Agenda Date: 5/29/13
Agenda Item: 2J

STATE OF NEW JERSEY

Board of Public Utilities
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Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

ENERGY

IN THE MATTER OF THE BOARD'S REVIEW OF UTILITY CONSOLIDATED BILLING AND PURCHASE OF RECEIVABLES PROGRAMS	)))))	ORDER DOCKET NO. EO13030236

Parties of Record:

John L. Carley, Esq., Rockland Electric Company
Robert Chilton, Executive Vice-President, Gabel Associates
John F. Stanziola, South Jersey Gas Company
Murray E. Bevan, Esq., Bevan, Mosca, Giuditta & Zarillo, P.C., on behalf of Retail Energy Supply Association ("RESA")
Craig G. Goodman, President, National Energy Marketers Association
Ira G. Megdal, Esq., Cozen O'Connor, on behalf of FirstEnergy Solutions Corp.
Alexander C. Stern, Esq., Public Service Electric and Gas Company
Lauren M. Lepkoski, Esq., FirstEnergy Service Company, on behalf of Jersey Central Power and Light Company
Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel
Anthony Cusati III, Interstate Gas Supply, Inc. dba IGS Energy, and on behalf of New Jersey Gas & Electric
Tracey Thayer, Esq., New Jersey Natural Gas Company
Michael D'Angelo, North American Power
M. Patricia Keefe, Esq., Elizabethtown Gas Company
Philip J. Passanante, Esq., Atlantic City Electric Company

BY THE BOARD:

BACKGROUND:

Shortly after the passage of the Electric Discount and Energy Competition Act, N.J.S.A. 48:3-49,-98 ("EDECA"), the Board determined that customer account services[1] ("CAS") issues would be addressed through the formation of a CAS working group. The ultimate result of this process

[1] CAS is defined in N.J.S.A. 48:3-51 as "metering, billing or such other administrative activity associated with maintaining a customer account."

was a series of CAS settlements that were approved by the Board ("CAS Orders")[2]. Pursuant to the CAS Orders, all issues remain subject to re-evaluation.

Board Staff has been actively engaged in analyzing current rules and policies governing energy competition and "purchase of receivables" ("POR") in the State over the past two years. Through both a rulemaking and a working group process, stakeholders and Board Staff have had several opportunities to evaluate the appropriateness of modifications to the Board's existing Energy Competition Rules at N.J.A.C. 14:4 as well as prior policy actions taken in its CAS proceedings.

In response to issues raised through the rulemaking and/or working group processes, on January 7, 2011, Board Staff provided notice of the creation of a POR/Price to Compare ("PTC") working group seeking input from the local distribution companies, Third Party Suppliers ("TPS") and other interested parties on specific issues relating to POR/PTC. On February 8, 2011, Board Staff conducted an initial stakeholder meeting on POR/PTC issues. Representatives of TPSs, the Division of Rate Counsel ("Rate Counsel"), the gas distribution companies ("GDCs"), and the electric distribution companies ("EDCs") attended and participated. At this meeting, the local distribution companies were directed to provide further information which was subsequently provided on March 9, 2011.

After a meeting on March 15, 2011, and after reviewing the information provided in this matter, on April 25, 2011, Board Staff, in an effort to facilitate settlement discussions, circulated a document for feedback by the parties. The document included two parts: Preliminary POR Design, and POR Design Questions. The parties responded on or about May 11, 2011. In the interim, comments were filed on the pending rulemakings regarding the readoption of N.J.A.C. 14:4, the Board's energy competition rules.

Current Utility Consolidated Billing / Purchase of Receivables Mechanisms:

Public Service Electric and Gas Company ("PSE&G"), Atlantic City Electric Company ("ACE"), Jersey Central Power and Light Company ("JCP&L"), Rockland Electric Company ("RECO"), South Jersey Gas Company ("SJG"), and New Jersey Natural Gas Company ("NJNG") currently offer utility consolidated billing ("UCB")[3]. SJG provides UCB with POR for its residential customers, and UCB without POR for its small to mid-sized commercial customers. That is, if the TPS does not dual bill or provide TPS consolidated billing, the utility provides consolidated bills to customers of New Jersey licensed electric and/or gas TPSs that include the TPS's supply charges as well as the utility's distribution charges. Elizabethtown Gas Company ("ETG") does not offer utility consolidated billing at this time. However, as discussed below, ETG is in the process of developing a UCB/POR program.

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[2] The CAS stipulations were approved by Board Orders, In the Matter of the Electric Discount and Energy Competition Act of 1999 Customer Account Services Proceeding, 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. - December 22, 2000 and February 2, 2011; Rockland Electric Co. - May 9, 2001; Elizabethtown Gas Co. - May 6, 2002; Generic, June 24, 2004.

[3] Under UCB, the EDC or GDC provides a bill to the customer that includes charges related to distribution services provided by the utility and charges related to the purchase of commodity (gas or electricity) by the customer from a TPS.

When a utility provides utility consolidated billing with POR, the utility assumes the TPS's account receivables associated with the bill; that is, the utility pays the TPS for the supply portion of the bill regardless of when, or how much, the customer pays. The gas utility companies providing consolidated billing may currently cease providing consolidated billing and drop the customer to dual billing if the customer's account is more than 120 days in arrears. The electric utility companies currently are permitted to cease providing consolidated billing and drop the customer to dual billing if the customer's account is more than 60 days in arrears. Once a TPS customer is reverted to dual billing, the TPS is responsible for its own account receivables associated with supply charges to the customer, and the utility will not offer utility consolidated billing to this customer for a 12-month period.

Staff's February 25, 2013 UCB/POR Proposal

Based upon extensive review and analysis of the information that Board Staff received from the participants in the working group and the collaborative discussions with the participants, Board Staff developed a proposal to modify the current UCB/POR mechanisms, as described above, whereby the utility providing consolidated billing assumes or purchases the account receivables of the non-billing TPS. On February 25, 2013, Board Staff posted its UCB/POR proposal and a Notice of Opportunity to Comment on the Board's website. Board Staff e-mailed links to these documents to the working group participants. The notice notified the working group participants and other interested stakeholders that Board Staff had developed a UCB/POR proposal and that Board Staff intended to present this proposal to the Board, and the notice invited comment on the proposal. Board Staff's February 25, 2013 UCB/POR proposal is attached to this Order as Attachment A ("Staff's UCB/POR Proposal").

Stakeholder Comments

On March 11, 2013, comments were filed by RECO, Gabel Associates ("GA"), SJG, the Retail Energy Supply Association ("RESA"), the National Energy Marketers Association ("NEM"), FirstEnergy Solutions Corp., PSE&G, JCP&L, New Jersey Division of Rate Counsel ("Rate Counsel"), and NJNG, and jointly by IGS Energy ("IGS") and New Jersey Gas & Electric ("NJG&E"). On March 18, 2013 reply comments were filed by North American Power, RESA, NEM, and JCP&L. The following is a summary of the comments submitted.

Summary of Stakeholder Comments

Distribution Companies

Rockland Electric Company

RECO asserts that the arrearage reporting requirements that were presented in Staff's UCB/POR Proposal should not apply to utilities that do not drop customers from UCB/POR to dual billing. RECO does not drop customers to dual billing and does not provide arrearage information to TPSs and has received no complaints regarding this. Therefore, RECO argues that the arrearage reporting requirement should not apply to it. RECO states that the right to establish or increase fees or charges for UCB or POR should be reserved to accommodate unforeseen future legislative, regulatory or industry changes.

Public Service Electric and Gas Company

Overall PSE&G supports Staff's UCB/POR Proposal; however, PSE&G recommends that modifications be made with respect to the following issues: 1) Customer Eligibility – 12 Month Restriction; 2) Drop to Dual Bills – 45 day notice to TPS; and 3) Discount Factors/Consolidated Billing Fees. PSE&G also asserts that in the absence of a settlement, the Board's findings and determinations must be accompanied by "reasonable support in the evidence."

