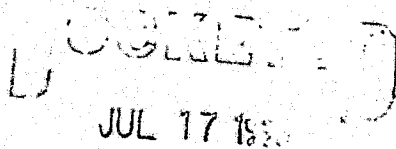


PENNSYLVANIA PUBLIC UTILITY COMMISSION
Uniform Cover and Calendar Sheet

<p>1. REPORT DATE: June 29, 1998</p>	<p>2. BUREAU AGENDA NO. JUL-98-FUS-1072*</p>											
<p>3. BUREAU: Fixed Utility Services</p>	<p>5. PUBLIC MEETING DATE: July 9, 1998  EEF</p>											
<p>4. SECTION(S): Energy</p>												
<p>6. APPROVED BY:</p> <table style="width:100%; border: none;"> <tr> <td style="width:20%;">Director:</td> <td style="width:20%;">Muth</td> <td style="width:20%;">3-5242</td> <td style="width:40%; text-align: right;"><i>DM</i></td> </tr> <tr> <td>Supervisor:</td> <td>Bennett</td> <td>7-5553</td> <td style="text-align: right;"><i>AB</i></td> </tr> <tr> <td>Law Bureau:</td> <td>Burket</td> <td>7-5000</td> <td style="text-align: right;"><i>PKB</i></td> </tr> </table>		Director:	Muth	3-5242	<i>DM</i>	Supervisor:	Bennett	7-5553	<i>AB</i>	Law Bureau:	Burket	7-5000
Director:	Muth	3-5242	<i>DM</i>									
Supervisor:	Bennett	7-5553	<i>AB</i>									
Law Bureau:	Burket	7-5000	<i>PKB</i>									
<p>7. PERSONS IN CHARGE: Glunz / Gill 3-6163</p>												
<p>8. DOCKET NO.: A-110072</p>												

9. (a) CAPTION (abbreviate if more than 4 lines)
(b) Short summary of history & facts, documents & briefs
(c) Recommendation

- (a) License Application of Frank J. Richards, P.E. d/b/a The Richards' Energy Group
- (b) On May 6, 1998, Frank J. Richards filed an application for a license to offer, render, furnish, and supply electricity and/or electric generation supply and other energy-related products and services to industrial, commercial and institutional customers in all counties within the Commonwealth of Pennsylvania as a broker/marketer.
- (c) The Bureau of Fixed Utility Services recommends that the Commission adopt the proposed draft Opinion and Order which denies the License Application without prejudice.

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10. MOTION BY: Commissioner Chm. Quain Commissioner Rolka - Yes
 Commissioner Brownell - Yes
SECONDED: Commissioner Bloom Commissioner Wilson - Yes

CONTENT OF MOTION: Staff recommendation adopted.



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

July 9, 1998

IN REPLY PLEASE
REFER TO OUR FILE
A-110072

FRANK J RICHARDS PE PRESIDENT
THE RICHARDS ENERGY GROUP
1325 CROWN VETCH DRIVE
LANDISVILLE PA 17538

License Application for The Richards' Energy Group to become a Broker/Marketer

To Whom It May Concern:

This is to advise you that an Opinion and Order has been adopted by the Commission in Public Meeting on July 9, 1998 in the above entitled proceeding.

An Opinion and Order has been enclosed for your records.

Very truly yours,

James J. McNulty
Secretary

KJR

Enclosure
Certified Mail
JEP

DOCKETED

JUL 15 1998

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PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA. 17105-3265

Public Meeting held July 9, 1998

Commissioners Present

John M. Quain, Chairman
Robert K. Bloom, Vice Chairman
David W. Rolka
Nora Mead Brownell
Aaron Wilson, Jr.

License Application for The Richards'
Energy Group to become a
Broker/Marketer

Docket Number:
A-110072

OPINION AND ORDER

BY THE COMMISSION:

On April 30, 1998, Frank J. Richards, P.E. d/b/a The Richards' Energy Group filed a License Application to operate as a broker/marketer of electric generation and related services. This filing is made pursuant to the provisions of Section 2809 of the Public Utility Code, 66 Pa. C.S. § 2809.

