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Hon. Kathleen H. Burgess
Secretary
NYS Public Service Commission
Three Empire State Plaza
Albany, N.Y. 12223

RE: Cases 15-M-0127, 12-M-0476, 98-M-1343: Notice Seeking Comments on Resetting Retail Energy Markets for Mass Market Customers

Dear Secretary Burgess,

I support the PSC's proposal to establish guidelines for determining reasonable reference prices for mass market customers. A properly constructed reference price will provide valuable insight into the market to ensure that customers are treated fairly and that the ESCOs costs and risks are properly accounted for.

Fixed price contracts provide value to customers because of the price certainty and the ability to budget expenses. In a volatile pricing environment, the fixed price contract allows the customer to secure peace of mind for an expense that can be a significant part of their budget. I am concerned however that the PSC is taking a position that only a fixed price structure provides value to customers. A fixed price contract in an elevated pricing environment locks customers into a price that may in retrospect be limiting their options if the market drops after the contract is signed. That is not to say that customers won't freely sign fixed price contracts at those levels. It does put the PSC in the business of speculating that the market will only continue to go up.

Commodity markets are a zero sum gain proposition. Someone who is selling a forward position in most cases is doing so because they believe that the market is likely to go down. The buyer is taking the position that the market is likely to go up. By only allowing ESCOS to sell fixed price it puts the PSC in the position of committing mass markets customers to a view of the commodity markets that is perpetually rising. We all know that that is not how commodity markets work and by the PSC forcing mass market customers to sign only fixed price contacts the PSC is taking a position that the customer may not want to take.

There is an easy solution to this situation embedded in the proposed reference price formula. The reference price formula takes into account many variables to establish a twelve month fixed price. By subtracting out the weighted average cost of commodity, that fixed price formula easily becomes a fixed index price. The fixed index contract is a very desirable product in the market. It gives customers the ability to make their own determination of what a reasonable price level is. It is also something that can be easily converted by a customer to a fixed price product if they decide that the commodity price is at an attractive level. That option can even be imbedded in the agreement whereby it automatically converts to a fixed price contract when a specified price level is met. Until they decide to convert to a fixed price contact the customer is on a fixed index price which is fully transparent because it is made up of the index plus either the monthly NYMEX settlement in the case of gas or the zonal LBMP in the case of electric.

There are many variables that come into play in determining the reference fixed price, the most critical being the load profile of the typical residential and small commercial customer as compared to the level of assets that are allocated to that customer. Breaking out the formula further we can expand this process to establish reasonable monthly prices. By taking the formula and breaking out the load factor on a month to month basis, it is very easy to come up with a monthly price. In a hypothetically stagnant commodity market, if the forward twelve-month curve were to remain constant, the month by month calculation would be identical to that of a twelve month fixed price calculation. Given that the formula is already established, there is no reason why this methodology couldn't be put in place.

The reference price formula is able to take into account as many variables as we ask it to. In my comments of March 14, 2016, I raised the issue of the need for full disclosure of broker commissions as a goal that the PSC should seek to achieve. This sentiment was also mentioned in the comments of the NYS Attorney General of April 4, 2016. Lately, when ESCOs have been performing their own calculations of their cost inputs, the broker commissions have become a larger and larger share of the price to the customer. It is no longer an insignificant part of the cost. It is only reasonable that brokers be brought into this process through full disclosure of their fees. We are spending a significant amount of time on establishing proper guidelines and the PSC would be remiss to not take this opportunity to address this issue.

Respectfully Submitted,

By: /s/ Victor Ferreira

President, Big Apple Energy, LLC