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March 17, 2021

VIA ELECTRONIC MAIL

Luly E. Massaro, Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888
luly.massaro@puc.ri.gov

Re: Docket 5073 - Petition of Retail Energy Supply Association for Implementation of Purchase of Receivables Program

Dear Ms. Massaro,

Enclosed please find the Retail Energy Supply Association's responses to the Public Utilities Commission's First Set of Data Requests in the above-referenced matter.[1]

Thank you for your attention to this filing. If you have any questions, please do not hesitate to contact me at 617-342-6884.

Very Truly Yours,

/s/ Ryan M. Murphy

Ryan M. Murphy

Enclosure

cc: Docket 5073 Service List

[1] Per Commission counsel's update on October 2, 2020 concerning the COVID-19 emergency period, RESA is submitting an electronic version of this filing. RESA will also provide the Commission Clerk with six (6) hard copies of the enclosures via First Class Mail.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the cover letter and any materials accompanying this certificate was electronically transmitted to the individuals listed below on March 17, 2021.

/s/ Ryan M. Murphy

Ryan M. Murphy, Esq.

Docket No. 5073 – Retail Energy Supply Associations Petition for Implementation of Purchase of Receivables Program
Service List updated 1/5//2021

Name/Address	E-mail Distribution	Phone
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PUC 1-1

Request:

1-1. In Docket No. 4770, National Grid provided a discovery response showing that customers on competitive supply averaged a higher energy cost than those on standard offer service (now last resort service).

a. How do ratepayers benefit from competitive supply if the rate is higher than last resort service (absent an extra renewable or other component of the supply)?
b. How do ratepayers benefit from a purchase of receivables program if the competitive supply rate is higher than last resort service?

Response:

a. To the extent that customers on competitive supply averaged a higher energy cost than those on last resort service for a set time period, that comparison can be misleading for a number of reasons. As the question acknowledges, consumers who wish to support the environment realize benefits from purchasing renewables or green products even if they are priced higher than last resort service. Further, taking a snapshot of the average supply costs fails to take into consideration costs the customers may have paid over a longer-term period. It also does not recognize that some consumers may prefer price stability, such as by selecting a fixed price for a 36-month period, over the more frequent fluctuations in the last resort service rate.

Additionally, this exercise fails to reflect other value, besides price savings, that may be offered by competitive suppliers. The examples are numerous and the list below shows varying offers from suppliers that add value to the consumer:[1]

- Year of Amazon Prime
- Free Energy
- Travel Rewards
- Gift Cards
- Rebates
- Movie Downloads

[1] www.papowerswitch.com

- Magazine Subscriptions
- Free Access to Home Analytics
- Shopping and Dining Rewards

Value-added offers in other markets include these and other perks, such as Electric Vehicle Charger Rebate and Free Weekend EV charging,[2] Identity Protection,[3] National Parks Pass,[4] PetSmart Charities,[5] Free LED Bulbs,[6] and Goal Zero Rock Out 2 Solar Speaker.[7] Several other examples (specific to Massachusetts) are provided in RESA's Response to PUC-1-3. The significance of this wide array of appealing offers is that they enable consumers to select a supplier because of an added value that is important to them, and may outweigh the possibility that the price of competitive supply at any given point in time, or even over a longer period, will be higher than the default service rate.

As explained in RESA's Response to PUC-1-3, other factors similarly show the pitfalls of comparing default service rates and competitive supply prices. These include situations when the default service rate does not reflect all of the costs incurred to provide the service and the reality that default service rates are established in a way that does not necessarily reflect wholesale market conditions. Please see RESA's Response to PUC-1-3 for additional information concerning these factors.

Notwithstanding the foregoing discussion about the importance of avoiding a comparison between default service rates and competitive supply prices, it is noteworthy that many customers are paying their suppliers less than they would be paying their utility. In addition, a number of offers are available in several markets that would enable consumers to realize cost savings. As I noted in my Direct Testimony, a key benefit of POR programs flowing to consumers is enhanced access to cost savings offered by suppliers in the competitive retail market. For example, I provided RESA's "Energy Market Savings Reports" for Connecticut and Massachusetts as RESA Exhibits DWA-2 and DWA-3, showing what consumers could have saved in October 2020 by shopping for the best deal for electricity. Attached as **PUC-Set 1-1, Attachment A**, is the January 2021 Market Savings Report, which shows the potential monthly savings available to consumers in

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2 www.energizect.com

3 https://www.dcpsc.org/Utility-Information/Electric/Historical-and-Analytical-Information-for-Electric/Consumer-Advisory-Electricity-Prices.aspx

4 www.pluginillinois.org

5 https://www.mdelectricchoice.com/shop

6 http://energyswitchma.gov

7 www.energychoice.ohio.gov

Connecticut, Illinois, Massachusetts, Maryland, Ohio, and Pennsylvania, and also includes the number of offers that are below the default service rate.

b. Please see RESA'S Response to PUC-1-1.a.

Prepared by and under the supervision of: Daniel W. Allegretti

PUC 1-2

Request:

1-2. Referencing RESA's Petition at 8 and Mr. Allegretti's testimony at 8, have any of the studies on POR that were not authored by RESA concluded that customers on competitive supply achieve, on average, lower rates than the default service provided by the distribution company? If so, please provide links or a copy.

Response:

Intelometry, Inc. released a Report in February 2021, entitled "The Value of Retail Electric Choice to Residential Customers in Massachusetts, An Examination of Customer Savings." This Report is available at this link.

