



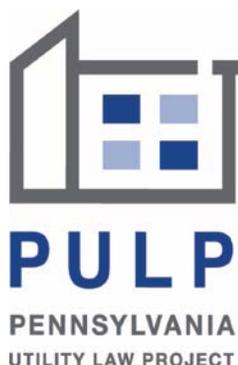
# ELECTRIC SHOPPING

## *A Handbook for Affordable Housing Professionals*

Choosing a competitive electric supplier is complicated and there are many potential – and often unforeseen – consequences for economically vulnerable households who “shop” for a competitive supplier. It is critical for supportive housing service providers to understand and articulate the benefits and drawbacks of the competitive market to enable low income customers to make an informed choice about their utility service options. In so doing, housing service providers are able to assist economically vulnerable clients to both maximize resources and maintain stability.

Prepared by the Pennsylvania Utility Law Project

March 2015



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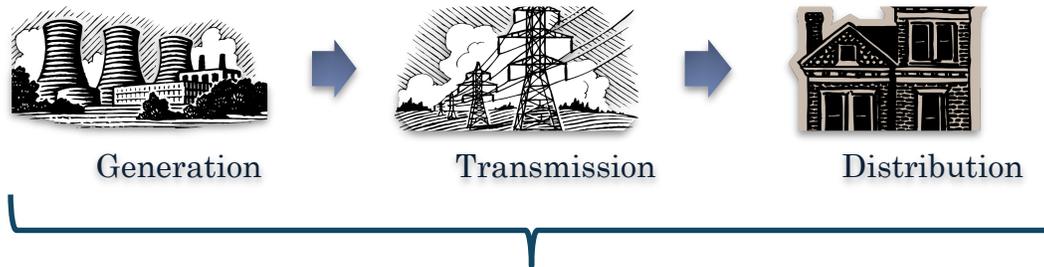
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# I. COMPETITIVE ELECTRIC MARKET BASICS

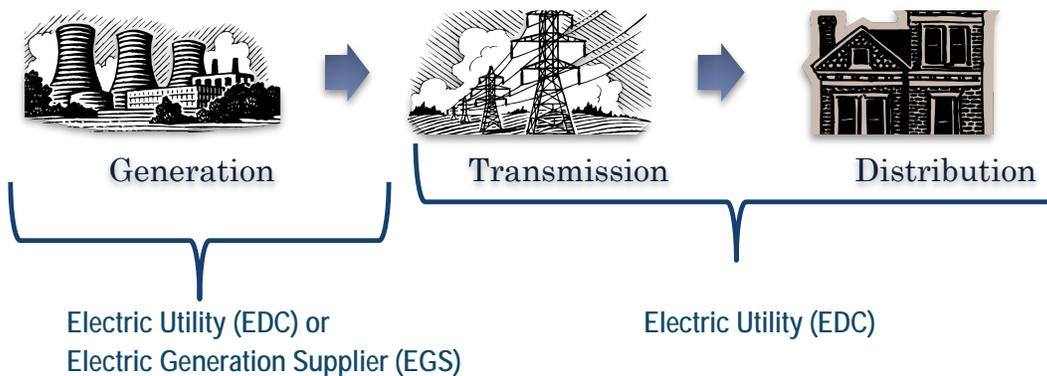
## a. Electric Market Structure

Historically, Pennsylvania's electric utilities functioned as a monopoly within their service territory and provided all three components of electric service to its customers: generation, transmission, and distribution. The rates and terms for electric service were closely regulated by the Pennsylvania Public Utility Commission.



Electric Utility (Electric Distribution Company / EDC) Before 1996

In 1996, a statutory change opened the **generation** portion of the electric industry to competition. Under this change, electric utilities (known now as electric distribution companies or EDCs) still have full control over the **transmission** and **distribution** of electricity and continue to provide electric generation to its customers. But now, customers have a choice to either “shop” for an alternative generation service from an electric generation supplier (EGS), or continue to receive generation service from their EDC (known as “default service”).



A customer who “shops” for electricity will continue to receive a bill from the EDC for the transmission, distribution, and generation charges of electricity to their home. However, the generation portion of their bill is charged by the competitive supplier at whatever rate the customer agreed to pay.

Watch a Short Video About the Basic Structure of the Electric Market:

<http://www.papowerswitch.com/about-switching-power/>

## b. Electric Generation Pricing

### *Wholesale Electricity*

Both EDCs and EGSs purchase electricity from the wholesale energy market. As with any market, the wholesale electric market is always changing, depending on basic economic principles of supply and demand.

