

# How Gas & Electric Deregulation is Impacting Low Income Households

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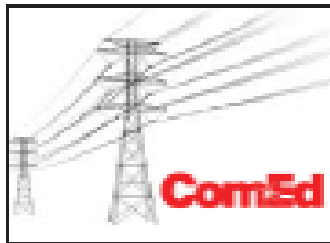
# Outline

- What is deregulation?
  - Basic concept
  - Ways it is implemented
- Where is deregulation currently?
  - States with full residential choice
  - States with some choice
  - States with no choice yet
- Case studies
  - PA
  - IL
- Discussion
  - Does competition strengthen the safety net?

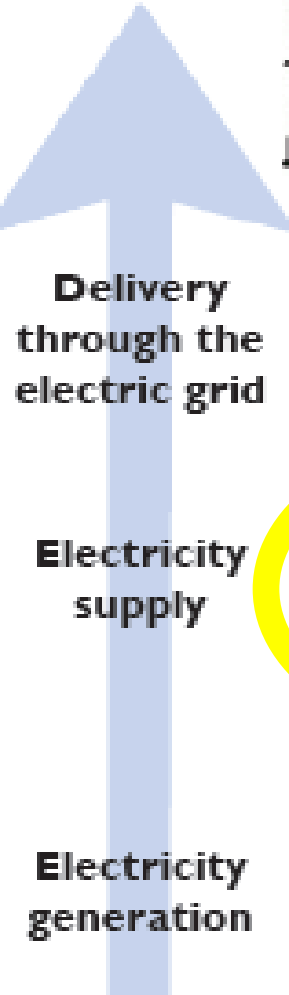
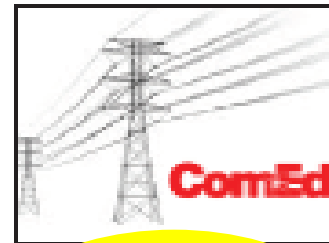
# Deregulation Basics

- Delivery by traditional public utility infrastructure
- Suppliers sell energy to utility on customer's behalf
  - Options to buy
- Bill usually comes from traditional utility, but not necessarily
- Gas & electric may work differently
  - Commodity & market differences
  - Community aggregation
  - Purchase of receivables

## Traditional ComEd Service

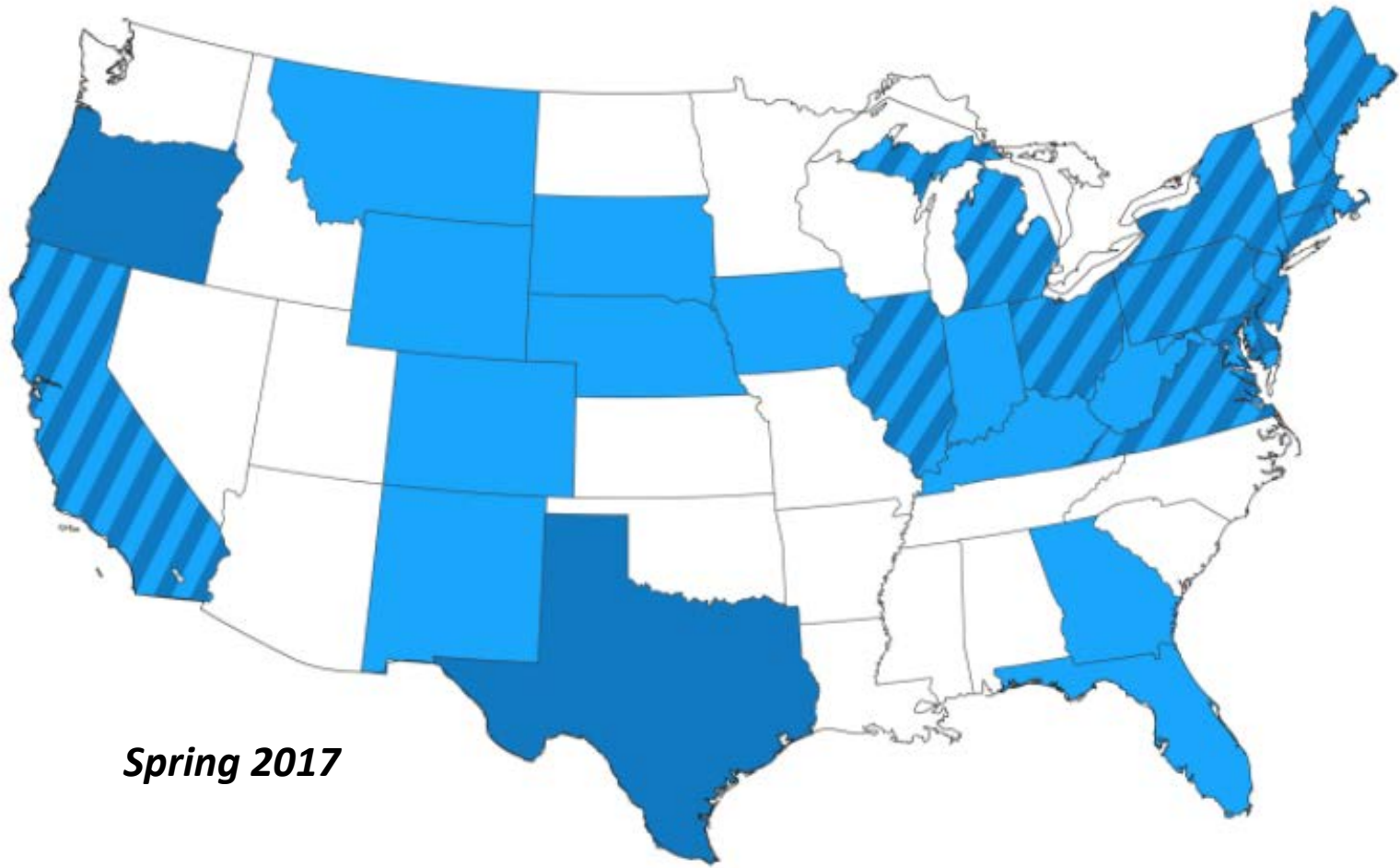


## Alternative Electric Supplier



# National Picture

- 29 states have choice of some kind
- Sometimes starts with commercial/industrial first
  - California was first: gas 1995
  - Tennessee is newest: electric 2016 (C/I)
- Gas choice is more widespread than electric
- Regional flavors –
  - Enrollment limited by time or number
  - Special names/ utility branding
  - Overlap with demand response programs



***Spring 2017***



Source: [www.electricchoice.com](http://www.electricchoice.com), a for-profit choice consulting firm  
 FMI: [www.competitiveenergy.org](http://www.competitiveenergy.org), an industry trade association

