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January 30, 2017

**By Electronic Filing**

Ms. Brinda Westbrook  
Commission Secretary  
Public Service Commission of the District of Columbia  
1333 H Street, NW, 2<sup>nd</sup> Floor, West Tower  
Washington, DC 20005

**Re: Formal Case 1140**

Dear Ms. Westbrook:

On behalf of the Retail Energy Supply Association, attached for electronic filing in the referenced matter please find: (1) a Petition to Intervene; (2) a Notice of Appearance; and (3) Initial Comments.

Should you have any questions, please contact me.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Brian R. Greene', enclosed in a light blue rectangular box.

Brian R. Greene

Enclosures

**BEFORE THE  
PUBLIC SERVICE COMMISSION  
OF THE DISTRICT OF COLUMBIA**

IN THE MATTER OF THE )  
INVESTIGATION INTO THE )  
ESTABLISHMENT OF A PURCHASE OF )  
RECEIVABLES PROGRAM FOR )  
NATURAL GAS SUPPLIERS AND THEIR )  
CUSTOMERS IN THE DISTRICT OF )  
COLUMBIA )

FC 1140

**PETITION TO INTERVENE  
OF THE RETAIL ENERGY SUPPLY ASSOCIATION**

The Retail Energy Supply Association (“RESA”),<sup>1</sup> by counsel, respectfully submits this Petition to Intervene in the above-captioned proceeding pursuant to the Commission’s Rules of Practice and Procedure set forth in Chapter 1, Sections 106 and 110 of Title 15 of the District of Columbia Municipal Regulations (15 DCMR §§ 106, 110). In support of its Petition, RESA states as follows:

1. On December 15, 2017, the Commission issued Order No. 18638 in the above-captioned docket initiating this proceeding to investigate the establishment of a Purchase of Receivables Program (“POR”) for natural gas suppliers and their customers in the District of Columbia.
2. RESA is a non-profit trade association of independent corporations that are involved in the competitive supply of electricity and natural gas. RESA and its members are actively

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<sup>1</sup> The comments expressed in this filing represent the position of the Retail Energy Supply Association (RESA) as an organization but may not represent the views of any particular member of the Association. Founded in 1990, RESA is a broad and diverse group of more than twenty retail energy suppliers dedicated to promoting efficient, sustainable and customer-oriented competitive retail energy markets. RESA members operate throughout the United States delivering value-added electricity and natural gas service at retail to residential, commercial and industrial energy customers. More information on RESA can be found at [www.resausa.org](http://www.resausa.org).

involved in the development of retail and wholesale competition in electricity and natural gas markets in various states throughout the region, including Maryland, Pennsylvania, New Jersey, Delaware, Virginia, and the District of Columbia.

3. RESA has a substantial interest in the above-captioned case because its members serve natural gas customers in the District of Columbia. As licensed natural gas suppliers in the District of Columbia, RESA members utilize consolidated billing through WGL's billing system. If a POR Program is established in the District, RESA members would use it to serve their customers. Therefore, potential determinations in this proceeding will have a direct effect on RESA members' operations in the District.
4. RESA can provide relevant and necessary information concerning issues germane to this proceeding. RESA submits that no other party can adequately represent its interests.
5. Pursuant to Section 110.6 of the Commission's Rules of Practice and Procedure, RESA filed a Notice of Appearance of Counsel for Brian R. Greene.
6. RESA further requests that it be served with copies of all filings and pleadings addressed to the following:

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WHEREFORE, RESA respectfully requests that the Commission grant this Petition, allowing RESA to become a party with all rights attendant thereto.

