

**COMMENTS OF THE  
OFFICE OF SMALL BUSINESS ADVOCATE**

**I. INTRODUCTION**

On March 4, 2014, the Pennsylvania Public Utility Commission (“Commission”) issued an Order requesting comments in the proceeding “Review of Rules, Policies and Consumer Education Measures Regarding Variable Rate Retail Electric Products” at Docket No. M-2014-2406134. The Commission, citing the exponential increases in wholesale prices for hourly energy supply in the day ahead and real time markets in response to sustained cold temperatures in January 2014, requested comments on the proposed changes within 30 days. The Office of Small Business Advocate (“OSBA”) submitted comments to that Order on April 3, 2014.

On March 18, 2014, the Commission issued a Secretarial Letter (“Secretarial Letter”) to put Pennsylvania Electric Distribution Companies (“EDCs”) on notice of its intent to amend its existing regulations at 52 Pa. Code Chapter 57, and to reduce the timeframe it takes for retail electric customers to switch suppliers to three (3) days or less. The Secretarial Letter, again citing to the recent impact of wholesale electricity market price increases to Pennsylvania consumers, endeavors to have these modifications implemented within six (6) months of their effective date. The Commission requested comments within seven (7) days of the date of the Secretarial Letter.

Upon initial review of the rulemaking, the OSBA is generally supportive of the substantive goal the Commission is intending to achieve, namely, to facilitate more expeditious switching time frames for customers who chose to switch to, or from, suppliers. However, the

manner in which these goals are implemented and at what cost to customers is of great concern to the OSBA. On March 24, 2014, given the short time provided for comments and without the benefit of initial comments from the EDCs, the OSBA filed a letter with the Commission noting its general concerns about costs and timing, and reserved all rights to participate in this proceeding going forward.

Additionally, on March 19, 2014, the Commission issued a Secretarial Letter informing electric generation suppliers (“EGSs”), the Office of Consumer Advocate (“OCA”), and the OSBA that it intends to promulgate a rulemaking that will revise the Commission’s current regulations regarding disclosure statement requirements for residential and small business customers. The Commission is also proposing to add new regulations codifying renewal/change in terms notice requirements. The EGS Secretarial Letter provides that implementation of the rulemaking will be required within 30 days of publication in the *Pennsylvania Bulletin*, absent good cause shown. The Commission requested comments within five (5) days of the date of the EGS Secretarial Letter.

Similar to the response to the proposed EDC rulemaking, discussed above, the OSBA generally supports the substantive goals that the Commission is intending to achieve in the EGS rulemaking, namely, to make disclosure statements more understandable and useful to customers, especially in the context of variable-rate products. However, and not unlike the proposed EDC rulemaking, the manner in which these goals are implemented and at what cost to customers is of great concern to the OSBA. On March 25, 2014, given the short time provided for comments and without the benefit of initial comments from the EGSs, the OSBA filed a letter with the Commission noting its general concerns about costs and timing, and reserved all rights to participate in this proceeding going forward.

The OSBA believes that the Commission's truncated procedures for both the proposed EDC and EGS rulemakings may also hamper all other parties' ability to provide detailed comments. The OSBA, therefore, strongly recommended that reply comments be permitted in each proceeding.

However, I appear before you today to discuss some of the concerns my office has with variable electric supply rates and how those rates impact small business customers in the Commonwealth.

Our office has received numerous calls from small business customers concerned with large increases in their electric bills during this winter. Many of the complaints center on bills which include variable rates. Some customers have alleged increases of over 300% in one month, and also instances of switching suppliers without consent.

Small business customers struggle with competing demands for their time and attention. Small business owners are busy with the details of running the day-to-day operations in such diverse fields as retail, food service, patient and or customer care. While paying bills is a part of the daily operations, an exponential unexpected increase in a usual monthly expense, such as a utility bill, can be detrimental to any small businesses' finances.

## **II. CONCERNS ABOUT VARIABLE RATES**

\* Variable rates can increase without notice depending on the terms of the contract with the supplier.

\* If variable rate contracts are going to continue, then the terms of the contract should include an explicit indication of how much rates could change every month.

\* If the rate change is unlimited, then the contract should state that upfront and in bold, just as is required on the terms of a credit card or mortgage offer.

\* The penalties for exiting the contracts should be stated upfront and in bold so that customers understand the potential impact on future contract changes.

### **III. NEW PROTECTIONS ALREADY IN PLACE**

I have been in contact with the Public Utility Commission about my concerns and have urged them to make certain changes to PA Power Switch , the Commission's web site where consumers can get information about shopping for utility service and approved electricity providers. The Commission has already made a number of changes suggested by my office, including the following:

- \* Highlighted fixed versus variable rates through color coding;
- \* Revamped the sorting application so that consumers can further distinguish fixed rates versus variable rates; and
- \* Made the notice of risk factors for variable rate contracts more prominent.

John R. Evans  
Small Business Advocate