**Gas Bill (Sample)**

Account Number	123456789
Service Address	123 Main St, Anytown, MI 48106
Service Start Date	01/01/2010
Current Billing Period	04/01/2013 - 04/30/2013
Previous Billing Period	03/01/2013 - 03/31/2013
Current Billing Cycle	Monthly
Current Billing Date	05/15/2013
Current Billing Amount	\$15.42
Current Billing Term	30 Days
Current Billing Frequency	Monthly
Current Billing Cycle	Monthly

**Gas Bill (Sample)**

**Detail Charges**

Charges for Residential Gas Service - Rate 01

Gas Supply Charges	\$14.00
Gas Delivery Charges	\$0.50
Gas Tax	\$0.92
Monthly Service Charge	\$0.00
Total	\$15.42

Total Charges for Gas Service This Period: **\$15.42**

Total Charges for Electric Service This Period: **\$102.58**

**Total Current Utility Charges: \$118.00**

1 Gas Supply Charges (option to be provided by NIPSCO or one of our Choice Suppliers)

2 NIPSCO Gas Delivery Charges (this portion of your bill remains if you participated in Choice.)

**BGE**

Account Number: 123456789

Billing Cycle: Monthly

Billing Period: 04/01/2013 - 04/30/2013

Current Billing Amount: \$15.42

Total Current Charges: \$15.42

**Current Charges**

Charges for Residential Gas Service - Rate 01

Basic Service Charge	\$24.83
Usage-based Charges	0.50
1.4 MCF @ \$3.553	4.95
Gross Receipts Tax (4.6044%)	1.16
<b>Total Dominion East Ohio Charges</b>	<b>\$31.44</b>

ABC Gas Supply Charges

Monthly Variable Rate (MVR) Gas Cost 1.4 MCF @ SIX.XX	\$6.03
Jules Tax	0.41
<b>Total ABC Gas Supply Charges</b>	<b>\$6.44</b>

**Total Current Charges: \$37.88**

**Total Account Balance: \$37.88**

**VECTREN**

Account Number: 123456789

Billing Cycle: Monthly

Billing Period: 04/01/2013 - 04/30/2013

Current Billing Amount: \$102.58

Total Current Charges: \$102.58

**Charges**

Charges for Residential Gas Service - Rate 01

Gas Supply Charges	\$14.00
Gas Delivery Charges	\$0.50
Gas Tax	\$0.92
Monthly Service Charge	\$0.00
Total	\$15.42

**Results and Charges After Year-End Bill**

Account Number: 123456789

Billing Period: 01/01/2013 - 12/31/2013

Current Charges

Gas Supply Charges	\$14.00
Gas Delivery Charges	\$0.50
Gas Tax	\$0.92
Total	\$15.42



**Standard Choice Offer (SCO)**

Month	Price
May 2013	\$5.45
Jun 2013	\$6.15
Jul 2013	\$6.85
Aug 2013	\$7.55
Sep 2013	\$8.25
Oct 2013	\$8.95
Nov 2013	\$9.65
Dec 2013	\$10.35
Jan 2014	\$11.05

**BGE Note: Your Electric Choice ID can be found on the back of your BGE bill**

Account Number: 123456789

Billing Cycle: Monthly

Billing Period: 04/01/2013 - 04/30/2013

Current Billing Amount: \$102.58

**Heating**

CCF @ 0.24942	10.50
CCF @ 0.01367	24.19
CCF @ 0.37	1.33
CCF @ 0.029	15.89
CCF @ 0.029	1.54
CCF @ 0.029	3.05
<b>Total Heating Charges</b>	<b>79.31</b>

**Bill Back Sample**

Account Number: 123456789

Billing Cycle: Monthly

Billing Period: 04/01/2013 - 04/30/2013

Current Billing Amount: \$15.42

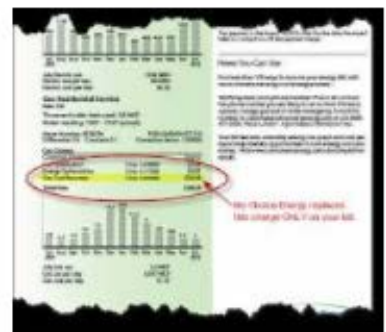
**Sample Residential Energy Use With**

Account Number: 123456789

Billing Cycle: Monthly

Billing Period: 04/01/2013 - 04/30/2013

Current Billing Amount: \$15.42



**Important Information: Alternative Gas Supplier Charge**

Michigan Natural Gas, LLC Supplier Charges Gas Choice Resident For Information On Michigan Natural Gas, LLC Supplier

[www.michigannaturalgasllc.com](http://www.michigannaturalgasllc.com)

**Current Charges**

Gas Charge	443	CCF @ 0.699	309.6
Detroit Utility Tax			15.4
Residential Michigan Sales Tax			12.3
<b>Total Michigan Natural Gas, LLC Supplier Charges</b>			<b>337.3</b>
<b>Total Gas Choice Residential Heating Charges</b>			<b>528.6</b>

# Deregulation in Pennsylvania



# Estimate the impact for customers above PTC



What is the estimated impact on the **full (actual)** bill of OnTrack members?

Time Period Used: January 2012 – October 2015 (46 months or 3.8 years)

1. Average number of customers each month where the price paid was **above the PTC = 9,626.**
2. For those customers above the PTC, **average price paid = \$0.11048.**
3. Average **usage per month** for customers above PTC was **1,197 KWH.**
4. The **average PTC** across this timeline was **\$0.08475.** If I did not shop I would have paid this.
5. Average monthly energy charge, if on PTC (**actual** bill) = **\$101** (1,197 x \$0.08475)
6. Average monthly energy charge at the price above (**actual**) = **\$132** (1,197 x \$0.11048)
7. Difference (each month) = **\$31**
8. The (monthly) difference for all customers above the PTC = **\$298,406** (9,626 x \$31)
9. The impact over 12 months = **\$3,580,872** (\$298,406 x 12)
10. The impact over 18 months = **\$5,371,308** (\$298,406 x 18)

# Estimate the impact for customers at/below the PTC



What is the estimated impact on the **full (actual)** bill of OnTrack members?