Respectfully Submitted,

RETAIL ENERGY SUPPLY ASSOCIATION

By Counsel



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Dated: January 30, 2017

**BEFORE THE  
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IN THE MATTER OF THE )  
INVESTIGATION INTO THE )  
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RECEIVABLES PROGRAM FOR ) FC 1140  
NATURAL GAS SUPPLIERS AND THEIR )  
CUSTOMERS IN THE DISTRICT OF )  
COLUMBIA )

**NOTICE OF APPEARANCE  
ON BEHALF OF THE RETAIL ENERGY SUPPLY ASSOCIATION**

Pursuant to Rule 110.6 of the Commission’s Rules of Practice and Procedure, 15 D.C.M.R. § 110.6, the Retail Energy Supply Association, enters a Notice of Appearance in the above-referenced proceeding for its counsel, who is licensed to practice law in the District of Columbia:

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Respectfully Submitted,

RETAIL ENERGY SUPPLY ASSOCIATION

By Counsel



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Dated: January 30, 2017

**BEFORE THE  
PUBLIC SERVICE COMMISSION  
OF THE DISTRICT OF COLUMBIA**

In the Matter of the Investigation into	*	
the Establishment of a Purchase of	*	Formal Case No. 1140
Receivables Program for Natural Gas	*	
Suppliers and their Customers in the	*	
District of Columbia		

**COMMENTS OF THE  
RETAIL ENERGY SUPPLY ASSOCIATION**

**I. INTRODUCTION**

The Retail Energy Supply Association (“RESA”)<sup>1</sup> appreciates this opportunity to provide these Comments in response to the Public Service Commission of the District of Columbia’s (“Commission’s”) Order No. 18638, which initiated this proceeding to investigate the establishment of a Purchase of Receivables (“POR”) Program for retail natural gas suppliers and their customers in the District of Columbia (“District”). The District’s natural gas distribution utility, Washington Gas Light Company (“WGL”), already has an active POR program in place in Maryland and recently deployed a new billing system that can accommodate a POR program in the District. Moreover, after approximately 18 years of natural gas choice in the District, only 10% of WGL’s residential District customers are taking natural gas from a licensed retail supplier, and there are only five suppliers actively serving District residents. Given that: (1) WGL has a successful Maryland POR program; (2) WGL is able to utilize its new billing system

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<sup>1</sup> The comments expressed in this filing represent the position of the Retail Energy Supply Association (RESA) as an organization but may not represent the views of any particular member of the Association. Founded in 1990, RESA is a broad and diverse group of more than twenty retail energy suppliers dedicated to promoting efficient, sustainable and customer-oriented competitive retail energy markets. RESA members operate throughout the United States delivering value-added electricity and natural gas service at retail to residential, commercial and industrial energy customers. More information on RESA can be found at [www.resausa.org](http://www.resausa.org).

to efficiently implement a POR program in the District; and (3) there is an obvious need to improve natural gas competition in the District, now is the time for WGL to implement POR program in the District to bring the benefits of competition to District customers.

## **II. BACKGROUND**

The Retail Natural Gas Supplier Licensing and Consumer Protection Act of 2004 (“Act”) requires the Commission to monitor the competitive retail natural gas market in the District.<sup>2</sup> Further, the Act requires the Commission to issue orders and adopt regulations to “ensure the development of a competitive market for retail natural gas, billing, and any component of retail natural gas sales declared to be potentially competitive service.”<sup>3</sup> The Commission is considering the potential impact of WGL’s new billing system on the District’s competitive retail natural gas market in Formal Case No. 1138.<sup>4</sup> RESA, a participant in Formal Case No. 1138, requested that the Commission assess whether WGL’s new billing system could accommodate a POR program.<sup>5</sup> WGL opposed implementation of a POR program in that proceeding, but indicated that it does not oppose consideration of a POR program in a separate proceeding.<sup>6</sup> Moreover, WGL stated that “the functionality to implement a POR program has been built into its new [billing system] so that it will be easier to implement a POR Program” in the District than

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<sup>2</sup> D.C. Code § 34-1671 *et seq.*

<sup>3</sup> D.C. Code § 34-1671.03(b).

<sup>4</sup> *Formal Case No. 1138, In the Matter of the Investigation into Washington Gas Light Company’s New Billing System and Process and the Potential Impact on Customers and Competitive Natural Gas Suppliers in the District of Columbia*, Order No. 18205 (May 12, 2016).

<sup>5</sup> *Formal Case No. 1138*, Retail Energy Supply Association’s Comments (Sept. 1, 2016) (“RESA Comments”).