### *EDC Electric Pricing: Least Cost Over Time*

An EDC is required by law to offer generated electricity to its customers at the “*least cost over time*” – without markup. To do this, EDCs enter into a mix of short and long-term contracts to achieve a stable price. In contracting with an EDC, wholesalers estimate the cost of electricity and the amount customers will consume over the contract period. The price that an EDC pays for electric generation, and then charges to its customers, is not necessarily the cheapest at a given point in time, but it is generally stable over the long term and acts to better ensure that electric generation is available when needed.

At times, the contract price will be higher or lower than the market price. However, this type of energy procurement strategy is intended to provide the least cost over time because it does not subject customers to dramatic price spikes when temperatures are extreme.

### *EGS Electric Pricing: Market Price*

Unlike its regulation of EDCs, the Pennsylvania PUC does not regulate the prices charged by an EGS. An EGS may purchase electricity from the wholesale market by entering into long and short term contracts – as the EDC does – or can purchase electricity from the market on an as needed basis. This type of “spot market” approach means that when the market spikes because of unanticipated high electricity demand (most often during a heat wave or a cold snap, such as the 2014 “polar vortex”), the price the EGS pays also spikes. Those rate spikes are then absorbed by the company or passed on to the customer, depending on whether the EGS resells electricity to customers at a fixed or a variable rate.

See [Section II: Electric Shopping Principles and Procedures](#) for more information about fixed, variable, and fixed/variable contracts.

## c. Electric Generation Suppliers

To sell electricity in Pennsylvania, an electric generation supplier (EGS) must obtain a license from the Commission. As of March 2015, there were approximately 300 licensed EGSs in Pennsylvania. Some sell electric to residential customers across the state, while others only sell electric to residential customers in specific distribution company territories.

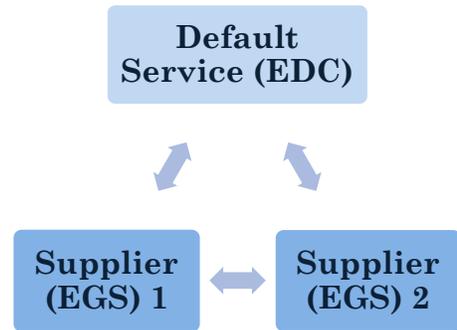
Direct consumers to the Pa. PUC website, [www.papowerswitch.com](http://www.papowerswitch.com), or the [Electric Shopping Guide](#), published by the Office of Consumer Advocate, for information regarding which EGS currently serves their area, as well as current offers and pricing information in English and Spanish: <http://www.oca.state.pa.us/Industry/Electric/elecomp/ElectricGuides.htm>.

## II. ELECTRIC SHOPPING PRINCIPLES AND PROCEDURES

Shopping for electricity is **voluntary**. The customer may choose to receive generation supply from a competitive supplier or through the EDC. If a customer chooses not to shop for generation, the EDC in their service territory will continue to provide that customer with distribution, transmission, and generation at the **least cost over time** and **with no mark-up**. Electric generation provided by an EDC is called "**default service**" and the cost for default service is known as the "**Price to Compare**" or "PTC."

Shopping for electricity is multi-directional: A customer can switch from default service to a competitive supplier, or visa versa, and can also switch from one supplier to another.

Regardless of the direction a customer chooses to switch, it is critical that the customer is an informed shopper and is aware and knowledgeable about the pricing and terms of service they currently receive and the terms of service offered by a potentially new service provider.



### a. Contract Pricing

Electric generation is generally sold to customers at a fixed or variable rate. However, there may be other types of rates available to residential electric customers. **Offers from an electric supplier may be for one or a combination of these types of rates:**

***Fixed Rate:***

The price per kilowatt hour (kWh) stays the same for at least three months or for the term specified in the contract, whichever is longer.

***Variable Rate:***

The price per kWh changes each month, week, day, or hour, depending on the terms of the contract between the customer and the supplier.

***Time of Use Rate:***

The price per kWh changes, depending on the time that the customer uses the electricity. For example, a supplier may offer one price for electric used from 9pm to 6am and another price for electric used from 6am to 9pm.

***Interruptible Rate:***

A special price per kWh for customers who agree to have their service reduced or suspended, either due to high demand, high cost periods, insufficient supply, or emergencies.

Watch a Short Video About Fixed and Variable Rates:

<http://www.papowerswitch.com/shop-for-electricity/understanding-fixed-and-variable-rates/>

## b. Terms of Service and Additional Fees

Contracts for electric generation from an EGS are often filled with additional terms and conditions for service. Before signing a contract, customers should understand these terms and how they may affect their bill.

