



Todd S. Stewart
Office: 717 236-1300 x242
Direct: 717 703-0806
tssstewart@hmslegal.com

100 North Tenth Street, Harrisburg, PA 17101 Phone: 717.236.1300 Fax: 717.236.4841 www.hmslegal.com

July 27, 2018

VIA ELECTRONIC FILING

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

RE: *En Banc* Hearing on Implementation of Supplier Consolidated Billing;
Docket No. M-2018-2645254; **REPLY COMMENTS OF SHIPLEY
CHOICE, LLC D/B/A SHIPLEY ENERGY**

Dear Secretary Chiavetta:

Enclosed for electronic filing with the Commission is the Reply Comments of Shipley Choice, LLC d/b/a Shipley Energy ("Shipley") in the above-captioned proceeding. Copies of this document have been served in accordance with the attached Certificate of Service.

Shipley hereby requests that it be permitted to participate in the en banc hearing and to present the testimony of a witness.

Thank you for your attention to this matter. If you have any questions related to this filing, please do not hesitate to contact my office.

Very truly yours,

Todd S. Stewart
Counsel for
Shipley Choice, LLC d/b/a Shipley Energy

TSS/jld
Enclosure

cc: Daniel Mumford, Office of Competitive Market Oversight – dmumford@pa.gov
Kris Brown, Office of Competitive Market Oversight – kribrown@pa.gov

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Re: *En Banc* Hearing on Implementation :
Of Supplier Consolidated Billing : Docket No. M-2018-2645254
:

**REPLY COMMENTS OF
OF SHIPLEY CHOICE, LLC,
D/B/A SHIPLEY ENERGY**

Shipley Choice, LLC d/b/a Shipley Energy (“Shipley”) is a licensed Electric Generation Supplier (“EGS”) in several electric distribution company (“EDC”) service territories in the Commonwealth. Shipley also provides competitive energy supply in other jurisdictions, some of which are considering the very same issues. Shipley also is a Natural Gas Supplier and has several non-regulated businesses including sales and delivery of propane and heating oil. Due to its experience in operating a business where it bills customers on a regular basis, for what some might consider essential services, Shipley has substantial experience in many of the areas where concerns over practical issues were voiced by Commissioners during this proceeding, and Shipley hopes that its input has been helpful. Shipley continues to believe that allowing EGSs to bill for all services, known as supplier consolidated billing (“SCB”), is necessary if Pennsylvania is to recognize the full benefit of a competitive energy marketplace.

Shipley will be available throughout the Pennsylvania Public Utility Commission’s (“Commission”) ongoing *en banc* process to provide its views on SCB to assist the Commission in determining its next move. Shipley’s witness, Laura Greenholt-Tasto, who appeared at both sessions, provided the Commission with Shipley’s perspective on the subject. During the last

session, however, Vice Chairman Place raised some issues that seemed better suited for written responses. These are:

- 1) Whether suppliers were aware that under 66 Pa. C.S. § 1405(5), they could be required to hold at least some portion of a customer's unpaid charges as an overdue balance, subject to a customer continuing to pay down the balance on time, for up to 5 years;
- 2) A concern that because of the nature of the requirements for treating low income/payment troubled customers, that suppliers may be inclined to "cherry pick" customers with better credit ratings
- 3) A concern regarding the impact of SCB on the recovery of the universal service charge funds that pay for CAP and other programs for low income/payment troubled customers.

In an effort to assist the Commission, Shipley offers the following responses:

1. Five-year payment plan. Suppliers are generally aware that under any form of consolidated billing, they would be responsible to enter into payment arrangements with their customers that may encounter difficulty in making regular monthly payments. While payment arrangements are not optimal from a cash flow perspective, they certainly are better than the alternative of not getting paid at all and potentially losing the customer. Suppliers understand that in a regulated environment, more protections are often provided for what are considered to be the most economically vulnerable customers, and they accept the cost of being good corporate citizens as a necessary cost of doing business. Accordingly, suppliers are aware, that to the extent that they are able to provide service to such customers, i.e., they are not a CAP customer (because such customers are now generally prohibited from shopping) they must accept the responsibility to assist these customers, and at a minimum, fulfil the requirements of the law.

