

Alexander C. Stern
Associate General Regulatory Counsel

Law Department
80 Park Plaza, T5G, Newark, NJ 07102
tel: 973.430.5754 fax:973.430.5983
Alexander.Stern@PSEG.com



March 11, 2013

BY ELECTRONIC DELIVERY

Kristi Izzo, Secretary
New Jersey Board of Public Utilities
44 South Clinton Avenue, 9th Floor
P.O. Box 350
Trenton, New Jersey 08625-0350

Re: **IN THE MATTER OF THE ELECTRIC DISCOUNT AND ENERGY
COMPETITION ACT OF 1999 CUSTOMER ACCOUNT SERVICES
PROCEEDING: CONSOLIDATED BILLING, CUSTOMER DATA CARD,
& COMPETITIVE METERING. ENERGY CONSULTANT:
AMENDMENT TO CUSTOMER USAGE INFORMATION PROCESS
Docket Nos. EX99090676 and EX94120585Y**

Board Staff's Utility Consolidated Billing/Purchase of Receivables Proposal

Dear Secretary Izzo:

On behalf of Public Service Electric and Gas Company ("PSE&G" or "Public Service") please accept the following written comments in response to the request for comments on Board Staff's Utility Consolidated Billing/Purchase of Receivables Proposal ("Board Staff UCB-POR Straw Proposal").

Public Service appreciates the Board's leadership as well as the collaborative working group approach Board Staff has consistently taken to analyzing the complex issues associated with purchase of receivables ("POR") and price to compare ("PTC"). We fully support the broad strokes of the energy competition rules adopted in New Jersey to permit customers to purchase electric and gas supplies from TPSs as well as the Board's continued utilization of the informal

working group approach to reexaminations of Customer Account Services (“CAS”) procedures established in the above-referenced dockets. We look forward to continuing to work with the Board and interested stakeholders so that New Jersey’s energy competition goals are met in a manner that properly balances the risks being assumed by TPSs, BGS/BGSS suppliers, distribution utilities and consumers.

With respect to the Board Staff UCB-POR Straw Proposal, Public Service does not oppose the recommended modifications to well-established processes approved by the Board over a decade ago in a series of Board-approved CAS Stipulations of Settlement so long as certain critical adjustments are incorporated.¹ As discussed further below, in addition to certain clarifications, PSE&G recommends adjustments to Board Staff’s Proposal with respect to (1) Customer Eligibility – 12 Month Restriction; (2) Drop to Dual Bills – 45-day notice to TPS; and (3) Discount Factors/Consolidated Billing Fees.

1) Customer Eligibility - Class

Board Staff recommends that the GDCs and EDCs be required to offer utility consolidated billing with POR to all residential and small to mid-sized commercial customers that the utility serves if the customer purchases his/her supply from a TPS. The POR would be offered in concert with consolidated billing. Thus, all residential and small to mid-sized commercial customers enrolled in consolidated billing would be enrolled in the POR program. Although the utilities may offer UCB/POR to their large commercial and industrial accounts, Board Staff proposes that they not be required to do so. However, an EDC or GDC currently providing POR to customers larger than mid-sized commercial customers or to industrial or other

¹ The CAS Stipulations were approved by Board Orders, in Docket No. EX99090676, dated as follows: New Jersey Natural Gas Co.-December 6, 2000; Public Service Electric & Gas Co., Jersey Central Power & Light Co., Atlantic City Electric Co. now d.b.a. Conectiv Power Delivery-December 22, 2000; Rockland Electric Co.- May 9, 2001; Elizabethtown Gas Co.-May 6, 2002.

customers must continue to provide POR to these same customers until otherwise determined by the Board. These proposals are acceptable to PSE&G.

Board Staff also recommends that utility consolidated billing be used to collect only commodity charges for TPSs, and should exclude any service charges, exit fees, early termination fees or charges for products other than commodity. This too is acceptable to PSE&G. **However, it should be clarified that consistent with existing procedure as well as N.J.A.C. 14:3-7.6 only charges undisputed by customers are remitted to TPS.**

2) Customer Eligibility – 12 Month Restriction

PSE&G believes it would be harmful to ratepayers to permit a customer that is four months past due in paying for utility services to once again be permitted access to utility consolidated billing merely because the customer reduces the balance owed to three months past due. Significantly, if the objectives are to foster energy competition while also protecting the interests of all ratepayers, it must be recognized that the existing 12-Month restriction from utility consolidated billing does not preclude the customer from shopping. A customer 120-days in arrears can still stay with a TPS, but under a dual billing construct. PSE&G recognizes that, as a practical matter, once a shopping customer is dropped to dual billing, a significant percentage of TPS drop the customer as opposed to taking on the responsibility to direct bill. However, this issue is not an energy competition or shopping issue, it is a business decision for TPS regarding offering billing services. Moreover, Public Service certainly understands the business judgment associated with a TPS both deciding not to offer a billing function and/or choosing in the first instance not to supply energy to a customer that is in arrears on his/her utility bills.

