BEFORE THE

BOARD OF PUBLIC UTILITIES

OF NEW JERSEY

Board of Public Utilities Staff	)	
Utility Consolidated Billing /	)	**POR/PTC Working Group**
Purchase of Receivables Proposal	)	

COMMENTS OF

INTERSTATE GAS SUPPLY INC., dba IGS ENERGY and,

NEW JERSEY GAS & ELECTRIC

Interstate Gas Supply, Inc., dba IGS Energy ("IGS") and New Jersey Gas & Electric ("NJG&E") (collectively known as "Joint Suppliers") appreciates this opportunity to submit comments on the February 25, 2013 proposal by the Staff of the Board of Public Utilities of New Jersey ("BPU") regarding modifications to existing and future Utility Consolidated Billing ("UCB") and Purchase of Receivables ("POR") programs at natural gas and electricity utilities in the state of New Jersey. IGS is a competitive natural gas and electricity supplier that serves over one million customers in retail markets across the United States. IGS is not currently a licensed Third Party Supplier ("TPS") in New Jersey, but has a material interest in this proposal as UCB/POR programs are among the most important factors used by IGS and many other suppliers in evaluating which new markets to enter. NJG&E is a licensed supplier in New Jersey serving residential and commercial consumers in both the natural gas and electricity territories throughout the state.

Joint suppliers commends Staff and other stakeholders for the significant time and attention that has been already paid to the critical issues of UCB and POR. Properly structured programs across the state's utility territories will directly contribute to the strengthening of energy competition in New Jersey and to ensuring significant and lasting value for industrial, commercial, and residential customers. On the other hand, a POR program with limited functionality will continue to hold back the competitive marketplace and prevent New Jersey customers from enjoying the full benefits that retail choice can offer.

CURRENT UCB/POR PROGRAMS ARE NOT WORKABLE

Currently, most NJ utilities on both the natural gas and electricity sides have programs that are commonly referred to as "POR with recourse." In essence, the utility "rents" the suppliers' commodity receivables for a trial period rather than purchasing them outright. Electric utilities may "return" uncollected receivables to TPSs after 60 days; natural gas utilities may "return" uncollected receivables to TPSs after 120 days.

POR with recourse was a common feature in early POR programs, when it was unclear to some whether there was significantly higher risk in supplier receivables versus utility receivables. However, most other jurisdictions eventually moved to true POR when two facts became clear: (1) if suppliers had to eventually collect on receivables, they would institute credit checks which would deny the benefits of choice to many consumers with the less-than perfect creditworthiness; and (2) 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.

The drop to dual billing from UCB, which is currently how uncollected receivables are returned to suppliers, also causes significant problems in that suppliers that lack dual billing capability will have to drop the customer all together, and if this occurs with enough frequency, might exit the market altogether. This results in smaller, entrepreneurial suppliers that might offer unique, innovative products and services being effectively excluded from the marketplace if they have not invested in a backup dual billing system.

In short, the existing UCB/POR with recourse programs benefit neither TPSs nor, more importantly, customers. The logic behind POR is that utilities have already built billing, credit, and collections systems, at ratepayers' expense, so taking advantage of these systems reduces the duplication and added cost that would result from all TPSs building parallel systems. When taken with the recognition of the utilities' sole ability to terminate customers for non-payment and the reality that customers refused service by suppliers will by statute be served by the utility (so no new risk is added to the system through supplier service), this means UCB and POR without recourse is the only workable approach.

BPU STAFF PROPOSAL DOES NOT ADDRESS FLAWS IN CURRENT SYSTEM

The major substantive change of concern in the instant proposal by Staff is to increase the time that electric utilities must try to collect "rented" supplier receivables from 60 days to 120 days, bringing electric utilities into consistent practice with gas utilities. Joint suppliers appreciates Staff's intent with this proposal to help customers remain on TPS service and help TPSs reduce the amount of receivables that are returned to them by the utilities.

This proposal, however, is likely to make the UCB/POR program *less* workable.

It is a well-known fact that as consumer receivables continue to age, the likelihood of collection success diminishes rapidly. It is significantly *easier* for suppliers to collect on 60-day old receivables versus 120-day old receivables, because, as Staff notes in the proposal, customers that fall behind by two months may still be credit-worthy, but customers behind four months or more are likely a serious credit risk.

The utility, with the ultimate ability to terminate service for non-payment, is in a far better position to collect the receivable the older it is. Further, in a properly-designed POR system, the discount rate paid by TPSs to utilities at the time the supplier receivables are purchased is designed to compensate utilities for receivables that ultimately cannot be collected ("bad debt" or "uncollectibles"). The utilities, of course, also have the advantage of seeking to recover costs associated with credit and collections through base rate cases, another advantage that suppliers lack.

The consequences of retaining a POR with recourse system and extending the time before electric utilities can drop customers to dual billing will be significantly detrimental to energy choice in New Jersey. Many suppliers, who cannot perform or provide dual billing, will simply drop any returned customers and send them back to Basic Generation Service (or other default service based on class), through which the utility will be forced to assume their risk anyway. All that will have been accomplished is depriving the marketplace of competitors and depriving customers of the diversity of offerings they would otherwise have had from which to choose. Additionally, such a recourse program creates confusion for the consumer, as it results in the customer moving from default service to supplier service and back to default service without any opportunity to correct the delinquency in order to preserve any benefits from the contractual relationship with the supplier.

As an additional consequence, suppliers will most likely continue, or will begin, to incorporate credit standards and checks as a part of their enrollment process and "cherry pick" those customers who meet a certain threshold to enroll for TPS supply, thereby eliminating a segment of the population from even participating in choice. Depriving lower-income and credit-challenged customers from having the right to shop for an energy supplier of their preference, particularly if such a supplier could deliver price savings or other benefits, surely is not the intent of Staff.

CONCLUSION

Suppliers like IGS and NJG&E share the Commission's goal of providing consumers in New Jersey with a wider array of value-added energy products and services. Fostering a more competitive marketplace with more options for consumers requires attracting more suppliers to the state. True UCB/POR programs have been implemented in Illinois, Maryland, New York, Ohio, and Pennsylvania, and are in the process of being implemented in the District of Columbia and Massachusetts, among other jurisdictions. As long as New Jersey lags behind these other states, many suppliers, particularly ones focused on residential customers, will choose to enter other markets instead of New Jersey, where their capital investment will have more value. Additionally, suppliers such as NJG&E would be much more active and aggressive in offering consumers additional products and services if the under a UCB/POR that was without recourse.

Therefore, we urge Staff to significantly revise this proposal to call for the implementation of UCB/POR *without* recourse at all natural gas and electric utilities in the state of New Jersey.

IGS and NJG&E looks forward to continuing to work with the BPU and Staff as it explores how to strengthen the competitive retail energy market in New Jersey.

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Respectfully submitted,

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