<sup>6</sup> *Formal Case No. 1138*, Washington Gas Light Company’s Response to Comments Filed by the Office of People’s Counsel for the District of Columbia and by the Retail Energy Supply Association at 4 (Sept. 13, 2016) (“WGL Response”).

it was to implement WGL's POR program in Maryland.<sup>7</sup> The Commission declined to consider implementation of a POR program for the District in Formal Case No. 1138, holding that, "[a] Purchase of Receivables program for natural gas suppliers warrants consideration in a separate proceeding."<sup>8</sup> This is that separate proceeding.<sup>9</sup>

### **III. COMMENTS**

A natural gas POR program will have a positive effect on natural gas suppliers, the natural gas market, and District natural gas consumers. POR programs are widely recognized as integral components of competitive retail electricity and natural gas markets, and jurisdictions that have implemented POR programs have experienced increased shopping to the benefit of customers. Indeed, the District already has a POR program in place for retail electricity suppliers and their customers.<sup>10</sup>

#### **A. THE COMMISSION HAS ALREADY RULED THAT POR PROGRAMS PROMOTE COMPETITION.**

The Commission previously directed Pepco/DC to implement a POR program and stated that the purpose of the program is "to encourage electricity competition in the District by encouraging Suppliers to participate in the electricity market."<sup>11</sup> The Commission further stated

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<sup>7</sup> WGL Response at 13.

<sup>8</sup> Order No. 18619 at 12.

<sup>9</sup> Order No. 18638 at 4.

<sup>10</sup> D.C. Public Service Commission, Final Order, *In the Matter of the Investigation of a Purchase of Receivables Program in the District of Columbia*, Formal Case No. 1085 (Mar. 14, 2014) Similar POR programs have been implemented in Maryland, Massachusetts, New York, Connecticut, Pennsylvania, and Illinois.

<sup>11</sup> See D.C. Public Service Commission, *In the Matter of the Investigation of a Purchase of Receivables Program in the District of Columbia*, Formal Case No. 1085, Order No. 17052 at ¶ 38 (Jan. 18, 2013) (directing Pepco/DC to implement a POR program and stating that the program should be designed to

that, “[i]n general, the primary purpose of the District POR program is to promote customer choice, thereby increasing competition and reducing the commodity price of electricity.”<sup>12</sup>

Likewise, a District POR program for natural gas would promote these benefits to District natural gas customers.

## **B. POR WILL PROVIDE SIGNIFICANT BENEFITS TO RETAIL NATURAL GAS SUPPLIERS AND THEIR CUSTOMERS.**

A natural gas POR program will benefit both retail energy suppliers and their customers.

Some of the benefits of a POR program include:

- POR programs reduce customer confusion regarding collections. POR allows one party (the utility) to provide a consolidated bill for supply and delivery charges, and follow through with the customer on all collection issues associated with the bill, thus reducing customer confusion.
- POR programs leverage existing systems, reducing overall costs. With POR, the utility leverages existing infrastructure to manage receivables, including: IT, accounting, call center and telephone systems, collections, and field systems to handle the receivable throughout the lifecycle. For a customer who is delinquent on the distribution charge, he or she could also be delinquent on the commodity charge, which means the utility would already be contacting the customer regarding the non-payment, so simply including the entire bill that is delinquent in the recovery mechanisms adds little additional effort to the collections call. Without POR, suppliers must duplicate these systems, increasing overall costs.
- POR programs allow for continuity of message and consistency in treatment of receivables. When the utility owns the receivable, each customer is subject to the same rules, efforts and processes. This allows for the same protections for all customers, and a continuity of efforts without duplicating efforts or presenting conflicting messages.
- POR programs expand customer access to competitive natural gas markets. Without POR, gas suppliers have to focus on enrolling only the most credit-worthy individuals, which concentrates the best paying customers with suppliers, leaving the more credit-

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allow Pepco/DC to recover all program-related costs from suppliers with no subsidy from distribution or SOS customers).