Board Staff's proposal would not only shift costs to other ratepayers, but it poses several expensive and challenging operational issues for the utilities. For example, the utilities would

have to somehow develop a customer-by-customer tracking method to individually verify 90-day arrearages that would qualify as opposed to a fixed twelve month shopping stay out to allow the customer to get his/her utility bills in order. Public Service believes this would be difficult for customers to understand and, more importantly, would result in a “ping-pong” effect in which a customer 120-days in arrears is switched to dual, pays down to 90-days in arrears, switches again to a TPS, then falls back to 120-days in arrears again and is switched to dual. Presumably, throughout this realistic scenario, the customer could be chaotically bouncing back and forth between TPS and BGS.

New Jersey has only recently successfully begun to experience increased levels of customer switching. Public Service does not believe now is the time to make changes to the 12-Month Restriction established as a key element of the CAS proceedings held over a decade ago. In fact, in 2004 the Board reaffirmed its position that “[a] customer will be informed that the failure to keep their bill payment current may result in conversion from consolidated billing to dual billing for a period of one year, or less at the discretion of the billing party.” See I/M/O the Electric Discount and Energy Competition Act of 1999 Customer Account Services Proceeding: Consolidated Billing, Customer Data Card & Competitive Metering, BPU Docket Nos. EX99090676 and EX94120585Y (Order dated June 24, 2004) (hereinafter “CAS 2004 Order”). However, recognizing Board Staff’s desire to make certain amendments, PSE&G respectfully offers a compromise. Recognizing that a fixed standard of general application is preferable to a floating customer specific “ping-pong” effect construct that would raise significant and costly operational issues, in order to promote what we believe to be Board Staff’s desired outcome, Public Service would suggest moving the 12-month stay out for a customer switched to dual billing to a 9-month stay out with all existing processes and procedures remaining in effect.

After 9 months, the customer dropped to dual can re-enroll consistent with the up-front credit criteria for all customers.

3) Payment to TPS:

Board Staff proposes that the current timing of payments to the TPSs by the GDCs and EDCs be continued. For PSE&G, this means continuing to pay TPSs five days after the due date shown on the customer's bill. This is acceptable to PSE&G – again, with the clarification that consistent with existing procedure as well as N.J.A.C. 14:3-7.6 only charges undisputed by customers are remitted to TPS.

4) Drop to Dual Bills

Board Staff proposes that the minimum number of days that an electric customer's account must be in arrears before an EDC providing consolidated billing to the customer may drop the customer to dual billing be increased from 60 days to 120 days. The CAS 2004 Order is instructive as it explains that this exact issue was raised, but at that time:

On March 12, 2004 Staff met with the electric and gas industry in a working group environment to discuss the consolidated billing standards and the customer data card. After discussing the matter with all parties, it was decided that only the natural gas industry had any issues with the current consolidated billing standards.

Accordingly, Staff facilitated negotiations between the GDCs and the TPSs and the CAS Order codified the agreements the parties reached, including that for the GDCs only, “[c]ustomer accounts that are 120 days in arrears will be considered seriously delinquent and at the billing party's discretion, may be converted from consolidated to dual billing.” Although noting that South Jersey Gas Company (“SJG”) was not an original signatory to the CAS Stipulations, the Board was careful to note that SJG participated in the 2004 CAS Working Group process and had agreed to abide by the terms negotiated and codified in the CAS 2004 Order.

Conversely, in this working group proceeding, no agreements to date have been reached or even negotiated between the EDCs and the TPSs. It is well-settled there exists a strong public policy in this state favoring settlements. Petition of Public Service Electric and Gas Company, 304 N.J. Super. 247 (App. Div.), certif. den. 152 N.J. 12 (1997). However, in the absence of settlement, Board findings and determinations must be accompanied by “reasonable support in the evidence.” In re Jersey Cent. Power & Light Co. Petition, 85 N.J. 520, 527 (1981) (JCP&L) (quoting In re N.J. Power & Light Co., 9 N.J. 498, 509 (1952)).

Public Service acknowledges that in its Notice of Opportunity to Comment, Board Staff has reserved March 18, 2013 for an optional settlement meeting to perhaps reach settlement and thereby allow for modifications to the CAS process. Recognizing Board Staff’s efforts and interest in bringing closure to the current CAS working group phase, in lieu of this March 18th meeting or perhaps in furtherance of discussion should such a meeting be held, Public Service is willing to accept standardizing the drop to dual for EDCs and GDCs at 120 days provided that it may similarly impose a discount rate consistent with what was agreed upon by the CAS working group back in the CAS 2004 Order. Public Service will discuss this further in the “Discount Factors/Consolidated Billing Fees” section below.