### ***Contract Duration:***

Contracts for electric service can be for any duration. Often contracts are for 3, 6, 9 or 12 months, but they may also be for just one month. Also, some contract terms may differ within the contract period. For example, a supplier may offer a 12 month contract with an introductory fixed rate to customers for one month, followed by a variable rate for the next 11 months.

### ***Contract Expiration:***

A supplier's contract will most likely specify what will happen when the contract expires. This is important for the consumer to know and to keep track of because at the end of the contract fixed rates may go up automatically or transform into variable rates.

### ***Cancellation:***

Cancellation terms often provide that a customer must pay a fee if she or he cancels the contract for service with an EGS before the contract ends.

### ***Non-Basic Services:***

Suppliers sometimes offer additional services that are in addition to generation supply, such as equipment maintenance contracts or consumption tracking tools. These services may require an additional fee.

### ***Pass-through Fees (Unanticipated Costs):***

Suppliers may include a term in the contract that allows them to add a fee to a customer's bill based on an unanticipated or unavoidable cost. ***The supplier must clearly explain the factors that may trigger a pass-through fee in its disclosure statement and may only charge the fee if it:***

- (1) Reformulates the customer's existing contract to include the new fee.
- (2) Provides advance notice of the reformulated contract.
- (3) Provides advance notice of the customer's options to accept or reject the reformulated contract.
- (4) *Obtains the customer's affirmative consent.*

If the customer rejects the new contract, she or he can either select a new supplier or request to return to default service. If the customer takes no action to accept the reformulated contract or change to a new supplier, the supplier is required to return them to default service.

If a competitive supplier goes out of business or decides to stop offering service, customers of that supplier will be returned to their default service provider, which is designated as the **Provider of Last Resort**. Customers who shop for electric generation will not be left without the ability to purchase electric service.

## c. Switching Process and Procedure

### Step 1: Determine if Customer is Enrolled in a Customer Assistance Program

- Low income customers should always first determine if he or she is enrolled in the EDC's customer assistance program (cap). If the customer is enrolled in CAP, the customer should familiarize themselves with CAP terms and discounts. See [Section IV, Universal Service and Energy Efficiency and Conservation Programs \(USECPs\) and Shopping](#)

### Step 2: Customer Reviews Electric Account

- Review current usage patterns, and determine the approximate amount of electricity (kilowatt hours (kWh)) used each month.
- Identify the type of electric service (this information is on the customer's bill):
  - Residential Service (RS)
  - Residential and Heating Service (RH)
  - Residential / Heat Pump (RA)
- The Pa. PUC website has guidance for consumers to help them understand their bill. Visit <http://www.papowerswitch.com/about-switching-power/understanding-your-bill/> for sample bills from each EDC service territory.

### Step 3: Customer Compares Pricing and Terms of Service

- Review the pricing and terms of any *current competitive contract obligations* (if any) to determine:
  - The expiration date of the current contract;
  - Whether there are any cancellation fees or other charges; and
  - What happens at the conclusion of the current contract.
- Compare the prices and terms of current offers:
  - Access current offers for each service territory on the Pa. PUC website [www.papowerswitch.com](http://www.papowerswitch.com) or the Office of Consumer Advocate website <http://www.oca.state.pa.us/Industry/Electric/elecomp/ElectricGuides.htm>
  - Be sure to note the following about each offer:
    - Whether the offer is fixed or variable;
    - The length of the offer;
    - Whether the offer is for an introductory price;
    - The frequency in which the price is subject to change; and
    - Whether there are any cancellation fees or other charges.

## Step 4: Customer Contacts Selected Supplier or EDC

- If switching to default service:
  - Contact the EDC to request the switch.
  - Be aware of and prepared to pay any fee or penalty associated with early termination of an existing contract.
  
- If switching to a new supplier:
  - Contact the new supplier to request the switch.
  - Provide the supplier with your utility account number to initiate the switch
  - Verify the supplier's prices and terms set forth in the [supplier disclosure statement](#) and [supplier contract summary](#), which are required to be provided to the customer when she or he requests service.

