March 11, 2013

New Jersey Board of Public Utilities
Kristi Izzo, Secretary
44 South Clinton Avenue, 9th Floor
P.O. Box 350
Trenton, NJ 08625-0350

Re: UCB/POR Proposal Comments

Dear Ms. Izzo:

Please accept these comments in the above-referenced matter on behalf of Gabel Associates, an energy consulting firm headquartered in Highland Park, NJ. Gabel Associates is an energy agent duly registered with the New Jersey Board of Public Utilities ("BPU"), and has held that status since 2000.

Gabel Associates administers some of the largest energy aggregation groups in the State, which include school districts, municipal and county electric and gas accounts, as well as many other private and public sector clients. Our firm also recently administered the first successful government energy aggregation ("GEA") program for residential customers in the State under the BPU's GEA rules, and is currently engaged with several additional New Jersey municipalities to develop GEA programs. This depth and breadth of experience arranging electricity and natural gas supply procurements for end use customers in the State provides the back-drop for our comments concerning BPU Staff's Utility Consolidated Billing/ Purchase of Receivables Proposal.

Gabel Associates supports the Board Staff UCB/POR Proposal. Indeed we suggest that the Staff and the Board consider further refinements to this proposal, as will be addressed below. It is important that this be addressed at this time so that the benefits of retail competition can be extended in a fair and equitable manner to lower income areas of the State.

Specifically with respect to the UCB/POR Proposal, we support the Board Staff proposal(s) that: a) all GDCs and EDCs be required to offer utility consolidated billing with purchase of receivables (POR) to all residential and small to mid-sized commercial customers if the customer purchases his/her supply from a TPS and if the customer's account is not 120 days or more in arrears; and b) that the GDCs and EDCs 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 .

The comments provided below in support of these proposals are based primarily upon our recent experience with the marketing, development and implementation of GEA programs for residential customers.

GEA programs are proving to be a source of energy cost savings for residential customers. Nonetheless, many municipal officials and residents are initially wary of a program that follows the 'opt-out' model of participation. The various consumer protections built into the GEA rules, and the specific program design and contract terms that have been developed, have helped to substantially ease those apprehensions. One important element of GEA programs is that third party suppliers (TPS) are required to provide service on a consolidated billing basis. In this manner, municipal officials can fulfill their commitment that the program be as seam-less as possible for customers as they will continue to pay a single bill to the utility.

We share Board Staff's observation that the current 60-day arrears period cut-off that determines eligibility for UCB is overly restrictive, and that a customer with an otherwise good payment history can easily have the account fall 60 days in arrears. In an electric GEA program recently completed for a New Jersey municipality, the initial rate of customer 'opt-out' was quite low, with opt-out rates consistent with the experience in other states. However, upon enrollment by the TPS of the remaining TPS customers, the experience was that there was a significant additional block of account attrition resulting from customers being rejected for enrollment by the EDC for UCB ineligibility. This block of customers, who had declined their opportunity to 'opt-out' of the program, was therefore unable to participate in the program and obtain the 14% power supply savings that other customers were able to realize under the GEA program.

This additional wave of attrition due to UCB ineligibility becomes an additional risk factor that suppliers must take into account when submitting power supply bid prices in future GEA programs; particularly since there is currently no method for obtaining information concerning specific customer account status/UCB eligibility prior to the submission of enrollments.

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 at UCB-ineligibility attrition rate.

In addition, we point out that the New Jersey municipality in which the above-referenced GEA program was implemented has a median household income that is generally about 50% to 100% higher than the median household income in some of the more urban municipalities and cities in the State. If we assume that median household income has some influence on a household's ability to make timely utility payments, it can be further assumed that the rate of UCB ineligibility may be higher, perhaps substantially so, in urban areas as compared to wealthier suburban municipalities. The risk of a significant bloc of UCB-ineligible customers in urban areas with lower median family incomes can: 1) at the least, result in a large group of customers in these municipalities being unable to participate in GEA programs that may lower their electric bills; or 2) at worse, render GEA programs in these areas to be non-viable in the marketplace, thereby eliminating the possibility for any of the residents of these areas being able to achieve electric bill savings through GEA.

Finally, we make the following observations with regard to the timing of payments. A non-TPS residential customer obtains its power supply under the EDC's BGS-FP tariff. Power supply to serve that customer is obtained by the EDC from BGS Suppliers. Under the terms of the BGS Contract(s), every month the statement from the EDC to BGS Supplier(s) comes 6 business days after the end of the Billing Month, and payment is made by the EDC the first business day after the 19th day of each calendar month. Essentially, the EDC pays the BGS Supplier for power provided to serve the residential customer within about 20 days of the end of the billing period. On the retail billing side, payment of the monthly bill is typically due from customers about 20 days after the meter read date (i.e. about 20 days after the end of the billing period). As such, on average the payment for power supplied by the BGS Supplier(s) is going out (from the EDC) about the same time that payment for the power is coming in (to the EDC). For a customer who is 100 days in arrears on payment of bills, that means that the EDC has a cash-flow lag for power supply of about 100 days (payment from customer lagging behind payment to BGS Supplier by 100 days). Compare this to the situation when the customer switches to a TPS, under consolidated billing (for illustrative purposes we examine the TPS payment procedures of PSE&G, JCP&L and ACE). Under UCB, the EDC makes payment to the TPS, for power supplied to the customer, five days after the due date shown on the customer's bill (i.e. about 25 days after the end of the billing period). If the customer does not pay the bill until 100 days after the bill due date, this means that the EDC has a cash-flow lag of 95 days (period between payment to TPS and collection from customer).

As shown, from a cash-flow/lag in payment perspective, the EDC is in the same approximate situation whether the customer takes BGS service, or whether the customer takes TPS service under a UCB arrangement, regardless of the customer's payment record. Moreover it can be argued that, if the TPS price is lower than the BGS price the customer's total bill will be somewhat reduced and, all things equal, the customer may have a modestly- improved ability to pay, thereby potentially reducing the amount of payment arrears.

In conclusion, it is our assertion that the UCB/POR changes proposed by Board Staff are beneficial to customers and are, at worse, neutral to the EDCs. Indeed it could be argued that the proposed changes can result in a win-win, by allowing more residential customers to participate money-savings GEA programs, allowing money-saving GEA programs to penetrate into more municipalities across a wider demographic spectrum, and thereby potentially reducing the total arrearages experienced by the EDCs.

Of course, we note that these benefits could be even greater, and the equity of treatment between BGS and TPS would be improved even further, if the UCB eligibility was extended beyond the 120 days arrearage period, or if the arrear-age test were eliminated altogether. We ask the Board and its Staff to consider this approach as well.

We appreciate the hard work of the working group and in particular the Board Staff on this issue, as well as the opportunity to submit these comments.

Sincerely,

Robert Chilton, Executive Vice-President