

**STATE OF MARYLAND  
PUBLIC SERVICE COMMISSION**

<b>Washington Gas Energy Services</b>	)	
<b>Application For Rehearing of Letter Order</b>	)	<b>Maillog No. 141494</b>
<b>Dated June 21, 2012</b>	)	

**RESPONSE TO APPLICATION FOR REHEARING  
OF THE  
NATIONAL ENERGY MARKETERS ASSOCIATION**

The National Energy Marketers Association (NEM)<sup>1</sup> hereby submits its response in support of the Application for Rehearing filed by Washington Gas Energy Services (WGES) on July 20, 2012. This response is filed pursuant to the Commission’s Notice of Opportunity to Respond dated August 23, 2012, in the above-referenced proceeding. In its filing, WGES seeks rehearing of the Commission’s June 21, 2012, Letter Order accepting Baltimore Gas & Electric’s (BGE’s) proposed tariff revisions to update the discount rates for BGE’s gas and electric purchase of receivable (POR) programs. The Order approved BGE’s proposal to reset the negative discount rates yielded by the methodology in its tariff up to zero while simultaneously allowing BGE to retain the overcollections remitted by participating suppliers during the previous POR program year. WGES sought rehearing of:

the Commission’s decision to accept BGE’s tariff revisions to require that negative discount rates be reset to zero in future filings and to reset each

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<sup>1</sup> The National Energy Marketers Association (NEM) is a non-profit trade association representing both leading suppliers and major consumers of natural gas and electricity as well as energy-related products, services, information and advanced technologies throughout the United States, Canada and the European Union. NEM’s membership includes independent power producers, suppliers of distributed generation, energy brokers, power traders, global commodity exchanges and clearing solutions, demand side and load management firms, direct marketing organizations, billing, back office, customer service and related information technology providers. NEM members also include inventors, patent holders, systems integrators, and developers of advanced metering, solar, fuel cell, lighting and power line technologies.

negative discount rate computed by each schedule to zero and to continue to allow BGE to retain over-collections made by competitive suppliers during a POR year. WGES asks the Commission not to adopt tariff revisions for one utility by letter order that requires resetting negative discount rates to zero, to institute a rulemaking to revise its regulations if necessary to improve all utility POR tariffs, and to direct BGE to apply the negative discount rates produced by the tariff provisions that were in effect when BGE made its compliance filing. (WGES at 1-2).

WGES is seeking rehearing to redress the following effects of the Letter Order: (1) failure to follow BGE's previously approved tariff and failure to compensate suppliers for overpayments; (2) revising BGE's tariff to mandate resetting negative discount rates to zero based on "the erroneous assumption that negative discount rates will result in utilities paying suppliers to use their billing systems"; (3) revising only BGE's tariff and not other utilities pertaining to a matter that should have been subject to a generic rulemaking proceeding; (4) failure to compensate suppliers for overpayments charged under BGE's tariff and BGE's receipt of compensation other than that provided for in an approved tariff; and (5) deficiency of the record to justify the departure from the approved tariff provisions. (WGES at 11-12). Succinctly stated, by setting the negative discount rates to zero while also permitting BGE to retain the overcollection of supplier payments, "BGE is being allowed to retain excess revenues paid by suppliers that do not recover any actual or projected costs." (WGES at 7).

In NEM's June 14, 2012, comments on BGE's POR discount rate filing, we suggested that the Commission require BGE to maintain its current discount rate calculation methodology as currently set forth in its tariff. NEM argued that if the calculation yields a negative discount rate, then the rate should be rounded up to zero. However, we suggested that this be accompanied by the coordinated action of carrying forward the

credit (difference) below the zero discount rate for application in future periods in the reconciliation component, in addition to carrying forward costs as BGE proposed. Although the Letter Order retained the discount rate calculation methodology, it failed to provide a mechanism to compensate suppliers for the overpayments that had been collected from them by BGE using either the method suggested by NEM or an alternative means. This is a serious deficiency for which WGES seeks redress in its Petition, and of which NEM is likewise concerned.

Through the first two years of BGE's POR program it collected \$2,042,992 in overpayments from suppliers, and the utility projects that overcollections in year three of the program will be \$1,833,332. (WGES at 8). Suppliers should not be required to pay POR costs in excess of that which BGE incurs, particularly without a mechanism for ensuring that supplier overpayments are reimbursed or credited in some manner in the future. To be clear, a negative discount rate does not mean that BGE would be paying suppliers to use its billing system. Rather, BGE customers, both shopping and non-shopping, have already paid for the billing system in their delivery rates. Moreover, suppliers pay BGE a set fee of \$.50 for each utility consolidated bill, pursuant to Schedule 1 of BGE's Supplier Coordination Tariff. The POR program represents an efficient use of the ratepayer-funded utility billing system that avoids a duplication of billing infrastructure and associated consumer costs at the early stages of market opening.

In response to BGE's POR update filing it was suggested in stakeholder comments that the supplier overpayments be refunded and the discount rate be set to the negative rate calculated under BGE's tariff; that the overcollections be returned to suppliers in the reconciliation component of the discount rate; and that consideration be given to using

the overpayments to fund retail market enhancements. However, the Letter Order failed to adopt any of these solutions, or any other mechanism, for addressing historic and projected supplier overpayments under the POR program. While the Letter Order does mention reconvening the Supplier Coordination Working Group to discuss the POR discount rate calculation methodology, the Commission should timely and equitably address the overpayments collected by BGE thus far.

### **Conclusion**

For the foregoing reasons, NEM supports the request for rehearing and respectfully requests that the Commission reconsider its Letter Order such that BGE is not permitted to reset negative discount rates to zero while simultaneously allowing BGE to retain overpayments made by competitive suppliers during a POR year.

Respectfully submitted,

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