### Model Supplier Contract Summary:

Electric Generation Supplier Information	Name, telephone number, website, etc. Plain language statement that EGS is responsible for generation charges.
Price Structure	Fixed or variable. If variable, based on what? If variable, how often is the rate expected to vary? If variable, give any applicable ranges/ceilings. If no ranges/ceilings, a plain language statement indicating this fact. If variable, describe when the customer will receive notification of price changes in relation to time of month, monthly meter read, billing cycle or when price takes effect.
Generation/ Supply Price	\$/kWh or ¢/kWh. If variable rate, the first billing cycle's rate. Any introductory rate with length of term.
Statement Regarding Savings	Plain language that the supply price may not always provide savings to the customer.
Deposit Requirements	Any deposit requirements necessary for a customer and any terms associated with that deposit, in plain language.
Incentives	Any bonuses, discounts, cashback, etc. offers and any associated terms, in plain language.
Contract Start Date	Plain language regarding start of EGS service (meter reads/billing cycles/etc.).
Contract Term/ Length	In months, billing cycles, etc.
Cancellation/ Early Termination Fees	Yes or no. If yes, describe the amount of the fee and how to avoid that fee, if possible.
Renewal Terms	Treatment of customer at end of contract. Timing of notices. No cancellation/early termination fees. In plain language.
Electric Distribution Company Information	Name, telephone number, website, etc. Plain language statement that EDC is responsible for distribution charges, as well as any emergencies/ outages/ etc.

### Step 5: Customer Has Three-Day Right to Rescind (Cancel) Contract

- A customer has three days from the time she or he receives the supplier disclosure statement to cancel the contract with a new supplier. Customers can exercise this right in writing, orally or electronically (if available).

*A customer cannot "waive" the 3-day rescission period. 52 Pa. Code § 54.5(d)(4). However, the supplier may contact the EDC to begin the switching process on the next business day (before the three-day right to rescind is complete) if the customer gives their express consent. 52 Pa. Code § 57.173. Even in this case, the customer may still rescind (cancel) the contract within 3 days.*

### Step 6: Supplier Contacts EDC

- The supplier notifies the EDC that the customer requested to switch electric suppliers either (1) at the end of the three day rescission period or the next business day after the customer contacts the supplier (if the customer consents). See Step 4.

### Step 7: EDC Sends Confirmation Letter

- The EDC must send the customer a confirmation letter when the supplier notifies the EDC of the switch, indicating the new supplier and the date that service will begin.
- If a customer receives a confirmation letter, but did not authorize a switch, she or he may have been the victim of "**slamming**" (switching a customer without their permission) and should contact their EDC immediately to reverse the switch.

### Step 8: EDC Transfers Customer to New Supplier or Default Service

- The EDC must switch the customer to the new supplier or default service within three business days of receiving notice from the supplier or (if returning to default service) from the customer of the proposed switch. See Step 4.

### Step 9: Customer Monitors Contract and Continues Shopping

*Shopping for electric service is an ongoing process. It is critical for customers who switch to a new supplier to pay close attention to the rates they are paying and to any changes in contract prices or terms. The customer should:*

- Read all notices from the supplier.
- Be on the lookout for the supplier's **Renewal Notice** and **Options Notice**.
- Note key contract dates, including the expiration of an introductory or fixed rate.
- Take action: Switch to a new supplier, return to default service, or accept new rate.

When a fixed rate is set to expire, or a variable rate is set to change, suppliers are required to provide customers with a written "**Options Notice**" at least 45 days in advance of the change in a separate, clearly marked mailing.

Suppliers are also required to send a "**Renewal Notice**" between 52 and 90 days before a contract expires.

### III. THE PROS AND CONS OF SHOPPING

“Shop. Switch. Save.” is the message that consumers often hear. But many customers who choose to enter the competitive market may not experience a savings over the long term on their electric bill.

#### a. General Pros and Cons of Shopping

Before deciding whether to shop for electricity from the competitive market, it is critical that consumers are informed about and fully understand the pros and cons. A partial list of the pros and cons of shopping are included below:

PRO +	CON -
<ul style="list-style-type: none"><li>• Careful shopping can result in cost savings on monthly electric bills.</li><li>• Customers can purchase alternative forms of electricity generation, such as wind or solar.</li><li>• Customers with unique electric service needs, such as seasonal heating for vacation homes or cabins, may be able to get special rates to meet those needs.</li></ul>	<ul style="list-style-type: none"><li>• There is no upward limit to the rates which may be charged.</li><li>• Alternative forms of electricity, such as wind or solar, is often more expensive than traditional electricity.</li><li>• Variable rates can change frequently, which means that the customer's bill is less predictable.</li><li>• When a fixed rate expires, it may "roll over" into a variable rate. If not careful, the customer could be paying a volatile rate.</li></ul>

## b. Pros and Cons for Low Income Customers

Low income customers are subject to unique risks in the competitive electric supply market. Because of their economic position, low income customers may be more vulnerable to promises of savings.