Time Period Used: January 2012 – October 2015 (46 months or 3.8 years)

1. Average number of customers each month where the price paid was **at/below the PTC = 7,750.**
2. For those customers at/below the PTC, **average price paid = \$0.07772.**
3. Average **usage per month** for customers at/below PTC was **1,294 KWH.**
4. The **average PTC** across this timeline was **\$0.08475.** If I did not shop I would have paid this.
5. Average monthly energy charge, if on PTC (**actual** bill) = **\$110** (1,294 x \$0.08475)
6. Average monthly energy charge at the price at/below (**actual**) = **\$101**  
(1,294 x \$0.07772)
7. Difference (each month) = **\$9**
8. The (monthly) difference for all customers at/below the PTC = **\$69,750** (7,750 x \$9)
9. The impact over 12 months = **\$837,000** (\$69,750 x 12)
10. The impact over 18 months = **\$1,255,500** (\$69,750 x 18)

# Estimate the net impact



Look at shopper non-savers versus savers, as compared to the PTC

Time Period Used: January 2012 – October 2015 (46 months or 3.8 years)

## Those Paying Above PTC

7. Difference (each month) = **\$31**
8. The difference, above = **\$298,406**
9. The impact, 12 mos. = **\$3,580,872**
10. The impact, 18 mos. = **\$5,371,308**

## Those Paying At/Below PTC

7. Difference (each month) = **\$9**
8. The difference, below = **\$69,750**
9. The impact, 12 mos. = **\$837,000**
10. The impact, 18 mos. = **\$1,255,500**

1. Net (each month) = **\$22**
2. Net effect, monthly = **\$228,656**
3. The impact, over 12 months = **\$2,743,872**
4. The impact, over 18 months = **\$4,115,808**

# PA Retail Choice: PECO

## PA OCA shopping principles

- Shopping ensure LI remain on LI program, meet payment obligations of LI program, and receive the benefits of LI program.
- Shopping should not increase the costs of the LI program to nonparticipating whether by increasing LI discounts or by increasing admin costs.
- Shopping should not increase program costs of LI program to nonparticipants by adversely affecting ability to pay.

# PA Retail Choice: PECO

## Affordability concerns

- No adverse impact of shopping on affordability.
- Affordability measurement:
  - Incidence of unaffordability
  - Depth of unaffordability
- Ambiguities (total rate less than LI rate)
  - Signing bonus not part of rate
  - Initial discount not part of rate
- Impacts of higher EGS prices beyond individual:
  - Higher uncollectibles
  - Higher credit and collection
  - Higher working capital

# PA Retail Choice: PECO Implementation issues

- EGS rate lower than price-to-compare.
- Maintain customers on LI rate until end of EGS contract.
- EGS customer enrolling in LI rate gets transferred without fees.
- EGS does/does not keep LI when customer ends LI participation.
- Issues relating to allocation of implementation costs of LI shopping.

# PA Retail Choice: PECO Education Issues

- Risk of excessive “education”.
- Balance need for ongoing education vs overburden.
- Impacts of LI rate churn.
  - Leave LI program but remain on system: implications.
  - Remain on LI program but EGS contract ends.

# PA Retail Choice: PECO Consumer Protections

- Non-discriminatory offer of shopping services: not to “some but not all.”
- The control of termination / cancellation fees.
- Affirmative customer consent prior to switching from EGS contract with LI protections to one without protections.
- EGS may not indirectly exclude LI through creditworthiness tests or credit assurances.



# PA Retail Choice: PECO

## Aggregation Limits

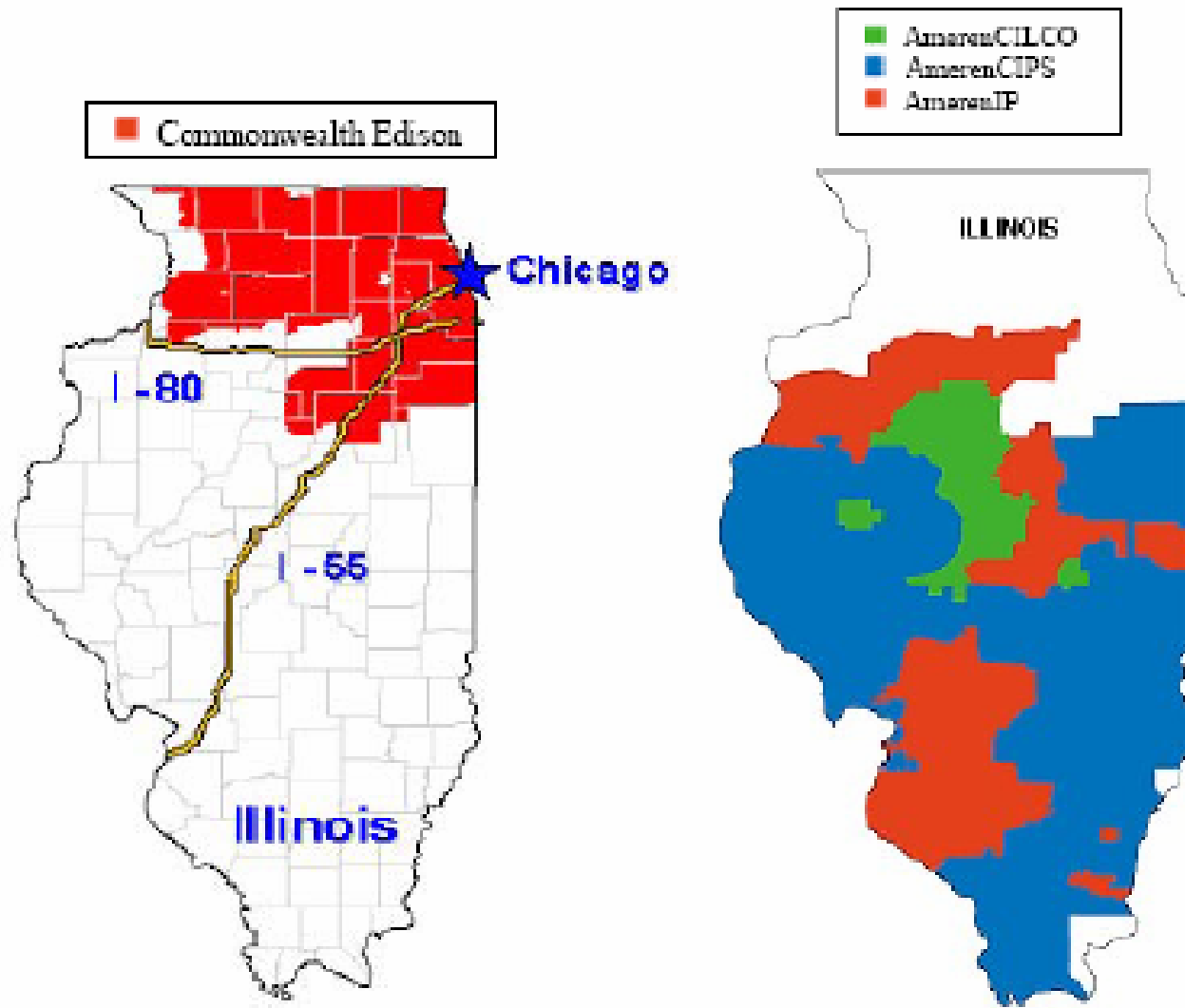
- Compliance with state statutory limits; no change in electricity supplier without “direct oral confirmation” or “written evidence.”
- Impacts of fluidity of LI population (LI churn). Who is in and who is out.
- What happens to LI population at end of aggregation term.
- Opt-out favors large suppliers providing homogenous product.
- Need to avoid increased risk to default service providers.
  - Risk of winning an aggregation / risk of ceding back to DSP.