Relying solely on publicly available data, Intelometry looked at competitive offers posted on the Energy Switch Massachusetts website, as compared to utility default service rates over 2018-2020. The results show various levels of potential savings, ranging from $473 million to $583 million if residential customers took advantage of the lowest competitive supply offers. Report at pp. 1-15. Intelometry also examined the number of prices falling below the default service rates. The results showed that in most months, multiple fixed, variable, and green offers fell below the rate charged by the utility for default service. Report at p. 16.

In addition, the Report describes benefits to residential customers beyond delivering savings with competitive supply. As Intelometry observed, the significance of a wide array of products and services is that customers appear to be shopping for competitive supply for reasons other than savings. One example highlighted by the Report is a customer seeking to avoid periodic fluctuations in the default service rate may opt for a 24-month competitive product. Another customer may choose a 100% green product due to environmental concerns. Intelometry sets forth a number of add-on services that are available to customers in Massachusetts, including:

- Gift Cards
- Rewards Programs
- Cash Back
- Sponsored Promotions
- Charitable Contributions

- Carbon Offset
- Energy Efficiency Services
- Rebates
- Smart Thermostat
- National Park Passes
- Amazon Echo Dot

Report at 17.

Looking at cost savings from a different perspective, see **PUC-Set 1-2, Attachment B**, which is a Pennsylvania Information Packet that was prepared by comparing the year-by-year average price for customers in all sectors and calculating the average of those percentage differences. Using data from U.S. Energy Information Administration, the first Chart shows that in terms of price, over the period of 1998-2019, jurisdictions that offer electric choice outperform monopoly states across all customer classes. Across competitive jurisdictions, nominal electricity prices increased by 30.6%, while across monopoly states, these prices increased by 37.8%. The remaining charts are specific to Pennsylvania, which show similar trends.

Prepared by and under the supervision of: Daniel W. Allegretti

PUC 1-3

Request:

1-3. Referencing Mr. Allegretti's testimony on page 7, he cites a Pennsylvania PUC Order which noted that a POR "can promote efficiencies [and] reduce costs." Is there any evidence that the POR in Pennsylvania did lead to these results? As part of the response, please indicate whether Pennsylvania has any policies in place to artificially increase the cost of default service or reduce the cost of competitive supply as it did a number of years ago when it provided "headroom" for competition against its default rates.

Response:

RESA is not aware of evidence that the POR in Pennsylvania promoted efficiencies and reduced costs. When numerous retail enhancements are implemented simultaneously, as occurred in Pennsylvania, it is difficult to determine which program may have accounted for cost savings and other benefits realized by customers. RESA notes that Pennsylvania recently celebrated twenty-five years of electric competition.[8] Currently, 44% of the residential load in Pennsylvania is being served by electric generation suppliers.[9]

However, as explained in response to DPUC-1-1, I have observed a direct correlation between the implementation of a POR program and increased participation by suppliers in the competitive market. This occurs because a POR program mitigates the risk that suppliers bear regarding nonpayment by their customers, thereby reducing barriers to entering the market. When a state has more suppliers participating in the market, competing against each other, that is when consumers are most likely to benefit from cost savings and/or innovative products and services.

Pennsylvania does not have any policies in place to artificially increase the cost of service or reduce the cost of competitive supply. To the contrary, the Pennsylvania Public Utility Commission ("PA PUC") has endorsed the practice of one electric distribution company ("EDC") pricing default service in a manner that does not reflect all of the costs incurred to provide this service. *See generally Pa. PUC et al. v. PECO Energy Company – Electric*

[8] https://www.resausa.org/news-events/pennsylvania-celebrates-25-years-retail-energy-choice#:~:text=In%201996%20Pennsylvania's%20then%2DGovernor,choice%20among%20competing%20electricity%20suppliers.

[9] www.papowerswitch.com.

Division, Docket No. R-2018-3000164 (Order entered December 20, 2018, at pp. 30-66), which is available at this link.

The reason that the default service rate does not reflect all of the costs is that the EDC allocates all of the indirect (or shared) costs that it incurs on a company-wide basis solely to distribution service. None of these indirect costs, such as information technology, executive salaries, office supplies, rent, etc., are recovered through the price the EDC charges for default service. As a result, the EDC is using its monopoly distribution revenues to subsidize its default service, with which electric generation suppliers ("EGSs") are competing. EGSs necessarily incur indirect costs that can only be recovered through supply prices, and they incur other costs that an EDC does not – such as customer acquisition costs.

This practice is one of the reasons that comparisons between the EDC's default service rate and the EGS's competitive supply price are often misleading. Although RESA cannot confirm that other Pennsylvania EDCs are engaged in the same cost allocation approach, RESA believes that it is typically the way utilities price their default service. See **PUC-Set 1-3, Attachment C**, "Default Service Pricing Has Been Wrong All Along," *Public Utilities Fortnightly*, January 2019, by Frank Lacey, Electric Advisors Consulting.

Another reason that these price comparisons can be misleading is because the EDC's default service and the EGS's competitive supply service are not usually priced in the same way. For instance, in Pennsylvania, the EDC's rate is initially calculated and then later reconciled to reflect actual supply costs. *See Investigation of Pennsylvania's Retail Electricity Market: End State of Default Service*, Docket No. I-2011-2237952 (Order entered February 15, 2013, at p. 12), which is available at this link. The PA PUC observed that due to reconciliation and the mix of contracts that EDCs use to establish the default service rate, EGSs must compete with a rate that often is not correlated to wholesale energy markets and may move in directions opposite that of wholesale energy market trends.

Prepared by and under the supervision of: Daniel W. Allegretti