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VIA ELECTRONIC AND REGULAR MAIL

The Honorable Kristi Izzo, Secretary
New Jersey Board of Public Utilities
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Re: Reply Comments to Board Staff's Utility Consolidated Billing / Purchase of Receivables Proposal

Dear Secretary Izzo:

On behalf of the Retail Energy Supply Association ("RESA"),¹ a broad and diverse group of third party suppliers ("TPSs"), please find reply comments in response to stakeholders' initial comments regarding the Board of Public Utilities ("Board") Staff's Utility Consolidated Billing ("UCB") / Purchase of Receivables ("POR") Proposal ("Proposal"). RESA commends Board Staff for developing its UCB/POR Proposal and appreciates the opportunity to offer these reply comments. As set forth below, RESA will address each set of comments in turn.

1. Rockland Electric Company ("RECO")

RESA supports RECO's current UCB/POR program, in which RECO assumes all of a TPS's receivables regardless of the length of time a TPS's customer is in arrears and regardless of the size of the customer. RESA believes that the Board should require all Electric

¹ RESA's members include: Champion Energy Services, LLC; ConEdison *Solutions*; Constellation NewEnergy, Inc.; Direct Energy Services, LLC; GDF SUEZ Energy Resources NA, Inc.; Hess Corporation; Integrys Energy Services, Inc.; Just Energy; Liberty Power; MC Squared Energy Services, LLC; Mint Energy, LLC; NextEra Energy Services; Noble Americas Energy Solutions LLC; NRG, Inc.; PPL EnergyPlus, LLC; Stream Energy; TransCanada Power Marketing Ltd. and TriEagle Energy, L.P.. The comments expressed in this filing represent the position of RESA as an organization but may not represent the views of any particular member of RESA.

Distribution Companies (“EDCs”) and all Gas Distribution Companies (“GDCs”) to offer such a “non-recourse POR program” to all TPSs in their territories.

RESA agrees with RECO’s assertion that, in the case of EDCs and GDCs that offer unrestricted UCB/POR programs, monthly arrearage reports are unnecessary because the TPS is not responsible for collecting payments from these customers and will not need to terminate these customers when they are dropped to dual billing. RESA, however, does not agree with RECO’s assertion that an EDC’s or GDC’s right to establish or increase any fees or charges for UCB/POR should be available outside of a rate proceeding. Requiring that these fees and charges be established through a rate proceeding ensures that they receive proper scrutiny by Board Staff and that any expenditures made by an EDC or GDC are accurately trued up.

2. Gabel Associates

RESA agrees with Gabel Associates’ comments that government energy aggregation (“GEA”) programs established under the Board’s rules will work better and offer savings to more customers under an expanded UCB/POR program. In particular, RESA supports Gabel Associate’s call for Board staff to consider expanding its UCB/POR proposal even further. RESA firmly believes that an expanded UCB/POR program will facilitate this development of GEA programs and the potential cost savings for residential customers.

3. South Jersey Gas (“South Jersey”)

RESA does not agree with the majority of South Jersey’s comments. First, while RESA acknowledges that South Jersey supports the expansion of UCB/POR to include its rate classes GSG and GSG-LV which is in line with RESA’s comments, RESA does not support the implementation of a “fee appropriately compensating [South Jersey] for the expenses and risk associated with providing this service.” Rather, RESA believes that, if there truly is a cost to South Jersey associated with providing UCB/POR to these customers, then South Jersey should only be able to recover that cost in the context of a rate case.

Second, RESA disagrees with South Jersey’s contention that the 12 month restriction in which an EDC or GDC may deny UCB/POR to a customer that has been dropped from UCB/POR to dual billing be maintained regardless of whether the customer makes payments to bring the relevant account to the point where it is not 90 or more days in arrears. The 12-month restriction unnecessarily harms some customers by denying them access to competitive supply options offered by the many TPSs that do not serve customers ineligible for UCB/POR for financial and administrative reasons. By requiring the EDCs and GDCs to not apply the 12-month restriction when customers are less than 90 days in arrears, Board staff is enabling more customers the opportunity to take advantage of TPS energy cost savings and other products which may serve their needs.