For more information:  
[roger@fsconline.com](mailto:roger@fsconline.com)



# Deregulation in Illinois

# Electric Choice Availability



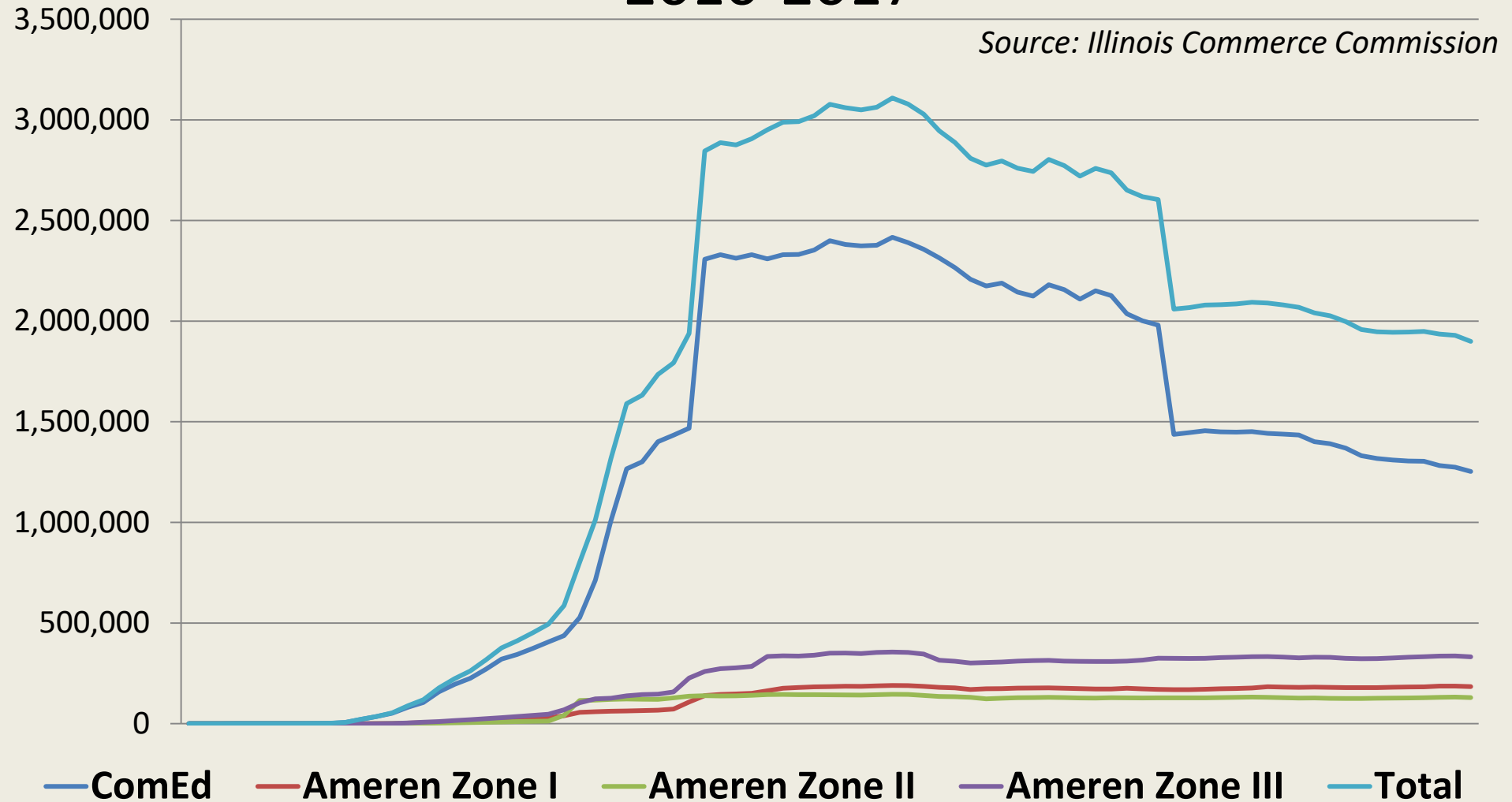
# Electric Choice - Complex

- Competition introduced 2009
  - 64 ARES certified by ICC
  - 1,899,076 residential customers as of April, 2017 (ICC)
- Downward trend
  - Peak around 3 million in 2014
- Majority of the state
  - No choice for muni/co-op customers
- Purchase of receivables
  - Full utility collection & disconnection process
  - Seamless/“invisible” to LIHEAP system(s)
- Community Aggregation
  - “Opt out” model
  - As of 5/31/17
    - 746 communities involved
    - 402 discontinued/non-renewed
  - Chicago “Power Deal”

# Residential Electric Choice

2010-2017

Source: Illinois Commerce Commission





# CUB Power Deal Calculator

Your projected supply charges for months  
June 2017 through May 2018:

**ComEd**

**\$386.55**

**Alternative supplier plan**

**\$524.46**

**You would save \$137.90 if you chose  
ComEd as your provider over the  
alternative supplier.**

Company	Total	Contracts/Billing	Customer Service	Sales/Marketing
AEP Energy	1	0	0	1
Agera Energy, LLC	0	0	0	0
Ambit Northeast	13	3	0	10
Aspirity Energy, LLC	20	1	0	19
Champion Energy, LLC	1	1	0	0
CleanChoice Energy, Inc.	9	1	1	7
Clearview Energy	20	0	1	19
ConEdison Solutions	2	0	1	1
Constellation Energy	61	21	3	37
Constellation Energy Services	0	0	0	0
Direct Energy	51	5	8	38
Dynegy Energy Services, LLC	2	1	0	1
Eligo Energy IL, LLC	28	7	4	15