Specifically, PSE&G agrees that consolidated billing should be used to collect only commodity charges for TPSs. Further, PSE&G states that only undisputed charges by customers be remitted to TPSs, consistent with N.J.A.C. 14:3-7.6. With respect to Staff's proposed modification to the 12 month dual billing restriction, PSE&G argues that customers can still shop under dual billing. If the TPS drops the customer, that is not a shopping issue but rather a TPS business decision not to offer billing services. PSE&G believes that Staff's proposal to allow customers who have been dropped to dual billing to re-participate in UCB/POR once the customer has made payments that bring the relevant account to the point where it is not 90 or more days in arrears, will result in a "ping pong" effect where customers are switched back and forth between the utility and the TPS based upon the customer's arrearage level. PSE&G suggests that the current 12 month restriction be modified to 9 months.

PSE&G does not oppose Staff's proposal 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. However, PSE&G opposes Staff's proposal that utilities be required to notify the appropriate TPS, via Electronic Data Interchange ("EDI") of the utility's intension to drop a customer to dual billing at least 45 days prior to the drop. PSE&G believes that the current 15 day notice requirement provides the appropriate balance and should remain. PSE&G asserts that to increase the notice requirement to 45 days in effect increases the number of days when the drop to dual billing occurs from 120 days to not less than 180 days.

PSE&G supports Staff's proposal for a monthly arrearage report, and urges the Board to apply that same requirement consistently to all EDCs and GDCs. Although PSE&G currently provides arrearage reports more frequently than once a month, it finds that its current practice is burdensome.

PSE&G believes that there should be consistency in the allowance of discount factors and/or consolidated billing fees that EDCs and GDCs may impose upon TPSs. PSE&G contends that the CAS order permitted the GDCs to discount the payment to TPSs and/or charge TPSs UCB fees for agreeing to increase, from 60 to 120 days, the minimum number of days that a customer's account must be in arrears before the customer's account can be dropped from UCB/POR to dual billing. PSE&G believes that if the EDCs are now prohibited from dropping a customer to dual billing if the customer's account is not 120 or more days in arrears, then EDCs should be able to discount payments to TPSs and/or charge TPSs UCB fees.

Jersey Central Power and Light Company

JCP&L focuses on two main recommendations in Staff's UCB/POR Proposal, 1) the requirement that the EDCs provide the TPSs with monthly arrearage reports and 2) the elimination of the one year dual billing restriction, whereby a utility can refuse to offer UCB/POR to a customer if the customer has been dropped from UCB/POR to dual billing within the past 12 months as a result of arrearages in the customer's account. JCP&L argues that the arrearage reports would require additional ongoing administrative support and cost to track this information. Moreover, JCP&L contends that the modifications proposed by Staff could potentially lead to an increase in uncollectibles. Accordingly, JCP&L urges the Board to provide adequate time to implement Staff's UBC/POR Proposal and full and timely recovery of costs.

South Jersey Gas Company

SJG agrees with Staff's proposal to extend the UCB/POR program to include the GSG and GSG-LV rate schedules, as long as the company is permitted to implement a fee that compensates SJG for the costs and expenses incurred as a result of providing this service. SJG opposes Staff's proposal to eliminate the one year dual billing restriction which allows a utility to refuse to offer UCB/POR to a customer if the customer has been dropped from UCB/POR to dual billing within the past 12 months as a result of arrearages in the customer's account. If the one year dual billing restriction is eliminated, SJG recommends that the customer be denied UCB/POR until the customer's credit worthiness returns to an acceptable level. SJG opposes Staff's proposal that utilities be required to notify the appropriate TPS via EDI of the utility's intention to drop a customer to dual billing at least 45 days prior to the drop. SJG recommends that the notice be reduced from 45 days to 15 days.

SJG states that it is in the process of overhauling and upgrading its customer information system ("CIS"), and asks that any change to its arrearage reporting not take effect prior to March 1, 2014 when it estimates that the revised CIS will be operational. Moreover, SJG objects to Staff's proposal for monthly customer arrearage reports and suggests that the company be permitted to provide such reports as customers approach arrearages of 120 days.

SJG currently charges TPSs a UCB and receivable fee for residential UCB/POR customers of $.075 and $.90 respectively. However, as a result of SJG's review of these charges as part of the POR Working Group, South Jersey believes that discounting payments to TPSs using a uniform discount rate for all customer classes that is based upon historical uncollectible accounts data is a fairer and more equitable approach. Further, SJG believes that it should not be limited to implementing these charges in a base rate case.

New Jersey Natural Gas Company

NJNG concurs with Staff's proposal. NJNG does not drop customers to dual billing. Therefore, most of Staff's proposal does not apply to the company.

Third Party Suppliers

Interstate Gas Supply Energy and New Jersey Gas and Electric

IGS & NJG&E claim that POR with recourse was a common feature in early UCB programs when it was unclear to some whether there was significantly higher risk in supplier receivables versus utility receivables. They claim that if suppliers had to eventually collect on receivables, they would institute credit checks which would deny the benefits of choice to many consumers with less than perfect creditworthiness. They assert that utilities have an inherent advantage in collecting receivables because of their sole ability to terminate a customer's service for non-payment, subject to appropriate consumer protection procedures.

IGS & NJG&E believe that dropping a customer to dual billing causes problems for suppliers that lack billing capability because they will have to drop the customer altogether. They argue that using the existing utility billing, credit and collections systems reduces duplication and avoids the additional costs of parallel TPS systems. They state that the utility has the right to terminate service for non-payment, and therefore, is in the best position to collect older receivables.

National Energy Marketers Association

NEM compliments Staff for its thorough review of POR issues and appreciates that Staff's proposal undertakes to improve upon the utilities' current POR by: 1) extending the period before which a utility may switch a customer from UCB to dual billing, 2) allowing consumers to participate if they are not 90 days or more in arrears, and 3) requiring utilities to provide timely arrearage reports to suppliers. Although NEM finds Staff's proposal to extend the time for UCB for delinquent accounts to 120 days an improvement, NEM urges the Board to eliminate both the "recourse" and "drop to dual billing" conditions in New Jersey's UCB program.

NEM believes that a recourse and dual billing requirement is fundamentally inconsistent with a properly functioning, non-discriminatory, low cost and successful POR program. Moreover, NEM believes that dual billing will result in added costs, and discrimination consequences to low income and payment challenged consumers because they will be prevented from shopping for energy options that can better help them budget their energy needs. NEM argues that under a recourse POR, as customers are switched from UCB to dual billing, suppliers will return non-paying consumers back to the utility to avoid bad debt expense and the cost of dual billings. Because the utility is allowed to terminate service for nonpayment, the consumers are incentivized to make payments. Under dual billing, the TPS is not allowed to shut a customer off, thus NEM believes that the customer has no incentive to pay the bill. NEM also states that a recourse and dual billing POR program will impose unnecessary and duplicative costs associated with maintaining multiple and duplicative sets of books. Therefore, NEM prefers a non-recourse POR program whereby suppliers will be charged a discount rate that compensates utilities that have unbundled their uncollectible accounts expense.

NEM urges the Board to support Staff's proposal for timely arrearage reports should the Board retain either the recourse or the dual billing requirements of its current POR program. NEM also prefers PSE&G's currently weekly e-mailed arrearage report which groups the arrearage data into categories of 30-60 days, 61-90 days, 91-120 days and greater than 120 days.

First Energy Solutions

While FES concludes that Staff's UCB/POR Proposal is a step in the right direction, FES proposes two modifications. First FES does not support any drop to dual billing, and second, budget billing should be implemented. FES's chief complaint is that not all suppliers have billing systems and customers with arrearages should not be prevented from shopping. FES argues that these are the customers who benefit the most from shopping. Moreover, FES contends that suppliers will build into their prices, the risk that customers will be dropped to dual billing, which will decrease the potential savings for customers.