- **High-Pressure, Misleading, and Confusing Sales Tactics**

There are currently over 300 electric suppliers selling electric service in Pennsylvania, and many of these suppliers use high-pressure telephone and door-to-door solicitation. Door-to-door solicitation is often focused more heavily in urban, low income neighborhoods, where housing is more dense allowing marketers to maximize their time.



In addition to high pressure sales tactics, other incentives such as gift cards, free weekend service, and offers of credit are regularly used to entice customers into accepting a fixed rate that is more than the price to compare or a variable rate that is subject to market volatility. Low income consumers, who face financial instability on a daily basis, are often more susceptible to this type of sales tactic, leading to unaffordable bills and – ultimately – higher termination rates.

- **Universal Service and Energy Efficiency / Conservation Programs (USECPs)**

Shopping may impact the level of assistance available to a low-income individual or household and/or the individual or household's eligibility to participate in a USECP.

This topic is explored thoroughly below in [Section IV, Universal Service and Energy Efficiency / Conservation Programs \(USECPs\) and Shopping.](#)

- **Past Due Balances (Arrearages)**

Customers CAN NOT avoid paying a past due bill to an EDC by switching to a new supplier. EDCs will still attempt to collect past due balances and, if those balances are not paid, EDCs will terminate the customer's electric service regardless of the customer's electric supplier.

- **Collections and/or Termination**

The same termination and/or collections procedures apply, regardless of whether a customer receives generation supply from the EDC or an EGS. For example, customers must be given notice at least 10 days prior to an involuntary service shut-off. The winter moratorium, which prohibits termination of low-income households from December through March, also applies.

#### IV. UNIVERSAL SERVICE AND ENERGY EFFICIENCY/CONSERVATION PROGRAMS (USECPs) AND SHOPPING

USECPs are designed to ensure that everyone has access to affordable utility services. Shopping for electric service may complicate and/or interfere with a household's ability to participate in a universal service program.

##### a. Customer Assistance Program (CAP)

CAPs are administered by each EDC, and provide payment troubled customers with income at or below 150% of the federal poverty level (FPL) with reduced monthly rates and the opportunity for forgiveness of debts to that utility which accrued before the customer enrolled in CAP. These reduced rates may be based upon a bill discount, a percentage of the household income, or a combination of factors. CAPs are administered by EDCs and funded by other residential customers. The program names, structure, and terms vary by company.

*Suppliers and their sales representatives do not know the terms of each EDC's CAP or whether a customer is enrolled in or eligible for CAP, and are not required to explain the potential consequences of shopping to a CAP customer's eligibility or level of benefits. Therefore, low income customers who are eligible for or enrolled in CAP must be careful to investigate and weigh the potential consequences of shopping to their monthly bills, their CAP enrollment status, and to the maximum level of benefits they may receive.*

##### *Increased Cost of CAP program*

If a CAP customer makes a shopping decision which results in a price that is higher than the Price to Compare, the cost of service for that customer and for the CAP program (which is paid for by non-CAP residential ratepayers) may increase.

##### *CAP Ineligibility*

In service territories where CAP shopping has not yet been integrated into the CAP structure (currently Duquesne Light and PECO), switching to a competitive supplier will jeopardize the customer's ability to enroll in or maintain CAP assistance.

Approximately **70%** of CAP customers who shopped for electric service in the PPL Electric service territory in 2013 paid more than the Price to Compare.

### *Decreased CAP Benefits*

Most CAP programs limit the maximum amount of benefits or discount that a customer may receive, either on a monthly or yearly basis. If a CAP customer contracts for a rate higher than the current PTC, the benefit that the customer receives will be used at an accelerated pace, may not be sufficient to extend the entire year, and will be less effective in reducing the customer's monthly bills.

### *Increased Risk of Termination*

Unlike non-CAP customers, customers who are behind on CAP bills are not eligible for a PUC ordered payment arrangement to spread payment of arrears over a period of time. As a result, CAP customers who may face higher monthly bills due to shopping have fewer options for repayment than non-CAP customers and are more likely to be removed from CAP and/or subject to loss of service.

The following chart provides basic information about the impact of shopping on CAP benefits in First Energy, PPL, PECO, and Duquesne service territories.

See [Appendix A](#) for detailed information about CAP shopping in each service territory.

#### **First Energy**

##### **Shopping impacts billed amount, not CAP credits**

- CAP customers who choose a supplier with a lower price will receive a lower bill.
- CAP customers who choose a supplier with a higher price will receive a higher bill.

#### **PPL Electric**

##### **Shopping affects CAP credits, not billed amount.**

- CAP customers who choose a supplier with a lower cost do not get an additional discount.
- CAP customers who choose a supplier with a higher price do not receive a higher bill, but will use their CAP credits more quickly.

