
New York Public Service Commission

Case 15-M-0127 - In the Matter of Eligibility Criteria for Energy Service Companies

Case 12-M-0476 - Proceeding on the Motion of the Commission to Assess Certain Aspects of the Residential and Small Non-Residential Retail Energy Markets in New York State

Case 98-M-1343 - In the Matter of Retail Access Business Rules

Case 14-M-0101 - Proceeding on Motion of the Commission in Regard to Reforming the Energy Vision

Infinite Energy's reply to comments filed June 6, 2016 by other interested parties

Infinite Energy, Inc. dba Intelligent Energy ("Infinite Energy") appreciates this opportunity to reply specifically to comments filed in these proceedings on June 6, 2016 by the Public Utility Law Project (PULP), the Utility Intervention Unit (UIU), and the Office of the New York State Attorney General (NYAG) with respect to their comments regarding fixed rates and utility pricing. Infinite Energy reiterates that fixed rates have real value as an energy-related value-added service in their own right – not only as a means of price certainty and bill predictability, but also a supplement to budget billing as well.

The Commission has recognized fixed rates as a value-added service since 2014's winter vortex.

The Commission long has recognized the value of fixed rates as both a way to save money and also as a value-added service which helps customers budget over an extended period of time. On page 6 of its February 6, 2015 Order Granting and Denying Petitions for Rehearing, the Commission said:

“Regarding the provision of energy-related value-added services including fixed-rate products, it is important that all customers can take advantage of the opportunities to be created through the Reforming the Energy Vision initiative...all customers should have the opportunity to obtain energy at a reasonable fixed rate, which could assist customers in managing their energy bill.”

Afterward, in a press release following the February 6, 2015 Order, the Commission then said:

“As a result of the Commission's action today, when implemented, low-income consumers will be guaranteed that they will pay no more than if they had purchased energy from the local utility or these customers could opt to purchase valuable services from third-party companies, such as home-energy management capabilities or prices fixed at reasonable levels.”

The Commission's support for fixed rate products has been based on value. For example, during the winter vortex in 2014, customers on fixed-rate plans with properly-hedged ESCOs were protected from otherwise historic rate volatility – amounting to added-value not only in real savings, but in the predictable certainty that fixed rates were able to provide customers in New York despite the unpredictable weather.¹

1. For instance, Infinite Energy has honored its fixed rate contracts regardless of market volatility, even during the 2014 winter vortex.

The benefits of a fixed rate plan are cumulative with the benefits of a budget billing program.

PULP, the UIU, and the NYAG argue that the fixed rates offered by ESCOs have little value against the utilities' rates. PULP specifically argues that there is no real need for fixed rate products because customers can already enroll in utility budget billing. It is true that budget billing grants 12 months of bill certainty. However, variations in usage and variable rates result in imbalances that are reconciled every twelve months. For instance, we can see how an ordinary customer on budget billing can benefit from a fixed rate – especially when their usage declines from one year to the next. In this example, the budget bill for June 2015 – May 2016 was calculated by adding actual bills collected in June 2014 – May 2015 and then dividing by 12 (in this case, \$571.23 divided into 12 payments of \$47.60).

LDC Budget Bill					
	Therms	LDC Rate	Actual Bill	Budget Bill	Difference
May-16	53	\$0.217815	\$11.54	\$47.60	\$36.06
Apr-16	100	\$0.199145	\$19.91	\$47.60	\$27.69
Mar-16	154	\$0.352985	\$54.36	\$47.60	(\$6.76)
Feb-16	215	\$0.309465	\$66.53	\$47.60	(\$18.93)
Jan-16	223	\$0.283345	\$63.19	\$47.60	(\$15.58)
Dec-15	152	\$0.272520	\$41.42	\$47.60	\$6.18
Nov-15	122	\$0.247913	\$30.25	\$47.60	\$17.36
Oct-15	65	\$0.229553	\$14.92	\$47.60	\$32.68
Sep-15	30	\$0.224900	\$6.75	\$47.60	\$40.86
Aug-15	22	\$0.243713	\$5.36	\$47.60	\$42.24
Jul-15	22	\$0.269043	\$5.92	\$47.60	\$41.68
Jun-15	22	\$0.271703	\$5.98	\$47.60	\$41.62
15-16 Total	1180	\$0.260175	\$326.13	\$571.23	\$245.10
15-16 Average	98		\$27.18	\$47.60	\$20.42
14-15 Total	1449	\$0.377179	571.23		
14-15 Average	121		47.60		

ESCO Budget Bill					
	Therms	ESCO Rate	Actual Bill	Budget Bill	Difference
May-16	53	\$0.260175	\$13.79	\$25.58	\$11.79
Apr-16	100	\$0.260175	\$26.02	\$25.58	(\$0.43)
Mar-16	154	\$0.260175	\$40.07	\$25.58	(\$14.48)
Feb-16	215	\$0.260175	\$55.94	\$25.58	(\$30.35)
Jan-16	223	\$0.260175	\$58.02	\$25.58	(\$32.44)
Dec-15	152	\$0.260175	\$39.55	\$25.58	(\$13.96)
Nov-15	122	\$0.260175	\$31.74	\$25.58	(\$6.16)
Oct-15	65	\$0.260175	\$16.91	\$25.58	\$8.67
Sep-15	30	\$0.260175	\$7.81	\$25.58	\$17.78
Aug-15	22	\$0.260175	\$5.72	\$25.58	\$19.86
Jul-15	22	\$0.260175	\$5.72	\$25.58	\$19.86
Jun-15	22	\$0.260175	\$5.72	\$25.58	\$19.86
15-16 Total	1180		\$307.01	\$307.01	\$0.00
15-16 Average	98		\$25.58	\$25.58	\$0.00

The higher rates and higher usage from June 2014 – May 2015 resulted in budget bill amounts averaging \$20.42 above the customer's actual bill in June 2015 – May 2016, for a total of \$245.10 of overpayments by the end of the budget billing year. While the customer appears to pay a level amount from month to month, the amount is substantially different from what they should actually be paying for their natural gas, so at the end of the year, the customer receives a significant refund.

The UIU and the NYAG recognize this effect, but they argue nevertheless that “the lack of an annual bill reconciliation is the entire extent to which an ESCO’s 12-month fixed-price product is superior.” Other benefits aside, the benefit of fixed prices on budget billing should not be discounted, because bill reconciliation is a problem for customers even in the best of circumstances: although a refund reconciles a customer’s bills to their actual usage, it does not account for the time-value of money. For a fixed or low-income customer, \$245.10 is worth less in May 2016 than it would have been on a monthly basis during the preceding year because it was unavailable and could not be used to pay for monthly expenses.

Conversely, a customer on a fixed rate has price certainty and – if on budget billing – leveled bills which require much less adjustment (adjustments will always be necessary as estimation of a customer's usage will always be imperfect). Fixed rates actually make budget billing more useful to customers because they make it possible to budget on a truly monthly basis rather than dealing with higher monthly bills and a significant unknown refund at the end of the year. The time-value of this money is greater than it would otherwise be because it is available each month instead of in a lump sum.

Conclusion

Infinite Energy appreciates the opportunity to participate in these important proceedings, and respectfully submits these reply comments toward the continuing goal of the Commission, of Staff, and of all the parties in these proceedings – the improvement of New York’s retail energy markets for all.

Thank you for your time,

A handwritten signature in blue ink that reads "Warren Rhea". The signature is written in a cursive style and is positioned above a horizontal line.

Warren L. Rhea

Corporate Counsel

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