FES argues that dropping customers from the POR program to dual billing shifts the uncollectibles risk to the TPS, while EDCs receive recovery of uncollectible costs from ratepayers. FES states that this inequity is further apparent because EDCs can disconnect customers for non-payment while TPSs cannot. FES states that the six states it operates within do not have a similar drop provision. FES believes that the utilities should be able to budget the entire customer bill and pay the TPS based on the actual charge as is done by some Pennsylvania utilities.

Retail Energy Supply Association

RESA supports most elements of the Staff's UCB/POR proposal in the interest of compromise and prompt resolution of its concerns with the current UCB/POR program as highlighted below:

1. Customer Eligibility – Class: RESA supports Staff's proposal that UCB/POR be available to all residential and small to mid-sized commercial customers served by TPSs. This will lead to a more robust competitive market in ETG's and SJG's service territories. However, RESA recommends that POR be available to all customer classes as a positive step forward for those larger customer classes and therefore, does not support Staff's distinction between smaller and larger commercial customers with respect to eligibility to receive UCB/POR;

2. Customer Eligibility – 12 Month Restriction: RESA supports Staff's proposal to make UCB/POR available to customers that have been dropped to dual billing within the past 12 months if the customer makes payments to bring the relevant account to the point where it is not 90 or more days in arrears. RESA suggests that Staff require the EDCs and GDCs to track customers who have brought their accounts to 89 or less days in arrears, and immediately allow them to participate in UCB/POR for a minimum of 120 days;

3. Payment to TPS: RESA believes that all EDCs and GDCs should be required to make bi-monthly payments to TPSs;

4. RESA supports Staff's proposal 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. RESA argues this will decrease instances where the customer gets whipsawed back and forth between UCB/POR and dual billing, and it will provide more customers with the opportunity to participate in shopping for competitive supply products;

5. Arrearage Reports: RESA supports Staff's recommendation that the utilities provide TPSs with timely and informative arrearage data and provide the TPSs with timely information regarding drops. RESA would like these reports transmitted via EDI; and

6. Discount Factors/Consolidated Billing Fees: RESA supports Staff's recommendation to keep the discount factors/fees at their current levels.

Gabel Associates

GA supports Board Staff's proposal that all GDCs and EDCs be required to offer UCB/POR to all residential and small to mid-sized commercial customers whose accounts are not 120 days or more in arrears. GA also supports Board Staff's recommendation to eliminate the GDCs' and EDCs' current practice of refusing to offer UCB to customers who have been assigned to dual billing within the past 12 months.

GA asserts that Board Staff's recommendations will provide the following benefits: 1) substantially reduce the number of customers that are denied the ability to participate in Government Energy Aggregation programs ("GEA"); 2) improve the GEA program participation rate, resulting in more residential customers being able to realize electric bill savings; and 3) reduce risk for suppliers and likely improve GEA bid prices by reducing the expected UCB-ineligibility attrition rate.

GA explains in detail why it believes that JCP&L, ACE, and PSE&G are in the same approximate position, from a cash-flow/lag in payment perspective, whether the customer takes BGS service or whether the customer takes TPS service under a UCB arrangement, regardless of a customer's payment record.

GA concludes that Staff's UCB/POR Proposal is beneficial to customers and is, at worse, neutral to the EDCs. GA does however, note that the benefits that will result under Staff's UCB/POR Proposal could be greater, and the equity between TPS and BGS would improve if the trigger for the drop to dual billing was extended beyond the 120 days arrearage period or if the arrearage test were eliminated altogether.

__The Division of Rate Counsel__

Rate Counsel is supportive of maintaining the existing timing for the payments to TPSs and setting discount fees in a base rate case. Rate Counsel recommends setting the discount fee in the range of 3% to avoid imposing TPS billing costs on ratepayers and to compensate utilities for the cost of billing on behalf of the TPSs.

Rate Counsel recommends that Staff gather additional data from the utilities in order to better distinguish between medium and large commercial customers and to estimate the scale of the non-payment risk associated with offering UCB/POR to large commercial customers. Rate Counsel argues that allowing utilities the option of offering UCB/POR to large commercial and industrial customers would expose ratepayers to a potentially significant expansion of their risk of non-payment. Therefore, Rate Counsel recommends that only those utilities who already offer UCB/POR to their large commercial and industrial accounts be permitted to do so.

Rate Counsel supports Staff's proposal to eliminate the 12 month restriction on dual billing but recommends that only customers who bring their relevant accounts to the point where they are paid up to current status may participate in UCB/POR.

Rate Counsel states that increasing the minimum number of days that an electric customer's account must be in arrears before an EDC may drop the customer to dual billing from 60 days to 120 days would shift to ratepayers an additional risk of non-payment. Therefore, Rate Counsel's support of this proposal is conditional. Rate Counsel asks that Staff assemble and analyze data on the actual cost savings that utility customers have achieved by selecting a TPS. Rate Counsel believes this is necessary arguing that Staff's proposal shifts free market risk to ratepayers.

With respect to arrearage reports, Rate Counsel proffers its conditional support of Staff's proposal as long as TPSs bear the cost of providing these reports through the discount factors charged by utilities.

Summary of Stakeholder Reply Comments

National Energy Marketers Association

NEM reiterates its initial position that the Board should eliminate both the recourse and dual billing requirements. NEM argues that under a traditional POR program that includes a discount rate, the utility will be compensated for uncollectibles as well as incremental costs incurred in implementing and administering the POR program. NEM further argues that a consumer's payment status does not become worse by virtue of choosing a competitive supplier, and that a consumer that has chosen a TPS may better control its energy costs/budget and be in a better position to pay or pay timely. NEM opines that the increased cost that the utilities will incur with respect to tracking and reporting customer arrears would be avoided if there was a non-recourse POR program.

North American Power

NAP supports the comments presented by NEM and RESA and also supports Staff's proposal in an effort to promptly resolve the matter, finding it will make a significant improvement over the current UCB program.

Jersey Central Power and Light Company

In responding to issues raised by NEM, IGS, NJG&E, FES and RESA, JCP&L argues that if JCP&L is no longer allowed to drop a customer from consolidated billing to dual billing for non-payment, EDCs should be permitted to terminate service to a customer for non-payment of TPS charges. JCP&L further supports Staff's proposal that the EDCs continue their payment methods to TPS.

JCP&L believes that the existing CAS policies provide a balance between the interests of the customers and competition, and urges the Board to carefully consider how the changes proposed by Staff will impact that balance.

Retail Energy Supply Association

RESA agrees with RECO's position that companies that do not drop customers from UCB/POR to dual billing should not be required to provide arrearage reports. RESA however, disagrees with RECO's assertion that the EDCs should be allowed to increase fees and charges for UCB/POR outside of a rate case proceeding.

RESA disagrees with the majority of SJG's and PSE&G's comments, arguing that SJG should not be allowed to implement a fee for assuming the risk associated with providing UCB/POR to GSG and GSG-LV customers, and if a fee is established it should be during the context of a rate case. Moreover, RESA disagrees with SJG's position that the 12 month period in which an EDC or GDC may deny UCB/POR to customers that have been dropped to dual billing be maintained arguing that it harms customers by denying them access to competitive supply options. RESA believes that Staff's proposed modification to allow access to UCB/POR for customers who have been dropped to dual billing if their arrearages are 90 days or less provides shopping opportunities to customers and allows them to save on energy costs. Contrary to SJG and PSE&G, RESA supports Staff's proposed 45 notice to TPSs of customer drops to dual billing since this allows the TPSs sufficient time to provide the 30 day termination of contract notice to customers pursuant to the Board's rules at N.J.A.C. 14:4-7.6, and helps TPSs avoid losses. RESA opposes, and finds no support for, SJG's request to delay the implementation of the revised arrearage reporting. In general, RESA recommends a 30-day implementation time frame for the EDCs and GDCs.

RESA supports Gabel Associates' comments that government energy aggregation programs will work better under an expanded UCB/POR program.

RESA supports NEM's and FES's recommendations for a non-recourse UCB/POR program while recognizing that Staff's proposal is an improvement over the current program.