<sup>12</sup> DC PSC Formal Case No. 1085, Order No. 16916 at ¶ 25 (Sept. 20, 2013).

challenged customers with the utility. This disadvantages the credit-challenged customers by eliminating or greatly reducing their access to the competitive market and the products only offered on the competitive market (such as fixed bill or guaranteed savings products). With POR, these concerns are greatly mitigated and credit-challenged customers gain much greater access to the competitive market. Further, without POR, suppliers are less likely or even able to offer guaranteed discounts off of the utility's default rate, since the risk or unknown regarding the ability to recover the charges without POR is too significant to allow for the guaranteed discounted rates on any consistent basis.

- POR programs promote efficient utilization of effective recovery tools. Utilities possess tools to ensure most consumers who can pay for their natural gas do pay for their natural gas; the most effective of which is the ability to disconnect service for non-payment and require payment of past due amounts and/or security deposits to allow reconnection to occur. Gas suppliers do not have this tool available to them. In a POR program where the gas utility purchases the receivables from participating suppliers on a non-recourse basis, such as WGL's Maryland program and also Pepco's programs in the District and Maryland, the utility has the same recovery tools for the purchased receivables that it would have had it sold the supply to the customer.
- POR programs diminish suppliers' counterparty risk. One of the risks that gas suppliers currently must factor into their pricing is the risk that their counterparties will not be in a position to pay their bills. Counterparty risk is greatly diminished through a POR program. The regulated nature of a utility generally ensures that it will recover its costs of doing business, and will also experience a relatively consistent rate of return through economic cycles of growth and contraction. POR, where the counterparty is a regulated utility with an approved rate of return, greatly reduced suppliers' counterparty risk. Again, this is not just a benefit to suppliers – it creates the conditions for a more vibrant competitive market to benefit customers.
- POR programs cure inadequate and unfair payment posting systems. POR programs provide retail suppliers with a better opportunity to be paid than when customers make partial payments through utility consolidated billing. Most residential and small commercial customers, and many C&I customers, that currently take electricity or natural gas from a retail supplier receive one consolidated bill from their utility that includes both utility and retail supplier charges. When the utility receives payment, it forwards the amount paid for the commodity portion of the bill to the retail supplier. Under WGL's current system in D.C., when a customer makes a partial payment, suppliers are for all practical purposes the last entities to be paid and are at risk of receiving no payment for their portion of the bill charges. Moreover, the delinquent customer continues to receive "free" energy because the utility will not disconnect if the partial payment satisfies the

utility's outstanding debt. As a result, retail suppliers are in the position of not getting paid and their ability to serve the widest cross-section of customers is limited. This discourages and is a significant impediment to retail suppliers that desire to enter the D.C. natural gas market.

- POR programs allow for full utility cost recovery. An effective POR program can be implemented without adding costs to the utility because the supplier, through the discount rate, will be paying for the implementation and ongoing costs of the program. Generally speaking, the utility's uncollectible rate should not increase, because the utility would maintain the responsibility for collecting revenues from virtually the same subset of customers – 90% of WGL's District residential customers who are on default service – which it does today.

An effective POR program resolves all of these issues and is an initial step towards leveling the playing field between suppliers and the utility.

### **C. MANY OTHER JURISDICTIONS ALREADY HAVE NATURAL GAS POR PROGRAMS IN PLACE.**

Natural gas POR programs have been successfully implemented in at least nine other states, including:

- Indiana (Northern Indiana Public Service Company);
- Ohio (Dominion East Ohio, Columbia Gas, Vectren, Duke);
- Michigan (Consumers Energy, DTE Gas have a version of POR);
- Pennsylvania (Columbia Gas of Pennsylvania, PECO, NFG);
- Kentucky (Columbia Gas of Kentucky);
- New York (Orange and Rockland, Central Hudson, National Grid, National Fuel, ConEd, Keyspan, Rochester Gas and Electric);
- Maryland (Baltimore Gas & Electric, WGL);
- Wyoming (Source Gas);
- Nebraska (Source Gas); and

- Illinois (the Illinois Commerce Commission has recently approved a POR Rider for Peoples Gas and North Shore Gas in Illinois).