#### **PECO**

##### **CAP customers cannot shop.**

- PECO's proposed CAP Shopping Plan would allow CAP customers to shop IF the offer does not exceed the Price-to-Compare.
- The PUC ordered PECO to allow CAP customers to shop for any EGS.
- An appeal is pending in Commonwealth Court.

#### **Duquesne Light**

##### **CAP customers cannot shop.**

- Duquesne is developing a CAP shopping plan that will allow CAP customers to shop IF the offer does not exceed the Price-to-Compare.
- Duquesne requested to delay its CAP shopping until the Commonwealth Court issues decision on PECO shopping.

**b. Low Income Home Energy Assistance Program (LIHEAP)**

LIHEAP is administered through the Pennsylvania Department of Human Services (DHS, formerly DPW) and provides Cash and/or Crisis (emergency) assistance grants to low income customers. DHS will not directly vendor LIHEAP grants to competitive suppliers.

*If a supplier bills its customers separately for generation service, those customers cannot designate their LIHEAP grant to pay the separate bill. In addition, if a customer has accrued a larger debt as a result of paying rates higher than the Price to Compare, it is less likely that customer will be eligible for a Crisis grant.*

**c. Low Income Usage Reduction Program (LIURP)**

LIURP is administered by each EDC and is primarily available to customers who are at or below 150% of the federal poverty level (FPL), although some programs extend eligibility to 200% FPL for some customers. Qualifying households will receive an energy audit to determine the household's energy use and to identify appropriate energy conservation measures to help reduce the household's energy consumption, with the goal of reducing the monthly energy bill.

*Eligibility for LIURP is not impacted by shopping.*

**d. Budget Billing**

Budget Billing is available to all electric customers. To calculate a budget billing amount, the EDC takes the customer's total annual utility costs, and divides that total evenly across all twelve months of the year. This can help customers to plan their annual budget with greater accuracy because their utility payments will not change each month. The utility company can adjust the amount of your monthly payments up to four times a year to compensate for higher or lower actual usage in your home.

*Shopping customers can enroll in budget billing. However, if a customer purchases electricity from a competitive supplier for a price higher than the price to compare, the customer may have to pay a significant catch-up amount when their monthly payment is adjusted.*

**e. Hardship Funds**

Hardship Funds provide households in crisis with cash assistance to pay a utility bill. Funds are generally available only after other resources, such as CAP and LIHEAP, have been exhausted. Hardship funds are paid directly to the EDC.

*As with LIHEAP, if a supplier bills customers separately for electric generation, those customers are unable to designate their hardship grant to pay the separate bill.*

## VI. RESOURCES

### a. Client Questionnaire

#### Q. What type of electric service do you have?

Residential Electric

Residential Electric and Heat

Residential Electric / Heat Pump

*This information is important to know before the customer begins to shop because offers may vary depending on the type of service the customer has.*

#### Q. How much electricity do you use on average and what is your average monthly bill?

*The PUC's website, [www.papowerswitch.com](http://www.papowerswitch.com), and the Office of Consumer Advocate Electric Shopping Guide provides an estimated average bill based on the customer's monthly usage. If the customer knows their average usage before she or he begins to shop, it is easier to compare offers to the customer's current bill. If a client only uses a small amount of electricity each month, the benefits of switching electric service may not be worth the time it takes to research other options.*

#### Q. Are you enrolled in a customer assistance program (CAP)?

*Depending on the service territory, CAP customers may or may not be able to shop. And, when CAP customers are able to shop, she or he may experience negative consequences, such as higher bills or a shortened period of time to receive CAP benefits. See Section IV and Appendix A for information about the impact that shopping may have on CAP in each service territory.*

#### Q. Are you eligible for a LIHEAP grant?

*If the customer is eligible for a LIHEAP grant, she or he should be aware if they are eligible for a Cash or Crisis grant or both. They should also be careful to check if the potential suppliers bill the customer separately (sometimes referred to as dual billing). DHS will not pay an EGS directly with a LIHEAP grant for a current or past due balance.*

#### Q. Are you currently behind in payments to your electric company, or do you have difficulty making on-time, in-full payments?

*A customer cannot avoid paying past-due balances by switching to a different supplier for electric generation. The electric distribution company (EDC) may still terminate service for failure to pay a past-due bill, regardless of the company which supplies the customer with electricity.*

## b. Consumer Education Tools

- **PA Power Switch**

### **Pennsylvania Public Utility Commission**

Provides consumers with information about shopping, renewable energy, and tips on ways to save energy. Also allows consumers to sign up to receive email alerts when residential rates change. Access this website here: <http://www.papowerswitch.com/>.