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§2809 provides in pertinent part that:

JUL 15 1998

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

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Commonwealth unless the person or corporation holds a license issued by the Commonwealth. 66 Pa. C.S. §2809.

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. 66 Pa. C.S. §2803.

The Richards' Energy Group has stated that upon the approval of this Application, it proposes to provide services to Commercial, Industrial and Institutional customers in all counties within the Commonwealth of Pennsylvania.

The Richards' Energy Group has provided proofs of publication from the Pennsylvania newspapers in which it was required by the Commission to publish its notice of application.

The Richards' Energy Group has provided its income statement and a Dun and Bradstreet credit report to demonstrate its financial fitness in order to be licensed to operate as an Electric Generation Broker/Marketer in Pennsylvania.

Through responses to item #25 of its license application, The Richards' Energy Group has demonstrated its technical fitness in order to be licensed to operate as an Electric Generation Broker/Marketer in Pennsylvania.

The Richards' Energy Group has requested a modification of the bonding requirements as required by item #20 of the license application and has furnished a \$5,000 letter of credit. The Richards' Energy Group states that it negotiates contracts between electric suppliers and consumers, but it will not be taking title of any energy.

Upon review of the application and letter of credit provided by The Richards' Energy Group, we believe there is nothing in the application that justifies granting The Richards' Energy Group a reduced bonding amount. As described, The Richards' Energy Group's business is indistinguishable from that of other brokers or marketers who act as agents, arranging for the purchase of electricity by their clients. See 66 Pa. C.S. § 2803 (definition of "broker" or "marketer"). Moreover, The Richards' Energy Group has failed to provide substantial evidence that it deserves treatment as a non-traditional marketer. Accordingly, The Richards' Energy Group's request for a reduced bonding amount is denied.

The Richards' Energy Group has provided the required Pennsylvania Emergency Management Agency ("PEMA"), contact information.

As of June 29, 1998, no protests have been filed.

We find that the applicant:

1. Is not fit, willing and able to properly perform the service proposed in conformance with applicable provisions of the Public Utility Code and the lawful Commission orders and regulations, specifically including 52 Pa. Code Chapter 56 (relating to Standards and Billing Practices for Residential Utility Service).
2. That the proposed service to the extent authorized by the license, will not 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 denial of this application without prejudice is necessary and proper for the service, accommodation and convenience of the public;

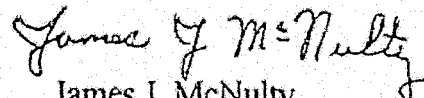
THEREFORE,

IT IS ORDERED:

1. That the application of The Richards' Energy Group is hereby denied without prejudice, consistent with this Opinion and Order.

2. That the request of The Richards' Energy Group for a modification of the \$250,000 initial bond, letter of credit, or proof of bonding is denied.

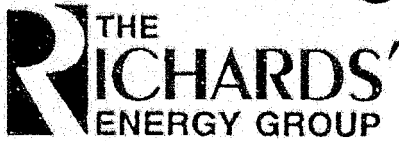
BY THE COMMISSION,


James J. McNulty
Secretary

(SEAL.)

ORDER ADOPTED: July 9, 1998

ORDER ENTERED: JUL 9 1998



23 July 1998 KJR

Mr. James J. McNulty
Secretary
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

ORIGINAL RECEIVED
JUL 23 1998

Docket # A-110072
License Application for The Richards' Energy Group
To become a Broker/Marketer

PA PUBLIC UTILITY COMMISSION
PROTHONOTARY'S OFFICE

Request for Reconsideration of Petition

DOCKETED
AUG 04 1998

Dear Sir:

On July 9, 1998, my petition for license as an electric supplier was denied without prejudice, since the application failed to provide substantial evidence that a reduced level of bonding is appropriate in this case.

