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.

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

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.

<u>Summary:</u>

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.