RESA disagrees with the majority of PSE&G's comments. More specifically RESA disagrees with PSE&G's recommendation that EDCs and GDCs only remit undisputed charges to the TPS. RESA argues that PSE&G's reference to N.J.A.C. 14:3-7.6 is an inaccurate reference since it does not pertain to what charge EDCs and GDCs must remit to TPSs but rather addresses what charges a customer must pay to a utility when disputing the utility's bill. RESA challenges PSE&G's assertion that Staff's proposal to allow customers who were dropped to dual billing to return to UCB/POR if customers reduce their arrearages to 90 days or less is not an energy competition and shopping issue. RESA asserts that TPSs do not have the financial or administrative resources to offer dual billing and thus customers are denied access to energy competition when they are dropped from UCB.

RESA disagrees with PSE&G's assertion that ratepayers have increased risk of uncollectible accounts expense since Staff proposes that discount factors/fees be recovered through a rate proceeding, and that only actual costs would be recovered through that proceeding, eliminating this risk.

RESA disagrees with Rate Counsel's 3% discount rate stating that it is too high, not supported by examples and inconsistent with the levels seen in other states. RESA continues by contending that Rate Counsel's position will cause TPSs to incorporate higher risk into their product prices and lead TPSs to credit screen customers.

DISCUSSION AND FINDINGS

On February 9, 1999, the Electric Discount and Energy Competition Act, N.J.S.A. 48:3-49 et seq. ("EDECA") became law. One of EDECA's fundamental objectives was to achieve lower rates and better utility service by affording New Jersey energy consumers the opportunity to access the competitive markets for electric power generation and gas supply service. N.J.S.A. 48:3-50. The Board has reviewed Staff's UCB/POR Proposal and the comments of the stakeholders. The Board concurs with Staff that the modifications that Staff proposes to the current UCB/POR programs will increase energy consumers' access to competitive markets in a responsible and balanced manner and that they will, therefore, have an overall positive social and economic impact on customers. However, based upon the comments of the stakeholders, the Board **FINDS** that some clarifications and minor modifications to Staff's proposed changes will improve the benefits that will be achieved by modifying the UCB/POR programs. Therefore, the Board **HEREBY ORDERS** ETG to implement a UCB/POR program that incorporates the below provisions and the Board **HEREBY ORDERS** ACE, PSE&G, RECO, JCP&L, SJG, and NJNG to modify their current UCB/POR programs, as necessary, to incorporate the below provisions:

1) **Customer Eligibility - Class:**

Staff's UCB/POR proposal recommended that the GDCs and EDCs be required to offer UCB with POR to all residential and small to mid-sized commercial customers but that they not be required to offer it to large commercial/industrial customer classes unless they presently do so. This recommendation would affect ETG and SJG, but it would not affect NJNG, PSE&G, RECO, ACE, or JCP&L. This recommendation was supported by the majority of the commenters.

However, while supporting Staff's proposed expansion of UCB/POR, RESA recommended that the program be expanded even further to include all customer classes including larger industrial customer classes. Rate Counsel recommended that the GDCs and EDCs only be allowed to offer UCB/POR to large commercial and industrial accounts who already participate in this program. ETG did not file comments on Staff's UCB/POR Proposal. SJG supported Staff's proposal provided that the GDCs are able to implement a fee that compensates them for providing this service. Discount fees/consolidated billing fees are discussed in section 6) below.

The Board concurs with RESA's comment that Staff's recommendation will enable those New Jersey gas customers who happen to be located in the ETG or SJG service territories to experience a more robust competitive supply market, similar to the supply market in other EDC and GDC territories. Therefore, the Board **ORDERS** the EDCs and GDCs to modify their UCB/POR programs, as necessary, in order to comply with the following provisions with respect to customer eligibility.

> POR shall be offered in concert with consolidated billing. Thus, all customers enrolled in UCB shall be enrolled in the POR program. The GDCs and EDCs shall offer UCB 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 and if the customer's account is not 120 or more days in arrears except as indicated in paragraph 2) below. If a GDC or EDC presently offers UCB/POR to its large commercial and industrial accounts, the EDC or GDC shall continue to provide UCB/POR to these same customer classes until otherwise determined by the Board. If they do not offer UCB/POR to their large commercial and industrial accounts, they are not required to do so.
>
> Based upon this determination, UCB/POR shall be offered to customers as follows:
>
> RECO, ACE and JCP&L shall offer UCB/POR to all of their electric customers served by a TPS as they presently offer UCB/POR to all customer classes.
>
> NJNG shall offer UCB/POR to all of its gas customers served by a TPS as NJNG presently offers UCB/POR to all customer classes.
>
> PSE&G shall offer UCB/POR to all of its gas customers served by a TPS in the following rate classes: RSG, GSG, LVG, and SLG as PSE&G presently offers UCB/POR to these customer classes. PSE&G does not offer UCB/POR to gas customers in the following rate classes: TSG-Firm and TSG-Non Firm and PSE&G shall not be required to offer UCB/POR to customers in these classes as the Board does not consider these classes to be small to mid-sized commercial classes for purposes of UCB/POR.
>
> SJG shall continue to offer UCB/POR to its residential customers who are served by a TPS. In addition, SJG shall offer UCB/POR to customers served by a TPS under SJG's GSG and GSG-LV rate classifications as the Board considers these customer classes to

be small to mid-sized commercial classes for purposes of UCB/POR. SJG presently offers UCB without POR to these customers.

ETG presently does not offer UCB. Pursuant to the June 24, 2004 CAS order, I/M/O 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, BPU Docket Nos. EX99090676 and EX94120585Y, ETG agreed to provide Board-licensed TPSs with a list of billing options that included UCB. As a result of discussions with Board Staff, ETG is in the process of developing a UCB/POR system. ETG shall offer UCB/POR to customers served by a TPS under ETG's residential classifications, and under ETG's SGS, and GDS classifications, with the exception of GDS-AMR customers, as the Board does not consider GDS-AMR customer classes to be small to mid-sized commercial classes for purposes of UCB/POR.

2) <u>Customer Eligibility – 12 Month Restriction:</u>

Under current practices, a utility can refuse to offer utility consolidated billing to a customer if the customer is not deemed to be creditworthy by the utility. The utility can refuse to offer UCB to a customer if, within the past 12 months, the customer has been dropped from UCB/POR to dual billing as a result of arrearages in the customer's account.

Staff's UCB/POR proposal recommended that the utilities' current practice of refusing to offer utility consolidated billing to customers who have been assigned to dual billing within the past 12 months be eliminated except for those customers whose accounts are in arrears, as detailed below. Under the proposal, the utility would not be able to deny UCB/POR to a customer that has been dropped from UCB/POR to dual billing within the past 12-months if the customer makes payments that bring the relevant account to the point where it is not 90 or more days in arrears.

Several stakeholders commented on this issue. RESA and Gabel Associates supported Staff's recommendation. PSE&G recommended that the current 12 month restriction be maintained. PSE&G indicated that it would be difficult to track the information necessary to implement this and it 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 billing. As a compromise, PSE&G recommended that the 12-month stay out be reduced to a 9-month stay out. Rate Counsel expressed similar concerns and recommended that the customer be required to be "paid up to current status." SJG recommended that the 12-month restriction be maintained but suggested as a compromise that the customer's credit worthiness must return to "an acceptable level."

The Board concurs with Staff that the 12-month restriction should be eliminated. Customers who fall temporarily behind in payments should not be denied UCB/POR for an entire year, or even nine months as suggested by PSE&G. However, the Board is concerned that Staff's proposal could result in the "ping-pong" effect described by PSE&G. The Board **<u>FINDS</u>** that requiring that customers bring their accounts to the point where they are not more than 60 days in arrears would strike the proper balance on this issue. The Board **<u>FINDS</u>** that the UCB/POR eligibility restriction should be based upon whether the customer has successfully reduced or eliminated their arrearages, not simply how much time has passed since their account was previously in arrears.