## Retail Electric Suppliers Complaint Summary

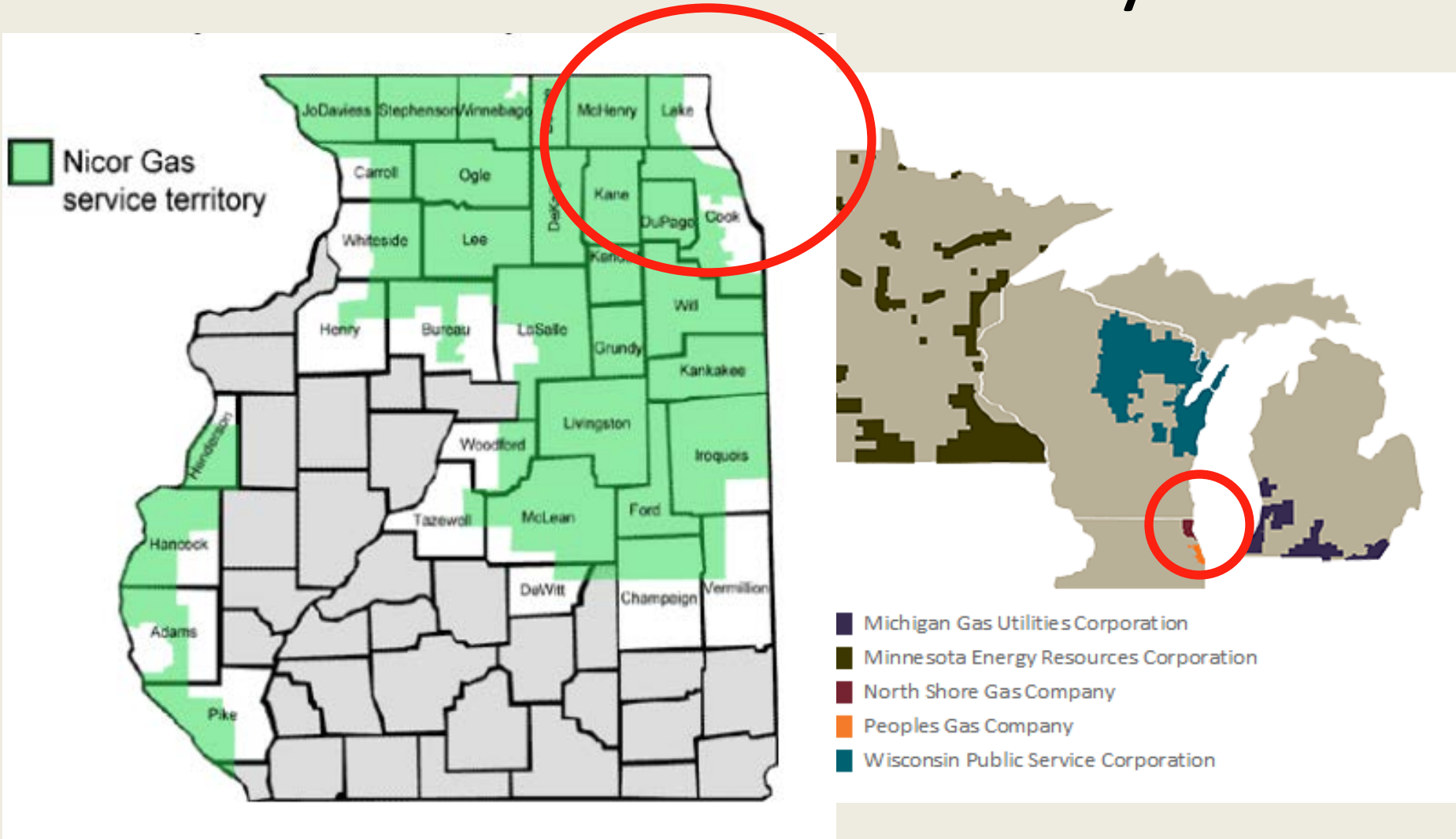
*From: October 2016*

*To: March 2017*

Energy Plus	-	-	-	-
Energy Rewards				
Energy,ME				
Entrust Energy				
FirstEnergy Solutions				
Green Mountain Energy Company				
Hiko Energy				
Homefield Energy				
IDT Energy, Inc.	51	7	2	42
IGS Energy	7	2	0	5
Illinois Gas & Electric	20	4	0	16
Just Energy	10	3	1	6
Liberty Power Holdings LLC	99	7	9	83
Major Energy	5	0	2	3
MC Squared Energy Services, LLC	1	0	1	0
Mega Energy of Illinois, LLC	39	0	6	33
National Gas & Electric	7	3	0	4
Nordic Energy Services	2	0	1	1
North American Power	2	0	0	2
NRG Home	8	2	1	5
Oasis Energy	12	0	1	11
PALMco	10	3	0	7
Plymouth Rock Energy, LLC	0	0	0	0
Public Power, LLC	2	1	0	1
Realgy, LLC	18	3	1	14
Santanna Energy Services	22	1	1	20
SmartEnergy Holdings, LLC	16	3	0	13
Spark Energy, L.P.	34	7	1	26
Sperian Energy	5	1	0	4
Star Energy Partners LLC	5	1	1	3
Starion Energy	22	0	3	19
Verde Energy USA	12	1	2	9
Viridian Energy PA LLC	2	0	0	2
XOOM Energy Illinois, LLC	8	1	1	6



# Gas Choice Availability



# IL Natural Gas Choice

- Competition since 2002
  - 46 AGS now certified by ICC
  - Northern Illinois only
  - Docket for Ameren program stalled at ICC
- 2009 marketing reforms
  - 30 day cancellation window
  - \$50 cap
- No Purchase of Receivables (POR)
  - ARGs charges can be removed from utility bill
  - No ARGs shutoffs
  - Docket(s) for POR stalled at ICC
- No Municipal Aggregation
  - Bill stalled in General Assembly last year

CUB CONSUMER ALERT:

# BEWARE OF NEW GAS COMPANIES

## Almost all consumers lose money

New, unregulated gas companies are trying to convince customers to switch their gas service. Aggressive sales people pitch these offers door to door, by mail and over the phone. But according to a CUB analysis: 9 out of 10 of the plans offered so far by these companies are money losers, costing the average consumer hundreds of dollars a year. Beware! The best bet may be to stick with your regulated gas company—Nicor.

### HERE'S HOW TO PROTECT YOURSELF:

- ✓ Don't give out your account number or other personal information to any salesperson at your door or over the phone.
- ✓ Don't sign up for any new gas offer on the spot. These are legally binding contracts. You may be charged a hefty termination fee if you want out.
- ✓ Call Nicor at 1-888-642-6748 to get on a Do Not Market list for your gas service if you don't want the new gas companies to bother you with sales pitches.
- ✓ Call CUB at 1-800-669-5556. CUB is keeping tabs on these companies and trying to identify marketing abuses. If they're in your neighborhood, call us immediately.

### Who are these companies?

- Nicor Advanced Energy  
– Lock 12, Price Guard, Flex
- U.S. Energy Savings Corp.
- Peoples Energy Services
- Integrys
- Nordic Energy Services
- Santanna Energy Services
- MXenergy
- Dominion Retail
- Direct Energy Services

Nine out of 10 plans are money losers, costing the average consumer hundreds of dollars a year more.



This alert comes to you from the Citizens Utility Board (CUB), a non-profit utility watchdog created by the state legislature to fight for lower utility rates. The results are based on CUB's Gas Market Monitor. For more information, call 1-800-669-5556 or visit [www.citizensutilityboard.org](http://www.citizensutilityboard.org).

# Consumer Battles

- Price gouging
  - Just Energy Settlement
  - Seniors and Non-English speakers, many low-income
  - Santana “force majeure” & bankruptcy
  - Major Energy Settlement
    - 35c=6x utility!
- Marketing tactics
  - Utility branding
  - Door-to-door sales
  - Multi-Level-Marketing
  - “Green” options
  - Teaser rates
  - Slamming
    - TPV
    - Current rulemaking: video...