I request that the Commission reconsider my application with the following additional evidence, to allow treatment as a non-traditional marketer:

- I am a registered professional engineer (PA license PE-021509-E), consulting with industrial and commercial clients on energy issues. As such, I advise clients on ways to reduce their electric and gas costs, through process changes, utility rate options, and sales tax exemption studies. With the advent of electric deregulation, I will be assisting clients by requesting supplier proposals, evaluating supplier proposals, recommending the best overall supplier, reviewing contract terms and auditing actual implementation of contracts, to assure clients are receiving the savings promised by the supplier and that the utility is properly applying their rates.
- In reviewing the coming deregulation of electricity, I discovered that my diverse industrial/commercial/institutional clients, if considered as a group, would improve their energy purchasing ability because of their combined size, their improved overall load factor and their reduced overall requirement for capacity purchase. These benefits could occur for the group without having the group purchase blocks of energy, but rather by arranging 2-party agreements between the chosen supplier and each individual client.
- As the originator and facilitator of this group, I investigated the law to determine whether I should become a licensed supplier. The law did not seem to cover my particular circumstance. My initial discussions with the PUC indicated there was no need for such a license. Subsequent discussions indicated that I may or may not require a license, which led to my

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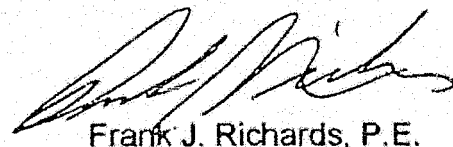
decision to apply for the license. I viewed this as win-win, since the PUC would have some oversight over my operation as a licensee, and I would gain information and insight offered only to licensed suppliers. Since I am not taking title to the electricity, by definition I had to be considered a broker/marketer.

- However, one of the license requirements is a \$250,000 bond, primarily to guarantee that Pennsylvania will be made whole for gross receipts taxes due, should a supplier default. The tax law states that the gross receipts received by a company from sales of electricity are subject to a 4.4% gross receipts tax. Since I will never take title to any electricity, I will have neither the obligation nor opportunity to collect or pay this tax. The bonding obligation for all the electricity bought by my clients will be covered by the licensed supplier we choose.
- The only dollars I will be collecting are fees from my clients for the services I provide to them. These are of course subject to income taxes, since I am a sole proprietor. Presuming these fees reach my projection of \$100,000/year, gross receipts tax would amount to \$4,400/year, IF the law is changed and my fees were somehow subject to gross receipts tax. Since I have provided a \$5,000 letter of credit, which was deemed by PUC staff as an acceptable bond alternative, the Department of Revenue would be made whole for my defaulting for over a year. This should surely be adequate for any contingency the PUC or Department of Revenue can project.

Based on the above, I respectfully request that the PUC reconsider my application for license as an energy supplier in Pennsylvania, as originally filed, but with the above additional detail.

As a standby alternative, if the above request cannot be accepted, I request that my application be conditionally approved subject to proof of my obtaining a bond in an amount acceptable to the PUC.

Thank you.



Frank J. Richards, P.E.

COMMONWEALTH OF PENNSYLVANIA

DATE: August 3, 1998

SUBJECT: A-110072

KJR

TO: Office of Special Assistants

FROM: *WJZ* James J. McNulty, Secretary

APPLICATION OF FRANK J. RICHARDS, P.E., d/b/a THE RICHARDS' ENERGY GROUP FOR APPROVAL TO OFFER, RENDER, FURNISH, OR SUPPLY ELECTRICITY OR ELECTRIC GENERATION SERVICES AS A BROKER/MARKETER ENGAGED IN THE BUSINESS OF SUPPLYING ELECTRICITY, OR MORE APPROPRIATELY, ENABLER OF AGGREGATED LOAD TRANSACTIONS BETWEEN SUPPLIERS AND USERS TO THE PUBLIC IN THE COMMONWEALTH OF PENNSYLVANIA.

Attached is copy of a Letter Petition for Reconsideration of Frank J. Richards filed in connection with the above docketed proceeding.

This matter is assigned to your Office for appropriate action.

Attachment

cc: FUS

wjz

DOCKETED

AUG 04 1998

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