGIES is a Commission-licensed EGS and Natural Gas Supplier (“NGS”) and markets electricity, natural gas and liquid fuels to approximately 43,000 customers in nine eastern states, including over 7,500 retail electric customers in Pennsylvania. It also owns and operates 252 MW of electric generation assets as well as various natural gas storage and peaking assets located in Pennsylvania. In addition, UGIES markets liquefied natural gas to mobile and stationary end users, and it develops, owns and operates midstream projects in the Marcellus Shale region.

This past January and February, the combination of sustained cold weather and high demand by consumers for electricity and natural gas caused unprecedented price spikes in wholesale electricity and natural gas markets, including the wholesale electric market administered by PJM Interconnection, L.L.C. (“PJM”). While the spikes in energy prices in January & February were generally attributable to the natural interaction of supply and demand during an unusually cold winter,² UGIES recognizes that high energy bills represent a very real hardship for many customers. To help defray these costs, we are voluntarily providing partial rebates to our smallest electric customers who were on variable rates during this time and who agree to a fixed rate service going forward. We also are offering to spread the January & February costs over future months, assisting our customers to enroll in utility payment arrangement plans and to the extent applicable, waiving early termination fees for customers who elect to return to default service or switch to another supplier.

² UGIES also believes other factors contributed to the spike in wholesale gas and electricity markets, including the failure of many gas fired generating units to obtain firm gas supplies, forcing these units into the spot market at a time in which that market was already constrained due to the unusually cold weather and high demand. This exacerbated the already high spot gas prices which, in turn, directly impacted the electric wholesale market.

Although variable-priced retail contracts contributed to high energy bills this winter, this pricing tool must be considered in a broader context. Variable pricing has been financially beneficial for many of our customers when viewed over a longer term. For example, in 2012, variable-priced customers benefited from low demand and falling power prices and their market-based rates were lower than most fixed price offers.

With that said, the Company commends the Commission's efforts to respond to the recent electricity market events and appreciates the opportunity to provide comments in this proceeding. UGIES is supportive of and has submitted comments with specific recommendations to the Commission's recent initiatives to review and improve the rules and policies associated with customer disclosure statements in the Commission's *Proposed Rulemaking to Amend the Provisions of 52 Pa. Code, Section 54.5 Regulations Regarding Disclosure Statement for Residential and Small Business Customers and to Add Section 54.10 Regulations Regarding the Provision of Notices of Contract Renewal or Changes in Term* at Docket No. L-2014-2409385, as well as with accelerating the process for customers to be able to switch their suppliers in the Commission's *Proposed Rulemaking: Standard for Changing a Customer's Electric Generation Supplier* at Docket No. L-2014-2409383.

B. Responses to Specific Issues Identified in the Commission's March 4th Order

In the March 4th Order, the Commission requested interested parties to submit comments to specific questions or issues identified by the Commission. The Company provides its comments to these issues below.

i. Issues Relating to Variable-Priced Contracts *With or Without* Explicit Formulaic Pricing Parameters

The first set of issues identified in the Commission's March 4th Order related to "variable priced contracts *without* explicit formulaic pricing parameters," while the next set of issues

identified in the Commission's March 4th Order related to "variable priced contracts *with* explicit formulaic pricing parameters."

At the outset, the Company would like to clarify that, for purposes of these comments, it understands the phrase "variable-priced contracts *without* explicit formulaic pricing parameters" to mean variable-priced contracts where the variable price is not an indexed product but rather is a product determined based on an EGS's sole discretion and the phrase "variable-priced contracts *with* explicit formulaic pricing parameters" to mean variable-priced contracts that are indexed products based on a pre-defined formula or publicly available market indices, such as the PJM wholesale market.

Next, for purposes of these comments, UGIES clarifies that it markets to Pennsylvania electric customers the following three products: (1) fixed price contracts where the price for both the "energy component"³ and "non-energy components"⁴ are fixed,⁵ (2) contracts in which the energy component is indexed to PJM (*i.e.*, is subject to price variability) plus a fixed adder to cover the non-energy components;⁶ and (3) contracts in which the price for the energy component and the non-energy components are indexed to the PJM wholesale market and pass through upstream costs experienced by UGIES in the PJM wholesale market (*i.e.*, both components are subject to price variability). UGIES does not market variable price contracts where the price is determined based on UGIES' sole discretion. Accordingly, it will answer the questions below with respect to variable price contracts that are indexed to and pass through

³ The energy component includes energy, congestion and marginal loss – the three components of PJM's Locational Margin Pricing ("LMP").

⁴ The non-energy components include PJM and EDC tariff charges (capacity, transmission, Alternative Energy Portfolio Standards (AEPS) charges, ancillaries, etc.) and all supplier transaction costs or charges.

⁵ For UGIES' customers that purchased natural gas or electricity under fixed price contracts during this time, every single customer received their contracted quantity and price.

⁶ For several of the non-energy components, there is no market to hedge these costs. UGIES incurred significant costs for these components, which also spiked during January & February. UGIES honored all contracts where customers chose to fix these non-energy charges and did not pass-through any of these costs unless the product was fully indexed to market conditions.

PJM wholesale costs and shall be referred to herein as “Indexed Products.”