# LIHEAP Context

- Marketing as “discounts” or “assistance program”
- Trespassing inside subsidized senior buildings
- Skulking around LIHEAP intake locations
  - Tabling alongside LIHEAP agencies
  - Tabling INSIDE LIHEAP agencies
  - Direct marketing to LIHEAP agencies!
- Intake workers frustrated, confused
  - “Funny Bills” from other companies
  - Normal-looking bills that won’t go into the system (PIPP)
  - Not sure what to tell clients
- *Recruitment of sales agents in low-income neighborhoods...*

# Add-ons, signing bonuses attract low-income consumers



## Home Services

IDT Energy has partnered with some of the best in the business to bring you discounts on services like home & electronics warranty, home security and even identity theft protection.



## Rewards

IDT Energy customers can earn valuable rewards points on every kWh of electricity and therm of gas we supply. Redeem points for retailer gift cards, electronics, appliances, jewelry, sporting goods and more! Register your account today!



## Refer A Friend

Make some extra spending cash! Refer your friends to IDT Energy. Every customer you refer that remains active for 3 billing cycles, puts up to \$50 cash in your pocket.

## IDT Energy Affinity Program

IDT Energy's Affinity Program offers an opportunity that can be a win-win for your organization and its members. By offering special rates to will increase your membership retention and generate additional revenue. With IDT Energy, you may customize a retail energy supply program member needs. Our Affinity program is ideal for businesses, organizations, associations, places of worship, and other entities looking to expand.

## Designed With You In Mind

### Generate Funds:

Your organization will receive ongoing residual compensation for every member/employee who signs up with IDT Energy for their energy supply. Organizations have the potential to earn thousands of dollars every year!

### Added value to your members/employees:

Provide value with exclusive offers on electricity and natural gas supply. Offer the opportunity to select programs with electricity supplied by 100% renewable sources and

## Key Affinity Benefits

- Unique Fundraising Opportunities
- Increase Membership Retention
- Attract New Customers
- Non-dues revenue
- Revenue Sharing
- Large Earning Potential
- Exclusive Low Energy Rates For Members

*Your unique program will be easily tracked.*

# Nonprofit “incentives” target LIHEAP partner organizations, churches, etc.

POWERING YOUR ORGANIZATION THROUGH BRIGHTER ENERGY CHOICES

Power for change.  
North American Power

**HOW DOES IT ALL WORK?**

**A SMALL CHOICE THAT MAKES A BIG DIFFERENCE**

Thanks to deregulation, you have the power of choice. By choosing North American Power as your energy provider, not only are you making a better energy choice, but you can help your organization raise much needed funds. It's simple. Every month when you pay your electric bill, your organization can benefit. You will be turning every kilowatt into kindness!

**Change your energy provider to North American Power.**



You can enjoy our competitive rates. Plus, you can do even more by choosing NAP Green. You can help

**Support your Organization**

By making the switch, you will generate an up-front payment of \$5\* and your organi-

**Change powered by many can do a world of good.**

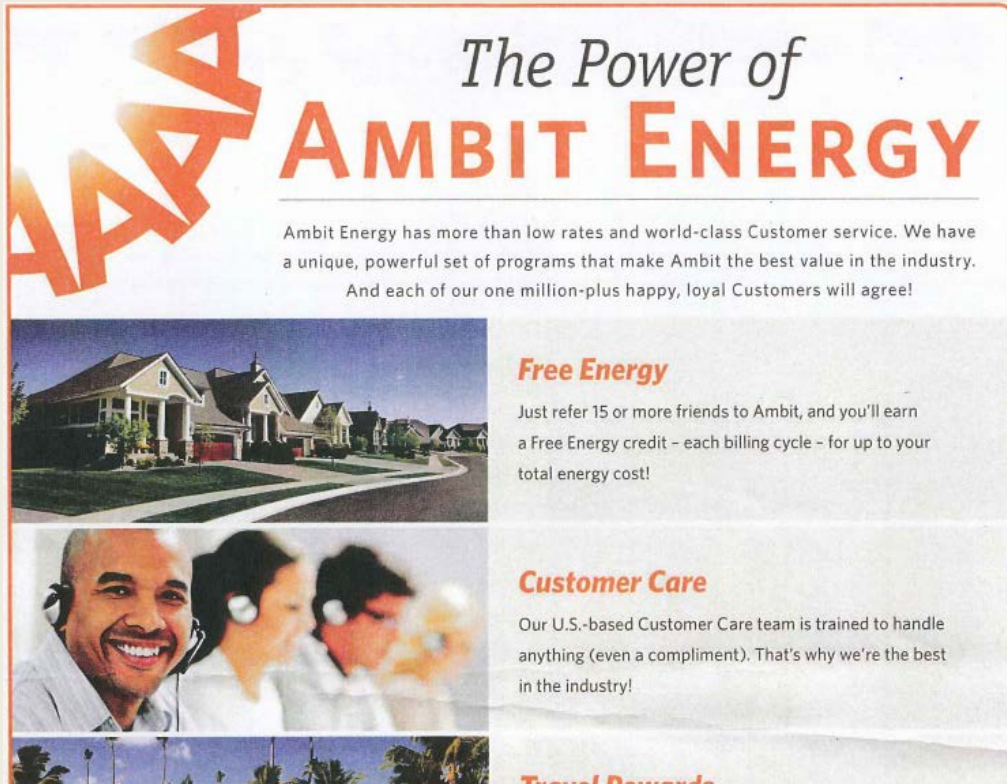
Now that you know the power of change, imagine if you shared it with all your friends and family. Use one of the many tools available at the end of your sign up process to refer others



Source: community flyer



# Retailer infiltrates LIHEAP Energy Fair



*The Power of*  
**AMBIT ENERGY**

Ambit Energy has more than low rates and world-class Customer service. We have a unique, powerful set of programs that make Ambit the best value in the industry. And each of our one million-plus happy, loyal Customers will agree!

**Free Energy**  
Just refer 15 or more friends to Ambit, and you'll earn a Free Energy credit – each billing cycle – for up to your total energy cost!

**Customer Care**  
Our U.S.-based Customer Care team is trained to handle anything (even a compliment). That's why we're the best in the industry!

**Travel Rewards**

- Taking down contact info for LIHEAP applicants
- Enrolling or recruiting?
  - Upcoming “meeting”
  - “Free Energy”?
    - Fees to become a seller



# Retailer infiltrates LIHEAP Energy Fair



- Electric offer: “guaranteed” 3% discount
  - Dubious
- Gas offers:
  - 43.1 c/therm
  - 91.41 c/therm
    - Utility: 35.85
- Exorbitant gas rates far outpace any electric savings or “credits”

# Natural Gas Client Impact

AGS: Consumer Education x

← → ↻ <https://www.icc.illinois.gov/ags/consumereducation.aspx#s12>

information from your local gas utility; it is also included on each billing statement.

Gas usage varies sharply in different seasons. The average residential customer natural gas supply from November through March. Therefore, the supply charge bill in the winter months than the summer months. The information and bar graph residential customer varies each month and the impact the consumption would have on Natural gas consumption and the corresponding gas supply charges can be near 10 months.