This will allow a customer who is working on eliminating their arrearages to shop for their energy supply. Requiring that the customers bring their accounts to the point where they are not 60 or more days in arrears rather than 120 days will help avoid situations where customers get switched back and forth between UCB/POR and dual billing, or in the case where the TPS does not offer dual billing, between UCB/POR and the utility's supply service. Therefore, the Board ORDERS the EDCs and GDCs to modify their UCB/POR programs, as necessary, in order to comply with the following provisions with respect to the 12-month restriction.

> The utilities' current practice of refusing to offer UCB to customers who have been assigned to dual billing within the past 12 months shall be eliminated except for those customers whose accounts are in arrears as detailed below. The GDCs and EDCs shall not deny UCB/POR to a customer that has been dropped from UCB/POR to dual billing within the past 12-months if the customer makes payments that bring the relevant account to the point where it is not more than 60 in arrears.

3) Payment to TPS:

When a utility provides UCB, the utility pays the TPS for the supply portion of the bill regardless of when or how much, the customer pays. The timing of these payments varies by utility. Staff's UCB/POR proposal recommended that the utilities' current TPS payment practices be continued. Board Staff believes that any benefits that might be achieved by requiring a standardized method for paying the TPSs would be offset by the costs associated with having the GDCs and EDCs redesign their systems.

However, as ETG is in the process of developing its UCB/POR mechanism, Staff's UCB/POR proposal recommended that ETG incorporate into the design of its program, payments to the TPSs on a twice monthly basis. This recommendation was generally supported in the comments. However, RESA recommended that all of the EDCs and GDCs be required to make twice monthly payments to TPSs. RESA disputed Staff's concern with the specific costs associated with requiring the GDCs and EDCs to make these twice monthly payments.

The Board supports Staff's recommendation that ETG incorporate into the design of its program, payments to the TPSs on a twice monthly basis. In addition, the Board concurs with Staff that any benefits that might be achieved by requiring a standardized method for paying the TPSs would be offset by the costs associated with having the GDCs and EDCs redesign their systems. However, the Board believes that making twice monthly payments to TPSs should be a goal for each of the GDCs and EDCs who pay the TPSs less frequently now.

Therefore, the Board **ORDERS** the EDCs and GDCs to modify their UCB/POR programs, as necessary, in order to comply with the following provisions with respect to payments to the TPSs.

The current timing of payments to the TPSs by the GDCs and EDCs shall be continued. Specifically:

a) JCP&L, ACE and PSE&G shall continue to pay TPSs five days after the due date shown on the customer's bill,
b) NJNG shall continue to pay TPSs twice monthly,
c) SJG shall continue to pay TPSs 5 days after the end of each calendar month, and
d) RECO shall continue to pay TPS on the 25th of each month.

e) ETG is in the process of developing its UCB/POR. ETG shall incorporate into the design of its program, payments to the TPSs on a twice monthly basis.

UCB/POR shall be used to collect only commodity charges for TPSs, and shall not be used to collect any TPS service charges, exit fees, early termination fees, or charges for products other than commodity.

As computer technology changes, the GDCs and EDCs redesign and upgrade their computer systems periodically. The Board recommends that each of the GDCs and EDCs who make payments to the TPSs less frequently than twice a month, modify their computer systems, at the time of their next major computer system upgrade, to incorporate twice-monthly payments to the TPSs.

4) <u>Drop to Dual Bills:</u>

Staff's UCB/POR proposal recommended 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. Board Staff recommends that if the utility decides to drop a customer from utility consolidated billing to dual billing, the utility be required to give the TPS notice via EDI that the customer will be dropped to dual billing for usage on and after the next meter reading date that occurs at least 45 days from the EDI notice unless it is not possible to do so because the customer recently became a UCB customer, and the customer's account was 75 or more days in arrears when the customer became a UCB customer. A customer's account would be considered to be 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. Board Staff recommends that if a TPS signs up a customer whose account is 60 days or more in arrears, the utility must, on the day that the TPS provides the utility with the request to switch the customer, notify the TPS of the number of days that the account is in arrears.

GA supports Staff's recommendation. GA states that in a recently implemented government energy aggregation ("GEA") program that they are working on in New Jersey, the initial rate of customer "opt-out" was quite low; however, upon enrollment there was a significant additional block of account attrition resulting from customers being rejected for enrollment by the EDC for UCB ineligibility. GA further states that, "the change in the customer UCB eligibility from less than 60 days in arrears to less than 120 days in arrears would: 1) be expected to substantially reduce the number of customers that are denied the ability to participate in GEA programs; 2) therefore undoubtedly improve the GEA program participation rate, resulting in more residential customers being able to realize resultant electric bill savings; and 3) reduce risk for suppliers and likely improve GEA bid prices by reducing the expected UCB-ineligibility attrition rate." GA also noted that these benefits could be even greater if the UCB eligibility was extended beyond the 120 days arrearage period, or if the arrearages test were eliminated altogether.

RESA supports Staff's recommendation as a significant improvement over the current UCB/POR program. RESA states that increasing the amount of time before an EDC may drop a customer to dual billing avails more 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 and to credit screen more customers prior to signing them up for service. However, RESA maintains that a less restricted, non-recourse POR program would better serve NJ electric and gas customers.

NEM urges the Board to require all utilities to offer a traditional POR program and eliminate both the recourse and dual billing requirements which NEM claims have stymied retail market participation by TPSs and harmed consumers. NEM asserts that the costs involved in tracking and reporting of customer arrears experience, switching customers, and multiple billing systems would be eliminated if utilities were prohibited from switching customers to dual billing for nonpayment. NEM states that these costs are a burden on all of the stakeholders, but they harm low income and payment-challenged consumers the most.

FES opposes the retention of the drop to dual billing under any circumstances.

SJG offers no comments on the 60 to 120 day proposal as it is directed toward the EDCs, rather than the GDCs. However, SJG believes the 45 day period for an EDI notice should be reduced to 15 days as that is ample time for the marketer to be able to change billing scenarios, and at 45 days puts an additional bill cycle of risk onto SJG.

PSE&G states that it is willing to accept standardizing the drop to dual billing for EDCs and GDCs at 120 days provided that it may impose a discount rate. In addition, PSE&G believes that it would be unjust and unreasonable to extend the notification requirement out to 45 days as it would delay the drop to dual billing. PSE&G asserts that the 15 day notification period agreed to in 2004 continues to reflect the appropriate balancing of this issue and should be left undisturbed.

Rate Counsel states that increasing the minimum number of days that an electric customer's account must be in arrears before an EDC may drop the customer to dual billing from 60 days to 120 days would shift to ratepayers an additional risk of non-payment. Therefore, Rate Counsel's support of this proposal is conditional. Rate Counsel asserts that while the Staff recommendation would shift to ratepayers some of the free market risk that properly belongs to the TPSs, ratepayers do not have full access to market information needed to make informed decisions about their energy providers. Accordingly, Rate Counsel asks that Staff assemble and analyze data on the actual cost savings that utility customers have achieved by selecting a TPS. With the provision of that market information, enabling more informed ratepayer decisions, Staff's recommendation would be acceptable to Rate Counsel.

IGS and NJG&E oppose Staff's proposal which they describe as increasing the time that electric utilities must try to collect "rented" supplier receivables from 60 days to 120 days. They recommend that the Board adopt a non-recourse UCB/POR program for all natural gas and electric utilities in New Jersey. Because suppliers do not always offer dual billing, IGS and NJG&E state that dropping the customer to dual billing will often mean that the supplier will have to drop the customer all together. They argue that if this happens frequently, smaller suppliers who have not invested in a billing system but who may be able to offer unique, innovative products and services may be excluded from the marketplace. They further state that the proposal is likely to make the UCB/POR program less workable because it is significantly easier for suppliers to collect on 60-day old receivables versus 120-day old receivables.