Chapter 14 of the Public Utility Code ("Code"), 66 Pa. C.S. § 1405, provides the requirements for payment arrangements when the Commission investigates a payment issue and establishes a payment arrangement between the customer and utility. In particular, in Section 1405(b) the Code establishes the maximum duration of such payment arrangements, depending

upon the customer's income as a percentage of the Federal poverty level. The maximum payment arrangement duration is 5 years (60 months) for customers whose income is less than 150% of the Federal Poverty level. While low income customers as a class are not restricted from shopping, those that participate in most utility CAP programs are restricted, and so this issue is likely to be rare. Nonetheless, EGSs are prepared to comply with the requirements of the statute that apply to their actions.

2. Cherry Picking Customers. It is axiomatic that EGSs are in the business of serving customers, that is how they are able to make money and to remain in business. A firm cannot earn money without customers, and EGSs are certainly incentivized to serve as many customers as they can, so long as those customers pay for the services they receive. EGSs however, unlike utilities, do not have access to the bad debt recovery mechanism in base rates to ensure that even when customers don't pay, they are able to collect the bad debt from the customers who do pay. To be fair, POR programs (with the exception of the claw-back provisions in the First Energy Company tariffs) do lower a supplier's risk of not being paid for their charges. Under SCB, however, suppliers will be the ones who will be required to ensure that the utility is paid, which substantially adds to the risk. Accordingly, as suggested, it is possible that some EGSs may be more inclined to drop customers who become payment troubled, or even to credit screen customers before enrolling them, to better protect their financial interests if they are going to offer an SCB product. Without the bad debt recovery mechanism used by utilities, suppliers have very few tools available to them to ensure that they can stay in business; i.e., that they get paid. But they also have a far stronger incentive to work with the customer to make that happen, because unlike their utility counterparts, they have no uncollectible expense safety net to catch them if they fail. With the

cost of acquiring customers, once a supplier has a customer, the goal is always to preserve that relationship if at all possible.

It is safe to suggest that suppliers understand that they are not permitted to discriminate in providing EGS service, 52 Pa. Code § 54.43(e), and they have no intention of doing so. At the same time, suppliers also feel that if they are going to take on the risk of paying the utility for charges they collect, with no guarantee of payment from the customer, that they must not only have the right to screen those customers before-hand, but also need the ability to terminate customers for non-payment (through the utility). These are processes that are not to be used lightly, but they must be allowed to be used. Most businesses are able to screen customers if they intend to engage in a transaction with customers that poses the potential for incurring a non-payment liability. Moreover, it is likely that there will always be suppliers that will not choose to provide SCB and that will continue to participate in POR, which will continue that option.

At this point it seems premature to suggest that SCB providers will credit screen or more aggressively send customers to default service for failure to pay in a way that results in what some refer-to as “cherry-picking” of customers. The contention that SCB suppliers only want to serve the customers with the best credit ratings is simply not supportable. While it may be true that Suppliers generally prefer to serve customers who pay, when one considers the investment in obtaining customers in the first instance, it simply does not lead to the conclusion that they will act rashly. Also, because it is very unlikely that there would be a “flash-cut” to SCB for any substantial number of customers, if there is some sort of recognizable trend as SCB evolves, i.e., that there are substantially more customers returned to default service in a manner that is harmful, there should be ample time to investigate the cause and address it. Moreover, to suggest that suppliers would engage in some sort of economic discrimination on any scale is simply

unwarranted. Also, it is probable that as SCB develops and suppliers gain experience, that the industry can develop best practices that address many of the underlying causes of non-payment and how to manage it. In short, there is no basis at this juncture to not engage SCB because of the vague possibility of what might happen.

3. Interference with Universal Service Funding. It was suggested that with SCB, the pool of money that would be available to assist customers via the historical universal service programs would be jeopardized by SCB. The short answer is that because universal service programs are funded through riders that are recovered in distribution rates, and because under SCB, utilities recover 100% of distributions rates, there should be no diminishment of funding.

CONCLUSION

Shipley thanks the Commission for this opportunity to provide further input and looks forward to the future dialog on these important issues.

Respectfully submitted,



Todd S. Stewart
PA Attorney I.D. #75556
Hawke McKeon & Sniscak LLP
100 North Tenth Street
Harrisburg, PA 17101
E-mail: tsstewart@hmslegal.com
Telephone: (717) 236-1300
Facsimile: (717) 236-4841

*Counsel for
Shipley Choice, LLC d/b/a Shipley Energy*

DATED: July 27, 2018