Month	Therms Consumed	Price per Therm	Gas Supply Charge
Jan	215	\$.50	\$107.50
Feb	171	\$.50	\$85.50
March	135	\$.50	\$67.50
April	73	\$.50	\$36.50
May	36	\$.50	\$18.00
June	26	\$.50	\$13.00
July	24	\$.50	\$12.00
August	23	\$.50	\$11.50
September	26	\$.50	\$13.00
October	58	\$.50	\$29.00
November	108	\$.50	\$54.00
December	193	\$.50	\$96.50

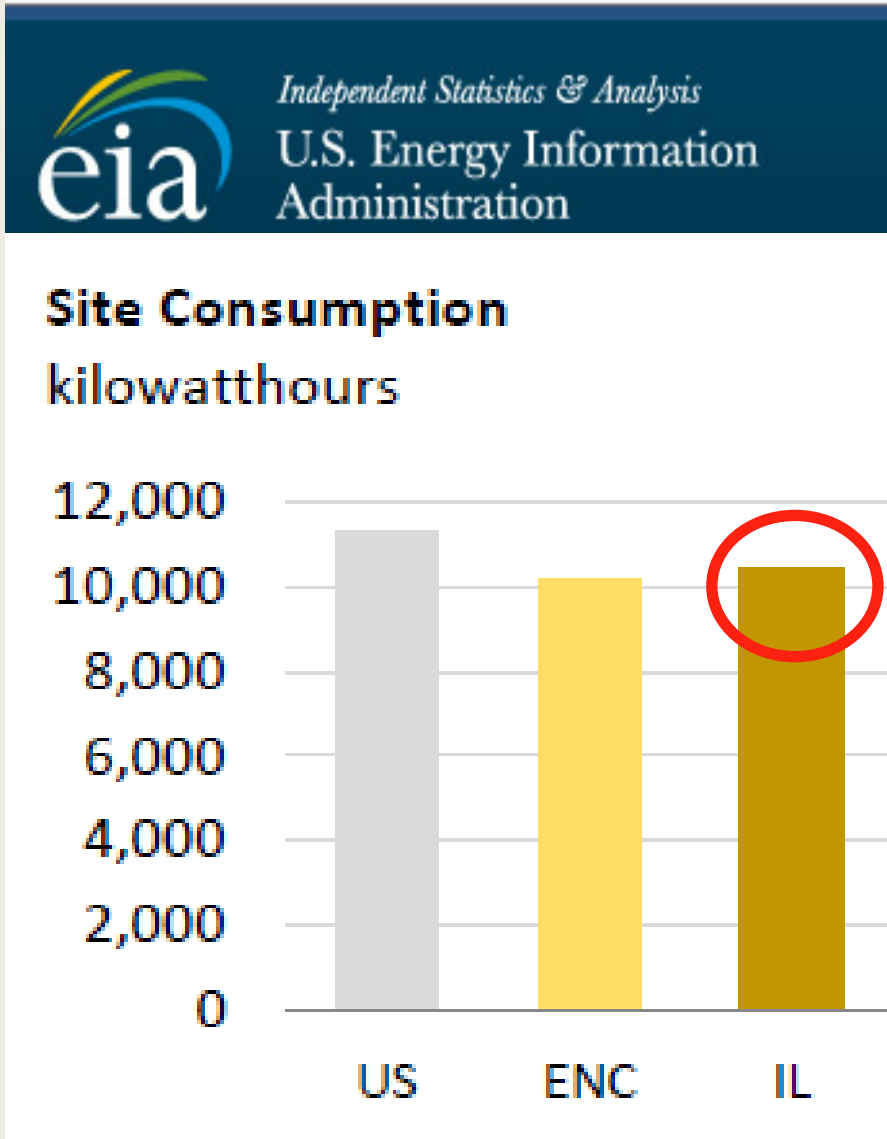
- “Typically”
  - 1,088 therms per year
  - 75% Nov-Mar
  - \$456 DVP = 912 therms
  - 84% of annual supply

# Natural Gas Client Impact

2015 PAYMENT MATRIX — NORTH #2 51% - 100%		HOUSEHOLD SIZE				
FUEL TYPE	DVP	1	2	3	4	5
Natural Gas/ Other	Primary	\$407	\$407	\$423	\$456	\$466
	Secondary	\$192	\$192	\$219	\$246	\$267
	TOTAL	\$599	\$599	\$642	\$702	\$733
All Electric	TOTAL	\$502	\$502	\$553	\$606	\$645
Propane	Primary	\$497	\$497	\$515	\$556	\$568
	Secondary	\$286	\$286	\$343	\$396	\$427
	TOTAL	\$783	\$783	\$858	\$952	\$995
Fuel Oil	Primary	\$497	\$497	\$515	\$556	\$568
	Secondary	\$286	\$286	\$343	\$396	\$427
	TOTAL	\$783	\$783	\$858	\$952	\$995
	CASH	\$104	\$104	\$112	\$120	\$128

- ARGs client locked at \$.79/therm:
  - \$456 DVP = 577 therms
  - **53% of annual supply**
  - **RA cycle starts earlier (NO POR)**

# Electricity Client Impact



- “Typically”
  - 10,100 kWh per year
  - Utilities around \$.075/kWh
  - \$246 secondary DVP = 3,280 kWh
  - 32% of annual supply

# Electricity Client Impact

		2015 PAYMENT MATRIX — NORTH #2 51% - 100% HOUSEHOLD SIZE				
FUEL TYPE	DVP	1	2	3	4	5
Natural Gas/ Other	Primary	\$407	\$407	\$423	<del>\$436</del>	\$466
	Secondary	\$192	\$192	\$219	<b>\$246</b>	\$267
	TOTAL	\$599	\$599	\$642	<b>\$702</b>	\$733
All Electric	TOTAL	\$502	\$502	\$553	\$606	\$645
Propane	Primary	\$497	\$497	\$515	\$556	\$568
	Secondary	\$286	\$286	\$343	\$396	\$427
	TOTAL	\$783	\$783	\$858	\$952	\$995
Fuel Oil	Primary	\$497	\$497	\$515	\$556	\$568
	Secondary	\$286	\$286	\$343	\$396	\$427
	TOTAL	\$783	\$783	\$858	\$952	\$995
	CASH	\$104	\$104	\$112	\$120	\$128

- ARES client locked at \$.095/kWh:
  - \$246 DVP = 2,589 kWh
  - **26% of annual supply**
  - **Electric shutoffs deplete RA funds (POR)**