The Board appreciates the input from the various stakeholders on this issue. The Board has considered Staff's UCB/POR proposal that 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. In addition, the Board has considered the TPSs' recommendation that the drop to dual billing be eliminated. The Board **FINDS** that Staff's proposal strikes the proper balance on this issue. The Board concurs with Staff's analysis that the EDCs' current policy of dropping customers to dual billing when the customers are in arrears for 60 days can be problematic for some customers. A customer with a good payment history can easily have the account fall 60 days in arrears, causing the customer to be dropped to dual billing. In addition, as TPSs are unaware of a customer's payment history when they sign up a customer, a customer's account can often be close to 60 days in arrears, and fall 60 days in arrears shortly after switching. This can cause a switching customer to be immediately dropped to dual billing. As many TPSs do not offer dual billing, under current practices, this customer may be returned to utility supply service for a period of 12-months. Board Staff's proposal to modify the criteria for dropping an electric customer from consolidated to dual billing from 60 to 120 days will assist in alleviating this problem.

The Board notes that it does not agree with IGS and NJG&E's characterization that under Staff's UCB/POR Proposal, the utilities would only be increasing the time that they "rent" supplier receivables. When the utility, issues a consolidated bill with POR to a customer, the utility pays the TPS regardless of whether the customer pays. If the customer is dropped to dual billing, the utility still pays the TPS for service rendered during the time period covered by the consolidated bill. The receivables associated with the TPS supply costs that are accrued during the period covered by the utility consolidated billing remain with the utility and the TPS is under no obligation to reimburse the utility for this cost. If the customer never pays this portion of the bill, this cost is passed on to other ratepayers.

The Board has also considered Rate Counsel's request that there be an analysis of the actual cost savings that utility customers have achieved by selecting a TPS prior to making changes to the current drop protocols. The Board **FINDS** that modifying the current drop protocols as proposed by Staff will benefit customers by reducing the instances where customers with generally good payment histories are dropped from UCB because they uncharacteristically allowed their accounts to become in arrears. Therefore, adoption of this modification should not be contingent upon Rate Counsel's proposed analysis However, the Board believes that any future proposal to extend the 120 days, or completely eliminate the utility's ability to drop customers to dual billing, should include an analysis on the actual cost savings that utility customers have achieved by selecting a TPS.

Therefore, the Board **ORDERS** the EDCs and GDCs to modify their UCB/POR programs, as necessary, in order to comply with the following provisions with respect to drops.

> 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 shall be increased from 60 days to 120 days.
>
> If a utility decides to drop a customer from UCB to dual billing, the utility shall give the TPS notice via EDI that the customer will be dropped to dual billing for usage on and after the next meter reading date that occurs at least 45 days from the EDI notice unless it is not possible to do so because the customer recently became a UCB customer, and the customer's account was 75 or more days in arrears when the customer became a UCB customer. A customer's account would be considered to be 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.
>
> If a TPS signs up a customer whose account is 60 days or more in arrears, the utility shall, on the day that the TPS provides the utility with the request to switch the customer, notify the TPS of the number of days that the account is in arrears.

5) Arrearage Reports:

Staff's UCB/POR proposal recommended that the utilities provide the TPSs with timely and informative arrearage data, and provide the TPSs and the customer with timely information regarding drops. Specifically, Board Staff recommends that the utilities provide the TPSs with monthly TPS customer arrearage reports. These TPS customer arrearage reports shall be delivered electronically to the TPS.

RECO asserts that because RECO does not return a customer to the TPS for billing or collection, there is no benefit to the TPS to receive a monthly arrearage report from the company. Therefore, utilities that do not drop a customer from UCB to dual billing should not be required to provide monthly arrearage reports to TPSs.

SJG opposes this requirement; however, the company states that it would be agreeable to provide the TPS arrearage information for those customers approaching arrearage of 120 days.

RESA supports Staff's recommendation.

NEM states while utilities have the ability to drop a customer to dual billing, it is imperative that suppliers be provided with timely arrearage reports as suggested by Staff. However, NEM recommend that the reports be provided weekly.

PSE&G presently provides reports weekly. However, if the Board orders the other utilities to provide them monthly, the company would like to be able to reduce the frequency of the reports.

Rate Counsel supports Staff's recommendation; however, Rate Counsel recommends that the TPSs bear the cost of providing those reports, through discount factors charged by the utilities for their UCB/POR services.

The Board **FINDS** that the utilities should provide the TPSs with timely, informative arrearage information regarding their customers' accounts. This will provide the TPS with the opportunity to contact customers who are in arrears and advise them of the possible consequences so that the customer will have the opportunity to bring the account up to date and avoid being switched to dual billing. Timely access to this information will also aid the TPS in providing the required written notice of termination, if needed. Therefore, the Board **ORDERS** the EDCs and GDCs to modify their UCB/POR programs, as necessary, to comply with the following provisions with respect to reporting requirements.

> The gas and electric utilities that drop customers to dual billing based upon the customer's arrearages shall provide the TPSs with monthly TPS customer arrearage reports. These reports shall be provided at least monthly to TPSs. If an EDC or GDC is reporting arrearages more frequently than once a month, then the utility shall continue that practice until otherwise determined by the Board. These TPS customer arrearage reports shall be delivered electronically to the TPS and shall include, at a minimum, the following information:
>
> a) Date
> b) Supplier Name
> c) Point of Delivery
> d) LDC account number

e) Customer name
f) Amount Owed for TPS Charges (30-59 days)
g) Amount Owed for TPS Charges (60-89 days)
h) Amount Owed for TPS Charges(90-119 days)
i) Amount Owed for TPS Charges (> = 120 days)
j) Amount Owed for LDC Charges (30-59 days)
k) Amount Owed for LDC Charges (60-89 days)
l) Amount Owed for LDC Charges (90-119 days)
m) Amount Owed for LDC Charges (>=120 days)

6) <u>Discount Factors/Consolidated Billing Fees:</u>

Staff's proposal recommended that there be no creation of, or increase to, discount factors or fees that a utility may charge for UCB/POR as a result of implementation of the proposed modifications to the UCB/POR mechanism described above. Staff notes that this does not preclude the utilities from seeking creation of these charges or modification of these charges within a rate case proceeding.

PSE&G states that at the time the GDCs agreed to increase the timeframe for switching customers to dual billing from 60 days to 120 days, GDCs were specifically permitted to charge an administrative fee and/or discount the receivables rate. PSE&G states that it 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. PSE&G 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 the ratepayers. Absent such a sharing, TPSs would be engaging in a business in which they do not care whether their customer pays the utility bill.

SJG agrees with Staff's recommendation that it should expand POR to small to mid-sized commercial customers provided that the company is able to implement a fee that appropriately compensates for the expenses and risks associated with providing this service.

Rate Counsel supports the Staff recommendation that the utilities may seek to create or modify their discount factors or UCB fees in a rate case.

The Board **<u>FINDS</u>** Staff's recommendation regarding discount factors and fees to be reasonable. While the GDCs may presently charge these fees, this fact is not relevant to whether the EDCs should implement these fees because the EDCs and GDCs recover their uncollectible accounts expenses differently. The GDCs recover their uncollectible accounts expenses through base rates while the EDCs collect their uncollectible accounts expenses through the societal benefits charge ("SBC") which is adjusted annually. Therefore, the extension of the period before a drop to dual billing alone does not lead to the conclusion that the EDCs should be able to charge these fees. PSE&G's assertion that TPSs should appropriately share the burden of uncollectibles and that if they did not the TPSs would be engaged in a business in which they do not care whether their customers pay the utility bill, has merit. However, under Staff's proposed UCB/POR program the TPSs would retain an appropriate level of risk for non-payment as a result of the drop to dual billing feature of the UCB/POR program.

Therefore, the Board **<u>ORDERS</u>** the EDCs and GDCs to modify their UCB/POR programs, as necessary, to comply with the following provisions with respect to discount factors / consolidated billing fees.