- **Residential Consumer's Electric Shopping Guide**

### **Office of Consumer Advocate**

Provides consumers with up-to-date information about the price and terms of current EGS offers, in both English and Spanish. The OCA also provides abridged shopping guides that provide information about suppliers in specific service territories. Access the collection of guides here: <http://www.oca.state.pa.us/Industry/Electric/elecomp/ElectricGuides.htm>.

## c. Referral Organizations

- **Pennsylvania Utility Law Project (PULP)**

The Pennsylvania Utility Law Project (PULP) is a state-wide organization that provides information, assistance, and advice about residential utility and energy matters affecting low-income consumers. PULP provides services to both individual clients and agencies who assist low-income individuals.

**Contact:**

PULP  
118 Locust Street  
Harrisburg, PA 17101  
717-236-9486  
[pulp@palegalaid.net](mailto:pulp@palegalaid.net)

- **Office of Consumer Advocate (OCA)**

The Office of Consumer Advocate (OCA) is a state agency that represents the interests of Pennsylvania utility consumers before the Pennsylvania Public Utility Commission. The OCA helps consumers and/or groups of consumers with utility complaints.

**Contact:**

PA Office of Consumer Advocate  
5<sup>th</sup> Floor, Forum Place  
555 Walnut Street  
Harrisburg, PA 17101-1923  
800-684-6560  
717-783-5048  
[consumer@paoca.org](mailto:consumer@paoca.org)

## VII. GLOSSARY

For more terms and definitions, visit <http://www.papowerswitch.com/glossary>.

### 3-Day Right to Rescind

Customers who select an electric generation supplier (EGS) have three days to cancel the contract without penalty. This three-day right to rescind cannot be waived, but a customer can give permission to begin the switching process before the three day rescission period is over. Giving permission to expedite the switching process does not preclude the customer from canceling the contract without penalty within three days.

### Electric Distribution Company (EDC):

An EDC is a company that owns the power lines and equipment necessary to deliver purchased electricity to the customer. EDCs are responsible for billing, meters, outages, and service disconnection/reconnection. EDCs also are responsible for Universal Service and Energy Efficiency/Conservation Programs.

### Electric Generation Supplier (EGS):

An EGS includes any individual or entity that sells electricity to customers using the transmission or distribution facilities of an EDC. EGSs must be licensed to sell electricity by the PUC. Generally, EGSs purchase electricity on the wholesale market and resell it to residential customers. *The prices and terms of service are typically governed by a contract between the EGS and the customer that is not subject to PUC regulation or approval.*

### Default Service

Customers who do not shop for electric service receive default service from the electric distribution company (EDC) in their service territory. Default service is statutorily required to be provided at the least cost over time, without any markup for profit. This price is also referred to as the "Price to Compare" (PTC).

### Distribution

The delivery of electricity to your home or business. This includes the local wires, transformers, substations and other equipment used to deliver electricity to end-use consumers from high-voltage transmission lines.

### Generation

Generation refers to the production of electricity. Generation service is the portion of an electric bill that is open to competition.

### Least Cost Over Time

EDCs are required to provide electric supply service at the least cost over time, without any market for profit. To do this, EDCs purchase a prudent mix of short-term and long-term contracts that will provide a low, stable cost over time. This price is referred to as the default service price or the "Price to Compare" (PTC).

### The Pennsylvania Public Utility Commission (PUC):

The PUC is the state agency that regulates and provides oversight, policy guidance and direction to electric distribution companies (EDCs) by setting rates, terms, and conditions of service. It also oversees the competitive electric market by licensing electric generation suppliers (EGSs) and establishing marketing regulations. The PUC also has a quasi-judicial responsibility to investigate and rule on informal and formal complaints filed by customers.

### Price to Compare

The Price to Compare (PTC) is the price that an EDC charges for default service. The PTC is statutorily required to be provided at the least cost over time, without any markup for profit.

### Provider of Last Resort (POLR)

A Provider of Last Resort (POLR) provides customers with electric service if their current supplier goes out of business or otherwise stops offering electric supply in the customer's service territory. Currently, the EDCs serve as the POLR.

### Slamming

Switching a customer's electric generation service supplier without the customer's permission.

### Supplier Contract Summary

A supplier contract summary is an easy-to-read, one-page document with the most important terms of the disclosure statement. Suppliers are required to provide customers with a supplier contract summary along with its supplier disclosure statement.