- **Should EGSs be required to provide advance notice of price changes to customers?**

We do not believe providing advance notice of price changes is a requirement that EGSs marketing Indexed Products can practically comply with. For customers on Indexed Products, the actual price the customer will pay will be calculated at the end of the applicable billing cycle. Any indicative pricing provided to the customer mid-billing cycle is only an estimate and would require an EGS to make forward looking price predictions which are likely not to reflect the actual price the customer will be required to pay at the end of the applicable billing cycle. To the extent the Commission believes that customers should be provided notice of potential increases in Indexed Products based on prevailing conditions of the PJM wholesale market, we recommend the Commission consider adopting the Company’s proposal set forth in its comments submitted at Docket No. L-2014-2409385.

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

Please see response above.

- **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?**

Please see response above.

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

UGIES believes Indexed Products can provide consumers with information needed to make informed decisions, and we support the Commission’s suggested revisions to its disclosure

statement regulations at Docket No. L-2014-2409385 for such products that do not contain a price limit to include clear and conspicuous statements that there is no limit – neither in terms of a price ceiling nor floor – on how much the price may change from one billing cycle to the next billing cycle or how high the price may go. We also support clarifying in the disclosure statement that the actual generation charge the customer will pay during an applicable monthly billing cycle will be determined by the EGS at the end of the applicable billing cycle and that this charge is directly related to publicly available PJM wholesale prices.

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

UGIES supports providing customers with accurate, timely and relevant information to enable customers to make informed decisions when shopping for their electricity supplier. Although UGIES does not believe it is necessary to require suppliers to provide historical pricing information to customers, as it is a value-added service that suppliers may offer to customers as part of competing for the customer's business, we think requiring suppliers to provide historical pricing information for a "typical" residential and small business customer upon a customer's request would satisfy the policy goal of increasing pricing transparency. Under such requirement, for Indexed Products specifically, suppliers would provide average historical pricing for a "typical" customer by rate class and EDC service territory (*i.e.*, for residential customers, an average for all residential customers).

We believe that when providing historical pricing information, suppliers should be required to include appropriate disclaimer language to clearly indicate that historical pricing may not be indicative of current or future market conditions, that the pricing information for the "typical" customer may not be reflective of the customer's specific load profile and thus not

constitute the price the customer would have paid, and that such pricing does not represent an offer by the EGS. We believe including such appropriate disclaimers will result in meaningful communications to the customer that will enhance customer education about the realities of markets, especially the possibility for markets to take unprecedented turns like they did this past January & February. Additionally, appropriate disclaimer language will enhance consumers' ability to make informed decisions about their appropriate risk tolerance and long-term view of the markets. This, in turn, will build consumer confidence and trust in electric markets, which is a critical element to the continued success of retail choice.

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

We believe a requirement to provide generalized historic price information for a period of 24 months would give the customer a sufficient understanding of recent market performance. UGIES believes that suppliers should make the information available upon a customer's request. Such a requirement would provide the supplier with administrative flexibility in terms of presenting the information to the customer, including, but not limited to, making it available on its website.

- **Should EGSs describe specifically how future formulaic prices are determined?**

Customers under all types of contracts, but especially variable contracts, should understand fully what type of contract they are entering into, including the length of the contract, how often prices can change, and on what basis they will be changed. For variable-priced contracts, customers need to have a better understanding of the basis upon which their rates may vary (e.g. indexed products vs. non-indexed products) and that they may be subject to potentially significant month-to-month changes such as those experienced in January & February.

Customers need to decide their appropriate risk tolerance and long-term view of the market when considering entering into such contracts. UGIES believes that additional consumer education efforts in this area are important, including appropriate statements and disclaimer language in contracts.

More specifically, as provided in UGIES' comments submitted on March 24, 2014, at Docket No. L-2014-2409385, UGIES believes that for Indexed Products which essentially change with changes in the prevailing PJM LMPs, whether day-ahead or real-time, and passes through the PJM capacity, transmission, ancillary and administrative charges incurred as a result of serving the EGS' contractual load obligations, we believe the disclosure statement shall clearly indicate that the generation charge the customer will pay will vary month-to-month based on prevailing PJM wholesale market prices.

ii. For daily recorded and automatic meter reading capable electric utilities

The last set of issues identified in the Commission's March 4th Order related to "daily recorded and automatic meter reading capable electric utilities." We provide the Commission's question followed by the Company's response.

• Under current plans, when will mid-cycle EGS switches be implemented?

UGIES refers the Commission to its comments submitted on March 25, 2014, in the Commission's *Proposed Rulemaking: Standard for Changing a Customer's Electric Generation Supplier* at Docket No. L-2014-2409383.

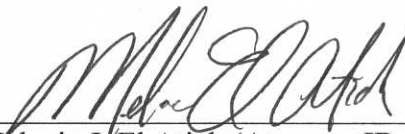
• How much can these plans be accelerated, and at what additional cost?

Please see response above.

III. CONCLUSION

UGIES appreciates the opportunity to provide comments in this proceeding. UGIES believes that appropriate policy and procedural changes are needed at both the federal and state levels to address the wholesale market price increases that occurred during January and February this past winter, including, among other things, additional enhancements to consumer protection rules to enhance price transparency and improve customer education about the inherent risks of variable-priced supply products and the wholesale market indices on which they are based, and we support the Commission's efforts in this regard.

Respectfully submitted,



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