The GDCs and EDCs, **SHALL NOT** create, or increase, discount factors or fees that it charges to TPSs for UCB/POR at this time as a result of implementation of the proposed modifications to the POR mechanism. SJG is in a unique position in that SJG presently offers UCB to its small to mid-sized commercial customers but does not presently offer POR to these customers. SJG **SHALL** charge TPSs the same $0.075 billing fee and $0.90 receivable fee per customer for providing UCB/POR to small to mid-sized commercial customers that SJG presently charges TPSs for providing UCB/POR to residential customers. This does not preclude the utilities from seeking to create, or modify these charges within a rate case proceeding.

7) Implementation Date:

SJG recommended that no changes be made to the UCB/POR program prior to March 1, 2014 as the company is in the process of upgrading its Customer Information System (CIS). PSE&G recommends that the EDCs/GDCs be given an appropriate period of time to implement any changes and it specifically recommends 120 days. JCP&L indicated that it would require adequate time to implement any changes. RESA suggested that the utilities be given 30 days to implement changes.

The Board **FINDS** that PSE&G's recommendation that the EDCs and GDCs be given 120 days to implement the changes to the UCB/POR program is reasonable. With the exception of SJG, which is in a unique situation, none of the EDCs or GDCs specifically requested a longer period of time for implementation in their filed comments. However, ETG is creating and implementing a new UCB/POR program, rather than modifying an existing UCB/POR program, and SJG is in the process of implementing major upgrades to its current CIS, and therefore, they will need additional time. If SJG were required to implement changes to its UCB/POR program within 120 days of this order, this would redirect SJG's CIS resources, delaying the implementation of SJG's new CIS system. In addition, it would cause SJG to incur costs associated with these changes twice, i.e., once to incorporate them into the current CIS, and once to incorporate them into SJG's new CIS. The Board **FINDS** that the benefits that would be achieved by implementing the new UCB/POR requirements approximately six months earlier than proposed by SJG would be outweighed by the drawbacks of delaying the implementation of SJG's new CIS and the duplicative costs.

Therefore, the Board **HEREBY DIRECTS** ETG to develop and implement an operational UCB/POR program that is consistent with this Order by November 1, 2013. The Board **HEREBY ORDERS** SJG to modify its current UCB/POR program, as necessary, to be consistent with this Order by March 1, 2014. The Board **HEREBY ORDERS** ACE, PSE&G, RECO, JCP&L, and NJNG to modify their current UCB/POR programs as necessary to be consistent with this Order within 120 days of the date of this Order.

8) **Reporting Requirements:**

Within fifteen days (15) of compliance with this Order, the GDCs and EDCs are **DIRECTED** to file a letter with the Secretary of the Board stating that they are compliant with this Order and detailing the modifications they implemented, if any, to bring their UCB/POR programs in compliance with this order.

DATED: 5/29/13

BOARD OF PUBLIC UTILITIES
BY:

ROBERT M. HANNA
PRESIDENT

JEANNE M. FOX
COMMISSIONER

JOSEPH L. FIORDALISO
COMMISSIONER

MARY-ANNA HOLDEN
COMMISSIONER

ATTEST:

KRISTI IZZO
SECRETARY

I HEREBY CERTIFY that the within document is a true copy of the original in the files of the Board of Public Utilities

I/M/O the Board's Review of Utility Consolidated Billing and Purchase of Receivables Programs, Docket No. EO13030236

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Attachment A

Board Staff's February 25, 2013 Utility Consolidated Billing / Purchase of Receivables Proposal ("Staff's UCB/POR Proposal")

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

Background:

Shortly after the passage of the Electric Discount and Energy Competition Act, N.J.S.A. 48:3-49 et seq. ("EDECA"), the Board determined that customer account services ("CAS") issues would be addressed through the formation of a CAS Working Group. The ultimate result of this process was a series of Customer Account Services settlements that were approved by the Board ("CAS Orders")[1]. Pursuant to the CAS Orders, all issues remained subject to re-evaluation.

Board Staff has been actively engaged in analyzing current rules and policies governing Energy Competition and "Purchase of Receivables" ("POR") in the State over the past two years. Both through a rulemaking and a working group process, stakeholders and Board Staff have had several opportunities to evaluate the appropriateness of modifications to the Board's existing Energy Competition Rules at N.J.A.C. 14:4 as well as prior policy actions taken in its CAS proceedings.

In response to issues raised through the rulemaking and/or working group processes, on January 7, 2011, Board Staff provided notice of the creation of a POR/Price to Compare ("PTC") Working Group at which time the Board Staff also sought input from the local distribution companies, Third Party Suppliers ("TPS") and other interested parties on specific issues relating to POR/PTC. On February 8, 2011, Board Staff conducted a stakeholder meeting on POR/PTC issues. Numerous representatives of Third Party Suppliers ("TPS"), the Division of Rate Counsel ("Rate Counsel"), the gas distribution companies ("GDCs"), and the electric distribution companies ("EDCs") attended and participated. At this meeting the local distribution companies were directed to provide further information which was subsequently provided on March 9, 2011.

After a meeting on March 15, 2011, and after reviewing the information provided in this matter, on April 25, 2011, Board Staff, in an effort to facilitate settlement discussions, set forth a document for feedback by the parties. The document included two parts: Preliminary POR Design, and POR Design Questions. The parties responded on or about May 11, 2011. In the interim, comments were filed on the pending rulemakings regarding N.J.A.C. 14:4, Energy Competition.

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[1] 1 The CAS stipulations were approved by Board Orders, all within 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. - December 22, 2000 and February 2, 2011; Rockland Electric Co. - May 9, 2001; Elizabethtown Gas Co. - May 6, 2002; Generic, June 24, 2004.

Based upon extensive review and analysis of the information that Board Staff received from the participants in this working group and the collaborative discussions with the participants, Staff intends to propose modifications to the current utility consolidated billing (UCB) /POR ("UCB/POR") mechanisms (whereby the utility providing consolidated billing assumes or purchases the account receivables of the non-billing TPS). It is Board Staff's position that a POR program with the following modifications will enhance competition in a fair and judicious manner. Board Staff's proposal addresses critical issues raised with respect to the POR Working Group. If approved by the Board, all New Jersey GDCs and EDCs will be required to comply with this proposal.

Current Utility Consolidated Billing / Purchase of Receivables Mechanisms:

Public Service Electric and Gas Company ("PSE&G"), Atlantic City Electric Company ("ACE"), Jersey Central Power and Light Company ("JCP&L"), Rockland Electric Company ("RECO"), South Jersey Gas Company ("SJG"), and New Jersey Natural Gas Company ("NJNG") currently offer utility consolidated billing. That is, if the TPS does not dual bill or provide TPS consolidated billing, the utility provides consolidated bills to customers of New Jersey licensed electric and/or gas TPSs that include the TPS's supply charges as well as the utility's distribution charges. Elizabethtown Gas Company ("ETG") does not offer utility consolidated billing at this time. However, as discussed below, ETG is in the process of developing a UCB/POR program.

When a utility provides utility consolidated billing, the utility assumes the TPS's account receivables associated with the bill; that is, the utility pays the TPS for the supply portion of the bill regardless of when, or how much, the customer pays. The gas utility companies providing consolidated billing may currently cease providing consolidated billing and drop the customer to dual billing if the customer's account is more than 120 days in arrears. The electric utility companies currently are permitted to cease providing consolidated billing and drop the customer to dual billing if the customer's account is more than 60 days in arrears. Once a TPS customer is reverted to dual billing, the TPS is responsible for its own account receivables associated with supply charges to the customer, and the utility will not offer utility consolidated billing to this customer for a 12-month period.

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

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 and if the customer's account is not 120 or more days in arrears except as indicated in paragraph 2) below. Board Staff 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. The POR would be offered in concert with consolidated billing. Thus, all customers enrolled in consolidated billing would be enrolled in the POR program.