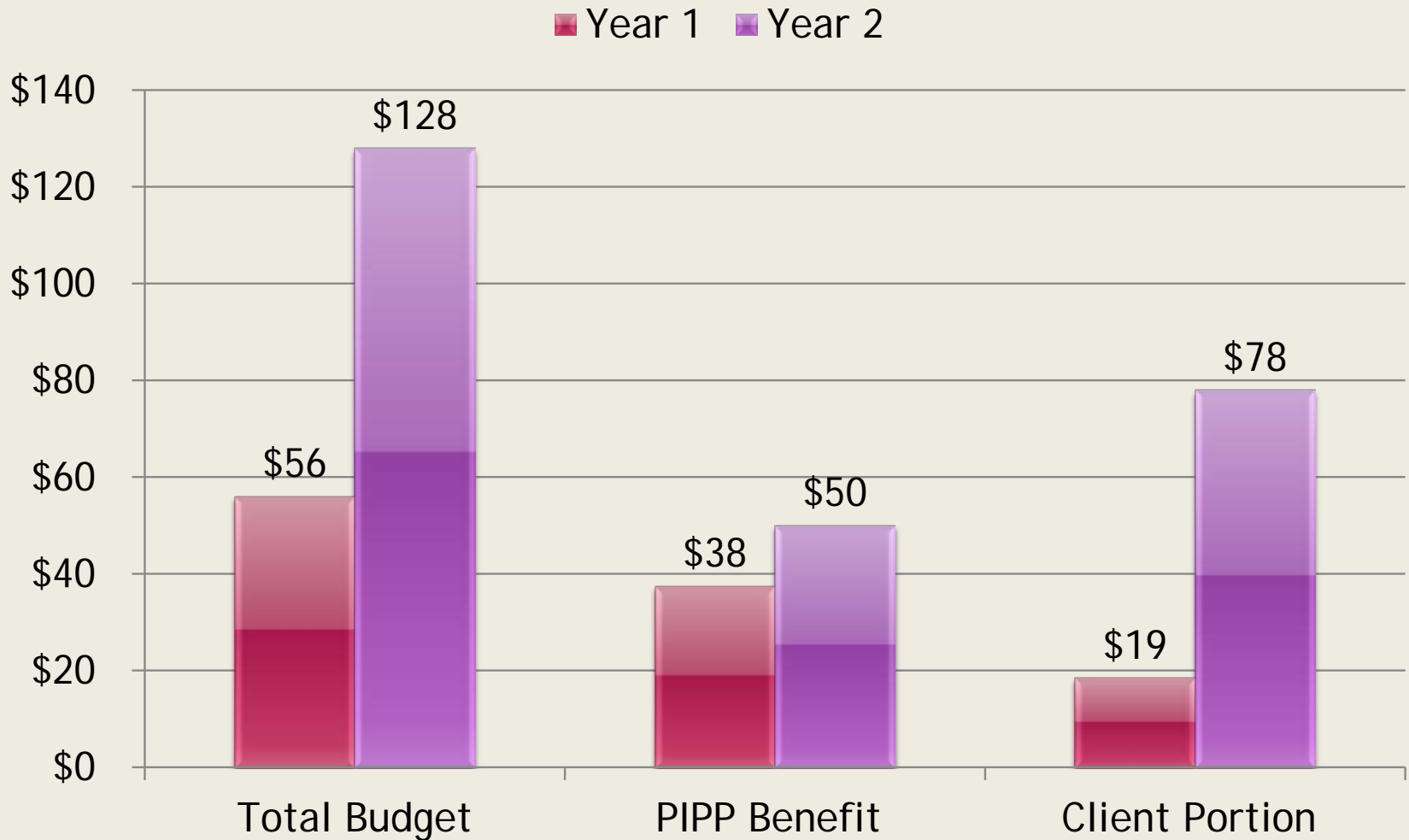
# PIPP Context

- PY 2014:
  - 80,719 active PIPP accounts
  - 35,033 (43%) have an alternative electric supplier
  - Of the 35,033, 25,302 (72%) had switched within the most recent program year
- Average annual budget bill increase (“true-up”) for utility-supplied electricity: \$6.03
  - For ARES accounts: \$17.48 (nearly 3x higher)
  - As high as \$76.58

*Source: IL Department of Commerce and Economic Opportunity, report to the LIHEAP Policy Advisory Council*

# PIPP Environment

- Supplier price spikes cost more for clients AND state
- Price spikes are imperceptible and unpredictable



# PIPP Impact

- Even small changes in state benefit amounts add up quickly

<b>Price Difference</b>	<b>Monthly bill impact</b>	<b>Cost per 100 PIPP clients per year</b>
(\$0.02)	(\$13.47)	(\$16,164)
\$0.01	\$8.42	\$10,104
<b>\$0.04</b>	<b>\$31.14</b>	<b>\$37,368</b>



# Chicago Aggregation Context

- Chicago aggregation contract later cancelled due to unfavorable rate increase
- Of the 80,179 active PIPP accounts in PY14
  - 10,127 (12%) were with Integrys
- Average annual budget bill increase (“true-up”) for utility-supplied electricity: \$6.03
  - Integrys average true-up \$6.97
  - Translation: \$114,232.56 in added program costs to state because of one otherwise unremarkable city contract

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Discussion

# Appendix – Pennsylvania

# PA Retail Choice: PA Commnwlth Ct (July 2015)

PUC can bar or limit retail shopping

(1 of 3)

“What is particularly noteworthy about the legal arguments of the PUC and Direct Energy is their focus on the PUC’s lack of authority to regulate rates EGSs charge customers. **We are persuaded, however, by Petitioners’ contention that the absence of authority to regulate EGS rates alone does not compel the conclusion that the PUC lacks authority to adopt rules attendant to universal service programs that may have the effect of limiting competition and choice with respect to low-income customers.**”

# PA Retail Choice: PA Commnwlth Ct (July 2015)

## PUC can bar or limit retail shopping

(2 of 3)

“[W]e conclude that the PUC has the authority under Section 2804(9) of the Choice Act, in the interest of ensuring that universal service plans are adequately funded and cost effective, **to impose, or in this case approve, CAP rules that would limit the terms of any offer from an EGS that a customer can accept and remain eligible for CAP benefits.** The obligation to provide low-income programs falls on the public utility under the Choice Act, not the EGSs. Moreover, the Choice Act expressly requires the PUC to administer these programs in a manner that is cost effective for the CAP participants and the non-CAP participants, who share the financial consequences of the CAP participant’s EGS choice.”

# PA Retail Choice: PA Commnwlth Ct (July 2015)

## PUC can bar or limit retail shopping

(1 of 3)

“Our conclusion finds support in the Choice Act’s legislative declaration of policy, which both encourages deregulation to allow consumers the opportunity to purchase directly their supply from EGSs and emphasizes the need to continue to maintain programs that assist low-income customers to afford electric service. 66Pa.C.S. § 2892 (7), (9), (10), (14), (17). **So long as it “provides substantial reasons why there is no reasonable alternative so competition needs to bend” to ensure adequately-funded, cost-effective, and affordable programs to assist customers who are low-income to afford electric service . . . the PUC may impose CAP rules that would limit the terms of any offer from an EGS that a customer could accept and remain eligible for CAP benefits – e.g. EGS rate ceiling, prohibition against early termination/cancellation fees, etc.”**