In many states with POR programs, there are many suppliers actively offering numerous products to residential customers. For example, in Ohio overall migration to natural gas customer choice is over 50% and there are dozens of suppliers marketing to residential customers.<sup>13</sup> By contrast, according to the Commission's website, there are only six licensed natural gas suppliers currently serving residential customers as of November 7, 2016.<sup>14</sup> A POR program will encourage more suppliers to enter the D.C. market, increasing competition for the benefit of District customers.

There is no reason why the District should not follow the lead of so many other jurisdictions and implement a natural gas POR program. RESA recommends that the Commission require WGL to implement a POR program identical to the program it already has in Maryland or identical to Pepco/DC's current POR program which the Commission approved. These programs are structured so as to encourage competition, not place an economic burden on ratepayers, and provide full cost recovery for the utility.

#### **D. WGL'S MARYLAND POR PROGRAM IS SUCCESSFUL.**

As mentioned, WGL has a POR program in Maryland, implemented during the 2010-2011 time period. At that time, 16.8% of WGL's residential Maryland customers were taking

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<sup>13</sup> Natural Gas Customer Choice Programs in Ohio, Customer Enrollment Levels as of September 2016, Ohio Public Service Commission.

<sup>14</sup> See [http://www.dcpssc.org/PSCDC/media/PDFFiles/NaturalGas/Compare\\_NGSuppliers\\_Offers.pdf](http://www.dcpssc.org/PSCDC/media/PDFFiles/NaturalGas/Compare_NGSuppliers_Offers.pdf).

service from five retail suppliers.<sup>15</sup> Those statistics have increased steadily, as approximately 21% of WGL’s residential Maryland customers were shopping as of September 2016.<sup>16</sup> The number of active suppliers serving WGL’s residential Maryland customers has increased from five to 17.<sup>17</sup> By comparison, residential shopping in the District has been stuck between 8% and 12% since at least 2005,<sup>18</sup> and is at 10% as of January 2017.<sup>19</sup> A POR program will encourage more suppliers to transact business in the District. With more suppliers in the market offering more products, customers will benefit as they seek out the type of product they want – whether it be based on lowest price, contract duration, a tie-in with another benefit such as cash back, hotel points, frequent flyer miles, or discounts at retail stores, or some other type of innovative product that customers desire.

## VI. CONCLUSION

An effective POR program encourages retail suppliers to enter the market and to expand current offerings in the service territory. In the process, retail suppliers bring additional products and services, often including lower pricing, to more customers than they otherwise would have

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<sup>15</sup> See the Maryland Public Service Commission’s Gas Choice Enrollment Report for the Quarter Ending June 2010, found at: <http://167.102.231.189/gas/wp-content/uploads/sites/4/Gas-Choice-Enrollment-Report-June-2010.pdf>.

<sup>16</sup> See the Maryland Public Service Commission’s Gas Choice Enrollment Report for the Quarter Ending September 2016, found at: <http://www.psc.state.md.us/gas/wp-content/uploads/sites/4/Gas-Choice-Enrollment-Report-201609.pdf>.

<sup>17</sup> *Id.*

<sup>18</sup> See the D.C. Commission’s Market Shares; Residential and Commercial Customer Choice Programs; District of Columbia, Maryland, and Virginia, found at: <http://www.dcpssc.org/getmedia/9e1fa4de-b45d-4083-9318-c5d7150bc69c/Table3.aspx> and also Customer Participation, District of Columbia Residential Customer Choice Program, found at: <http://www.dcpssc.org/getmedia/5ab26e2d-2215-47af-8cb1-25cafc806f1c/Table4.aspx>.

<sup>19</sup> See <https://www.washingtongas.com/my-account/customer-choice#participation> (Only 14,940 residential customers out of 144,336 eligible customers are taking service from a retail supplier.).

without POR. For WGL, where currently only 10% of its residential D.C. customers are shopping, RESA believes it is time for the District to order WGL move forward with a retail natural gas POR program identical to its program in Maryland or to Pepco's program. RESA looks forward to engaging with other stakeholders to develop an effective POR program for the District.

Respectfully submitted,

RETAIL ENERGY SUPPLY ASSOCIATION

By Counsel



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