The utilities may offer UCB/POR to their large commercial and industrial accounts, but they shall not be required to do so unless they already do. An EDC or GDC currently providing POR to customers that are larger than mid-sized commercial customers or to industrial or other customers must continue to provide POR to these same customer classes until otherwise determined by the Board. Pursuant to responses provided during the POR working group process, PSE&G, RECO, ACE, and JCP&L presently offer UCB/POR to all electric customer classes served by a TPS. PSE&G currently offers UCB/POR for the following gas rate schedules: RSG, GSG, LVG, and SLG. However, PSE&G does not offer UCB/POR for gas rate schedules: TSG-Firm and TSG-Non Firm. All of NJNG's customers are currently eligible for UCB/POR. It is Board Staff's position that these current practices should continue. Under Staff's proposal, SJG will continue to offer UCB/POR to all residential customers, and will expand UCB/POR to the GSG and GSG-LV rate classes as Board Staff considers these classes to be residential and small to mid-sized commercial for purposes of this proposal.

ETG presently does not offer utility consolidated billing. Pursuant to the June 24, 2004 CAS order noted above, ETG agreed to provide Board-licensed TPSs with a list of billing options that included utility consolidated billing. As a result of discussions with Board Staff, ETG is in the process of developing a UCB/POR system. As expressed in comments filed during the Working Group process, ETG intends to offer its UCB/POR mechanism to all of its residential, SGS, and GDS customers with the exception of GDS-AMR customers. Board Staff considers these classes to be residential and small to mid-sized commercial for purposes of this proposal. Therefore, Board Staff supports this and recommends that ETG offer UCB/POR to these customers as part of the UCB/POR proposal. Board Staff recommends that ETG be required to have a fully developed and operational UCB/POR program that is consistent with the proposal by November 1, 2013.

Board Staff requests that ETG and SJG include the following information in the comments submitted regarding this portion of the proposal:

a) Please provide customer load profiles and usage patterns for the customer class tariffed rate schedules that Staff has characterized as small to mid-sized commercial accounts for your respective companies, and provide a description of the types of customers that are included in each of these classes;
b) Please confirm whether or not you agree with Staff's characterization of these tariffed customer classes as small to mid-sized commercial accounts; and

c) If you do not concur with Staff's characterization, please identify which customer class tariffed rate schedules you consider to be small to mid-sized commercial accounts and please provide customer load profiles and usage patterns for, and a description of, the types of customers that are included in, each of these classes.

2) <u>Customer Eligibility – 12 Month Restriction:</u>

Board Staff recommends that the utilities' current practice of refusing to offer utility consolidated billing to customers who have been assigned to dual billing within the past 12 months be eliminated except for those customers whose accounts are in arrears as detailed below. Under current practices, a utility can refuse to offer utility consolidated billing to a customer if the customer is not deemed to be creditworthy by the utility. The utility can refuse to offer utility consolidated billing to a customer if, within the past 12 months, the customer has been dropped from UCB /POR to dual billing as a result of the customer's account being in arrears.

Under the proposal, the utility would not be able to deny UCB/POR to a customer that has been dropped from UCB/POR to dual billing within the past 12-months if the customer makes payments that bring the relevant account to the point where it is not 90 or more days in arrears. This will allow a customer who is working on eliminating their arrearages to shop for their energy supply. Requiring that the customer bring their account to the point where it is not 90 or more days in arrears rather than 120 days will help avoid situations where the customer gets switched back and forth between UCB/POR and dual billing, or in the case where the TPS does not offer dual billing, between UCB/POR and the utility's supply service.

3) <u>Payment to TPS:</u>

Board Staff proposes that the current timing of payments to the TPSs by the GDCs and EDCs be continued. Specifically, Board Staff proposes that:

a) JCP&L, ACE and PSE&G continue to pay TPSs five days after the due date shown on the customer's bill,
b) NJNG continue to pay TPSs bi-monthly,
c) SJG continue to pay TPSs 5 days after the end of each calendar month, and
d) RECO continue to pay TPS on the 25th of each month.

Board Staff believes that any benefits that might be achieved by requiring a standardized method for paying the TPSs would be offset by the costs associated with having the GDCs and EDCs redesign their systems. However, as ETG is in the process of developing its UCB/POR mechanism, Staff recommends that it incorporate into the design of its program, payments to the TPSs on a bi-monthly basis.

4) Drop to Dual Bills:

Board Staff recommends 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.

Board Staff recommends that if the utility decides to drop a customer from utility consolidated billing to dual billing, the utility be required to give the TPS notice via Electronic Data Interchange (EDI) that the customer will be dropped to dual billing for usage on and after the next meter reading date that occurs at least 45 days from the EDI notice unless it is not possible to do so because the customer recently became a consolidated billing customer, and the customer's account was 75 or more days in arrears when the customer became a consolidated billing customer. A customer's account would be considered to be 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. Board Staff recommends that if a TPS signs up a customer whose account is 60 days or more in arrears, the utility must, on the day that the TPS provides the utility with the request to switch the customer, notify the TPS of the number of days that the account is in arrears.

Board Staff does not believe that the utility companies should be required to assume a TPSs' account receivables indefinitely. However, Board Staff recognizes that the EDCs' current policy of dropping customers to dual billing when the customers are in arrears for 60 days can be problematic for some customers. A customer with a good payment history can easily have the account fall 60 days in arrears, causing the customer to be dropped to dual billing. In addition, as TPSs are unaware of a customer's payment history when they sign up a customer, a customer's account can often be close to 60 days in arrears, and fall 60 days in arrears shortly after switching. This can cause a switching customer to be immediately dropped to dual billing. As many TPSs do not offer dual billing, under current practices, this customer may be returned to utility supply service for a period of 12-months. Board Staff's proposal to modify the criteria for dropping an electric customer from consolidated to dual billing from 60 to 120 days will assist in alleviating this problem.

5) Arrearage Reports:

Staff recommends that the utilities provide the TPSs with timely and informative arrearage data, and provide the TPSs and the customer with timely information regarding drops. Specifically, Board Staff recommends that the utilities provide the TPSs with monthly TPS customer arrearage reports. These TPS customer arrearage reports shall be delivered electronically to the TPS and shall include, at a minimum, the following information:

a) Date
b) Supplier Name
c) Point of Delivery
d) LDC account number
e) Customer name
f) Amount Owed for TPS Charges (30-59 days)
g) Amount Owed for TPS Charges (60-89 days)
h) Amount Owed for TPS Charges(90-119 days)
i) Amount Owed for TPS Charges (> = 120 days)
j) Amount Owed for LDC Charges (30-59 days)
k) Amount Owed for LDC Charges (60-89 days)
l) Amount Owed for LDC Charges (90-119 days)
m) Amount Owed for LDC Charges (>=120 days)

Board Staff believes that the utilities should provide the TPSs with timely, informative arrearage information regarding their customers' accounts. This will provide the TPS with the opportunity to contact customers who are in arrears and advise them of the possible consequences so that the customer will have the opportunity to bring the account up to date and avoid being switched to dual billing. Timely access to this information will also aid the TPS in providing the required written notice of termination, if needed. These reports should be provided at least monthly to TPSs, regardless of whether they are serving electric or gas customers. This requirement was set forth in the gas CAS orders. Board Staff believes that it is reasonable to extend the same requirement to the EDCs. If an EDC or GDC is reporting arrearages more frequently than once a month, then that practice shall continue.

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 to the POR mechanism described above. This does not preclude the utilities from seeking creation of these charges or modification of these charges within a rate case proceeding.

Summary:

Board Staff believes that approval of this proposal will have a positive social and economic impact. Approval of this proposal will allow TPS customers with good payment histories who may inadvertently fall 60 days behind in their payments to remain on consolidated billing with the suppliers of their choice. It will allow customers who have improved their previously late payment history the opportunity to avail themselves of consolidated billing, and the option to shop for energy with suppliers who do not offer dual billing. It will provide timely and useful information to TPSs that will help them to serve their customers better. In addition, it will provide customers in ETG's service territory with the ability to shop for gas with suppliers who do not offer dual billing.