### Supplier Disclosure Statement

A summary statement from an Electric Generation Supplier (EGS) that discloses and explains essential contract terms. This statement must be provided to customers before the customer contracts with an EGS for service.

### Supplier Renewal Notice

Suppliers must send a Renewal Notice between 52 and 90 days before a supplier contract expires.

### Supplier Options Notice

Suppliers must send an Options Notice to customers at least 45 days before the terms and/or price for electricity changes. The Options Notice must include:

- the specific changes to the terms of service being proposed;
- information on new prices;
- an explanation of the customer's options and how to exercise those options;
- the date by which the customer must exercise one of the options;
- the telephone numbers and website addresses for the Commission and the Office of Consumer Advocate; and
- The electric distribution company's Price to Compare.

### Transmission

The movement of electricity from where it is produced to a local distribution system.

### Universal Service and Energy Efficiency / Conservation Programs (USECPs)

USECPs are programs that are designed to help low-income customers to access affordable utility services. For example, LIHEAP and CAP provide financial assistance in the form of grants and discounts, respectively, which reduce low income customer's overall bill and/or arrearages. Low Income Usage Reduction Programs (LIURP) provide assistance with installing weatherization and/or energy efficiency measures to help low income customers reduce their overall energy consumption.

## APPENDIX A: COMPANY-SPECIFIC CAP SHOPPING INFORMATION

### Duquesne Light Company

Duquesne Light CAP customers are not currently allowed to shop while enrolled in the Duquesne Light CAP program. This may change, depending on a number of factors, including the outcome of an appellate case currently pending before the Commonwealth Court of Pennsylvania, Duquesne's revisions to its IT and billing system, and further determinations by the PUC.

The Duquesne Light CAP program provides a discount on a CAP customer's bill that is based on their current income. For example, a customer with income between 0-50% of the federal poverty income guidelines is required to pay 30% of their bill if they are a residential electric service customer and 45% of their bill if they are a residential heating customer.

#### *Duquesne Percent of Bill Categories (2014-2016 CAP Program)*

Income Category:	Residential Service Percentage of Budget Bill Payment:	Residential Electric Heat Percentage of Budget Bill Payment:
0% to 50 % of Poverty	30%	45%
51% to 100% of Poverty	60%	65%
101% to 150 % of Poverty	85%	80%
LIHEAP Recipient*	100%*	100%*

The maximum discount that a CAP customer may receive through the course of a year is limited:

- Residential CAP customers may receive up to **\$700 / year** in discounts.
- Residential heating CAP customers may receive up to **\$1,400 / year** in discounts.

#### **Example:**

Customer A is a residential service customer and uses an average of 1,000 kWh/month, and has an income between 50-100% FPL. The Price to Compare (PTC) is \$.0809/kWh.<sup>1</sup>

Non-CAP Bill = \$80.90

CAP Bill = \$48.54 (savings of \$32.36/month)

CAP Discount / Year = \$388.32

As of January, 2015, if Customer A shops, they will lose their CAP eligibility, and will lose the \$388.32/year discount.

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<sup>1</sup> This Duquesne Light PTC is current through May 31, 2015. Check the PUC website ([papowerswitch.com](http://papowerswitch.com)) or the OCA Electric Shopping Guide for the current PTC.

## First Energy

**First Energy CAP customers are allowed to shop.** First Energy companies include: West Penn Power, Penelec, MetEd, and Penn Power. CAP customers who shop receive the same CAP discount (credit) each month as non-shopping CAP customers, regardless of whether they pay more or less than the PTC. Thus, successful shoppers (those with a rate lower than the PTC) pay less on their monthly bill while unsuccessful shoppers (those with a rate higher than the PTC) pay more on their monthly bill.

**The terms of First Energy's CAP are currently under review by the PUC.**

## PECO

**PECO CAP customers are not currently allowed to shop while enrolled in PECO's CAP program.** PECO proposed a plan to the Commission that would allow CAP customers within their service territory to shop, but would only allow participating suppliers to charge CAP customers a price *equal to or less than the Price to Compare*. The PUC rejected this proposal, and the issue is on appeal in the Pennsylvania Commonwealth Court.

## PPL Electric

**PPL CAP (OnTrack) customers are allowed to shop.** PPL CAP customers with an income that is at or below 150% of the Federal Poverty Level (FPL) receive a predetermined amount of discount (credit). The discount is applied each month to bring that customer's bill to an affordable level. Once a customer runs out of discount (credits), she or he must pay the full, undiscounted rate for the rest of the year. As a result, unsuccessful shoppers may (and often do) run out of discounts (credits) before the year is over.

# Contact PULP for Technical Assistance

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