Third, RESA adamantly disagrees with South Jersey's argument that EDCs and GDCs should not have to provide an EDI notice at least 45 days in advance of the last meter reading if it intends to drop the customer from dual billing, because 15 days is "ample time for the marketer to be able to change billing scenarios." Indeed, as previously stated, many TPSs do not have the financial and/or administrative wherewithal to even offer dual billing. Moreover, TPSs are required to provide 30 days notice to residential customers under N.J.A.C. 14:4-7.6 prior to termination of a contract. Moving to a 45-day notice to TPSs allows the TPS to provide the required notice to drop the customer without incurring the significant losses imposed under the current system, ideally allowing the TPS to drop the customer to BGS before a switch to dual billing even occurs.

Fourth, RESA opposes South Jersey Gas's request that it not be required to provide arrearage reports to the TPSs until March 1, 2014 when it is expected to have completed the process of overhauling and upgrading its Customer Information System ("CIS"). RESA notes that South Jersey provides no support for its bold assertion that "Modifications to our current system or the new CIS design prior to this in service date will be extremely difficult to accomplish and result in significant cost increases and delay."

Finally, RESA opposes South Jersey's argument that EDCs and GDCs be able to increase or create a discount factor or fee to cover costs associated with an expanded POR program. RESA believes that if there are indeed such fees and charges (which is not always the case), then they are more properly established through a rate proceeding. The confines of a rate case ensure that these fees and charges receive proper scrutiny by Board Staff and that any expenditures made by an EDC or GDC are trued up.

4. National Energy Marketers Association ("NEM")

RESA fully supports NEM's comments and agrees that Staff's Proposal, while a marked improvement, does not go far enough in improving the status quo, especially with regard to low-income and payment-challenged customers. Like NEM, RESA continues to believe that a less restricted, non-recourse POR program as set forth in its Petition for Rulemaking would better serve New Jersey electric and gas customers than the Proposal currently being proffered by Board Staff. Moreover, RESA is hopeful that the Board will establish such a program in the future.

5. FirstEnergy Solutions Corp. ("FES")

For reasons stated above, as well as throughout the Working Group proceeding and in its Petition for Rulemaking, RESA supports FES's comment that the UCB/POR Proposal should be modified to eliminate any drop to dual billing. In addition, RESA supports FES's argument that the POR Proposal should be modified to include budget billing of supplier charges.

6. Public Service Electric and Gas Company (“PSE&G”)

RESA disagrees with the majority of PSE&G’s comments. First, RESA disagrees that the Proposal should be clarified to require that EDCs and GDCs only be required to remit undisputed charges to TPSs. This suggestion undermines a key concept of a well-designed UCB/POR program: that TPSs are compensated for providing energy services, notwithstanding the actual timing of their customers’ payments. Moreover, RESA is unaware of—and PSE&G does not cite-- any existing procedure that requires GDCs and EDCs to only remit charges undisputed by TPSs. Moreover, N.J.A.C. §14:3-7.6, cited by PSE&G, does not pertain to what charges EDCs and GDCs must remit to TPSs. Rather, it addresses what charges a customer must pay to a utility when disputing the utility’s bill.

Second, RESA opposes an unconditional time restriction in which an EDC or GDC may deny UCB/POR to a customer that has been dropped from UCB/POR to dual billing, whether the time period be twelve (12) months or PSE&G’s suggested compromise period of nine (9) months. Rather, RESA prefers the approach stated in Staff’s Proposal that customers should not be restricted from participating in UCB/POR if the customer makes payments to bring the relevant account to the point where it is not 90 or more days in arrears. In reality, this issue is an energy competition and shopping issue—despite PSE&G’s assertion to the contrary—because many TPSs simply do not have the financial or administrative resources to offer dual billing. Consequently, customers are denied access to robust energy competition.

Third, RESA does not agree with PSE&G’s argument that the EDCs and GDCs should only be required to give TPSs 15-days notice prior to dropping a customer to dual billing. Indeed, as previously stated, many TPSs do not have the financial and/or administrative wherewithal to even offer dual billing and thus require a longer notice period to drop the customer or make dual billing arrangements. As previously stated above, TPSs are required to provide 30 days notice to residential customers under N.J.A.C. 14:4-7.6 prior to termination of a contract. PSE&G’s comments misstate or misunderstand the likely timeframe for initiating a customer drop from a TPS perspective.