With respect to the drop to dual billing, Board Staff’s proposal also recommends that if the utility decides to drop a customer from utility consolidated billing to dual billing, the utility should be required to give the TPS 45-day notice of the drop to dual as opposed to the 15-day notice established in the CAS 2004 Order. The CAS 2004 Order specifies:

Customer accounts that are 120 days in arrears will be considered seriously delinquent and at the billing party's discretion, may be converted from consolidated to dual billing. The customer and the non-billing party will be notified that the consolidated bill will not be supplied and that dual billing will commence with the next meter reading date, as long as the next meter reading date is no less than 15 days from the date of said notification.

Public Service does not see any support for an adjustment to this well-established Board approved notification process. In this regard, it should be recognized that, since utilities bill monthly, at 15 days, the switch to dual really cannot happen in less than 30 days. By extension, a 45-day TPS notice provision would really lead switches to dual billing occurring at 60 days out or more. Carrying this further, moving the switch to dual billing to arrearages of 120 days and then imposing a 45-day TPS notice obligation would lead the drop to dual happening in no less than 180 days. Factoring in the Board's stringent regulations governing discontinuances of service, it would be unjust and unreasonable to extend the notification requirement out to 45 days. The 15-day notification agreed upon back in 2004 and approved by the Board in the CAS 2004 Order continues to reflect the appropriate balancing of the issue and should be left undisturbed.

Public Service agrees with Board Staff that a customer's account should be considered in arrears if the customer owes any amount of money, regardless of allocation of payments to the utility portion or TPS portion of the bill. Another perhaps more accurate way to express the concept would be: a customer's account would be considered to be in arrears if the customer owes any amount of money, irrespective of whether the delivery and commodity receivables are commingled or tracked separately.

5) Arrearage Reports

PSE&G supports the monthly distribution requirement. However, even though it presently reports weekly, this has proven to be administratively burdensome, especially with the growing number of suppliers in the State. Accordingly, Public Service strongly urges that it not be exposed to more burdensome disparate treatment simply because up until now it has been reporting arrearages more frequently than once a month. A standard monthly distribution of this information applicable to all the EDCs and GDCs should be sufficient.

6) Discount Factors/Consolidated Billing Fees

Board Staff recommends that there be no creation of, or increase to, discount factors/fees that a utility may charge for consolidated billing/purchase of receivables as a result of implementation of the proposed modifications. This is inconsistent with the working group settlement process approved by the Board in the CAS 2004 Order. In fact, at that time the GDCs agreed to move the switch to dual billing from 60 days to 120 days and in consideration for agreeing to POR were specifically permitted to charge an administrative fee and/or discount the receivables rate. CAS 2004 Order at 3. Principles of fundamental fairness justify similar treatment now if the intention is to modify well-established CAS processes.

Public Service believes that the application of discounts to payments due to TPSs appropriately shares the burden of uncollectibles with suppliers so that the risk is not solely borne by the utilities and, more importantly, ratepayers. Absent such a sharing, TPS would be engaging in a business in which they do not care whether their customer pays the utility bill or not as their revenue stream comes from the EDCs/GDCs and, by extension, all ratepayers. Similar to PSE&G's existing process for gas, whereby PSE&G utilizes a 120-day return to dual criteria and imposes a discount rate to supplier payments based on prior uncollectibles experience, if the electric return to dual is increased to 120 days, the EDCs should be permitted to discount payments to suppliers based upon customer uncollectible criteria consistent with prior Board Orders.

CONCLUSION

Public Service continues to believe that the Board's existing CAS policies strike the best possible balance between the interests of consumer protection and competition. However, it very much appreciates Board Staff's position and interest. Therefore, in this writing, it has attempted

to express its negotiation positions should the Board continue to move forward with an amicable resolution through the working group. Obviously, absent a negotiated agreement, there would need to be a record developed to justify changes to existing processes. Public Service continues to support Board Staff's approach and does believe a negotiated resolution utilizing the Board Staff Proposal as the framework is achievable. Lastly, depending upon what the final negotiated modifications are, the EDCs/GDCs will obviously need an appropriate period of time to implement any necessary changes. Consistent with the CAS 2004 Order, PSE&G would recommend 120 days.

Respectfully submitted,

By: *Alexander C. Stern*
Alexander C. Stern
PSEG Services Corporation
80 Park Plaza, T5G
Newark, NJ 07102
(973) 430-5754
Alexander.Stern@pseg.com

Dated: March 11, 2013