Finally, RESA opposes PSE&G’s argument that EDCs and GDCs should be permitted to create or increase discount factors/fees. PSE&G erroneously implies that, without the creation or increase of discount factors/fees, ratepayers take on the entire risk of uncollectibles. However, Staff’s Proposal that any discount factors/fees *actually* expended by the EDCs and GDCs be recovered through a rate proceeding altogether eliminates this risk and ensures that EDCs and GDCs are not recovering costs and fees not actually expended.

7. Jersey Central Power & Light (“JCP&L”)

Unlike its affiliated company, First Energy Solutions, which supports a non-recourse POR program with the inclusion of budget billing, JCP&L does not necessarily support an expanded UCB/POR program. RESA does not oppose giving the EDCs and GDCs time to implement the changes contained in the Proposal, as suggested by JCP&L. However, RESA does not believe that implementation of the changes is nearly as administratively burdensome or costly as JCP&L suggests (but for which it provides no support). Moreover, in the absence of a non-recourse POR program, this change is essential for Staff’s 120-day POR program to succeed. Therefore, RESA suggests that a modest amount of time—perhaps, thirty days from the date of the Board Order—be given for the EDCs and GDCs to implement these changes. Nor does RESA oppose allowing the EDCs a full and timely cost recovery for the *actual* incurred incremental costs of implementing and administering the POR, which is why RESA supports Board Staff’s Proposal to allow the EDCs and GDCs to recover these incremental costs through a rate proceeding.

8. Division of Rate Counsel (“Rate Counsel”)

RESA believes that Rate Counsel’s comments are misguided and do not actually serve the ratepayers that Rate Counsel seeks to protect. Rather than shifting the “free market” risk to the EDCs’ and GDCs’ customers, increasing the amount of time before an EDC may drop a customer to dual billing avails more of these customers of the opportunity to take advantage of more competitive supply products and services offered by more TPSs. The current 60-day program causes the TPSs to price higher risk into their products to account for interference with their contracts caused by the 60-day arrearage trigger. It also forces TPSs to credit screen more customers prior to signing them up for service and often leads the TPS to deny service to poor credit quality customers who stand to benefit the most from the lower rates currently offered by TPSs. Moreover, TPSs are incurring substantial costs in screening these customers, which discourages them from competing in the residential marketplace and further exacerbates the lack of choice for the neediest customers. Therefore, New Jersey electric and gas customers only stand to benefit from an expanded UCB/POR program.

RESA also disagrees with Rate Counsel’s suggestion that an appropriate discount factor would be in the range of 3% “based on experience in other states.” Indeed, RESA is unaware of any state POR program that imposes anywhere near a 3% discount factor, and Rate Counsel cites no examples supporting this assertion. For reasons stated above, RESA supports Board Staff’s Proposal to allow the EDCs and GDCs to recover these incremental costs through a rate proceeding.

9. Interstate Gas Supply, Inc. dba IGS Energy and New Jersey Gas & Electric (“IGS”)

RESA generally supports the comments of IGS and agrees that Board Staff’s Proposal does not fully address the flaws in the current POR system. Maintaining a system that allows the EDCs and GDCs to drop customers to dual billing perpetuates a regime that disproportionately turns away credit-challenged customers. However, RESA believes that Staff’s Proposal ultimately benefits TPSs and customers in extending the drop-to-dual billing time and providing TPSs with more accurate and timely arrearage reporting, which mitigates some of the concerns raised by IGS in its comments.

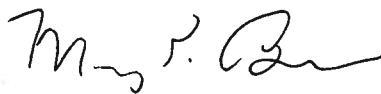
10. New Jersey Natural Gas Company (“NJNG”)

RESA supports NJNG’s current UCB/POR program, in which NJNG assumes all of a TPS’s receivables regardless of the length of time a TPS’s customer is in arrears and regardless of the size of the customer. RESA also agrees that, for this reason, NJNG should not have to provide monthly arrearage reports to TPSs. Moreover, RESA appreciates that NJNG remits payments to TPSs’ twice a month. RESA believes that the Board should require all EDCs and all GDCs to offer such a “non-recourse POR program” to all TPSs in their territories.

Once again, RESA continues to believe that New Jersey electric and gas customers would be best served if Board Staff were to recommend that the Board propose a rule establishing a Non-Recourse POR Program as detailed in its Petition for Rulemaking. However, in order to promptly resolve this matter while still providing some benefits of competition to customers and TPSs alike, RESA supports the Proposal as a significant improvement over the current UCB/POR program.

Please do not hesitate to contact me should you have any questions or concerns.

Very truly yours,



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