



HOW TO AVOID ELECTRIC RATE SHOCK

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89th Legislative District

Information Key to Helping Consumers Avoid Electric Rate Shock

The winter heating season is upon us and thoughts of the unexpected electric rate spikes that caught thousands of electric customers off guard last year are foremost in my mind.

Last winter's polar vortex resulted in dramatic electric generation rate increases for consumers with variable rate contracts. Now is the time for customers to review the terms and conditions of their supplier contracts to determine if their current contract adequately protects them from a similar fate this winter.

Competitive electric generation suppliers are not public utilities' and although they are required to be licensed by the Public Utility Commission (PUC), their rates are not subject to PUC regulation. These suppliers operate in a competitive free market environment. The terms and conditions of service offered by a competitive supplier are contained in the contracts it offers to customers. Consumers who sign up for service from a competitive electric generation supplier should carefully review the

terms and conditions of service as it contains important information regarding the type of rate (fixed or variable), how the rate is determined, if the rate includes taxes and fees, and if the contract is subject to penalties for early termination or cancellation.

Consumers can protect themselves from variable rate fluctuations by signing up for a fixed rate contract. Under a fixed rate contract, consumers are charged the same price for electric generation supply for the duration of their service contract, whereas variable rate contracts are generally subject to a promotional rate period followed by fluctuating monthly rates based on wholesale electric prices. While variable rate contracts may work for many consumers, anyone considering a variable rate contract for electric generation service needs to be aware that those rates may be subject to dramatic increases.

I fully support a competitive retail electric generation supply market. However, I believe that consumer education is the key to balancing a free market offering services to

consumers with the need to protect consumers from the substantial and unexpected increases seen by many last winter.

I encourage all consumers who are thinking of switching to a competitive electric generation supplier to visit the PA Power Switch website at www.PAPowerSwitch.com. Administered by the PUC, this website contains information about licensed generation suppliers, the different types of contracts suppliers may offer and a list of questions consumers should ask before signing up.

With these answers, consumers will be armed with the information they need about fixed and variable rate contracts; contract terms; introductory or teaser rates; and the applicable taxes, fees and billing that will apply to their contract. This information will help ensure electric customers are equipped to manage the portion of their electric bill related to generation supply. Consumers may visit the PA Power Switch website or contact the PUC with any questions.

Tighter Controls Needed for Variable Electric Rates

Last year, the House Consumer Affairs Committee held public hearings on legislation to address electric rate spikes for customers with variable rate electric generation contracts. The hearings were prompted by a flood of calls and emails to my legislative office and those of other House members from Pennsylvania ratepayers who were hit with exceedingly high electric bills following snow and ice storms and record low temperatures.

The committee heard testimony from the Pennsylvania Public Utility Commission (PUC) and the Pennsylvania Office of Consumer Advocate, as well as PJM, the federally regulated transmission grid manager for Pennsylvania and 12 other states, and the Energy Association of Pennsylvania, which represents electric distribution utilities.

PUC Chairman Robert Powelson argued that variable rate electric plans work well for some customers and should not be abandoned, but variable rates are not ideal for consumers with a low risk tolerance – such as those with low or fixed incomes. The PUC has changed some of its rules to better protect consumers.

Many variable rate electric customers claim to have been misled by questionable marketing practices that advertised low rates. For some, the rate increases were life changing. Greater transparency and public awareness about variable rates are clearly needed.

Since we cannot rely on the energy industry to protect consumers, I believe we must put caps on variable rate increases and require the industry to put language in their customer contracts to warn consumers about the nature of variable rates. I am supporting proposed legislation that will put these changes into law.

The legislation, which will be reintroduced when the new legislative session begins in January, would limit electric rate increases for customers with variable rate contracts and enable customers to switch companies without transfer penalties or fees. It will also require electric suppliers to provide customers with a copy of their contract, and to ensure that it contains certain language that clearly explains the contract terms. Until these protections become law, let the buyer beware!

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Sticker shock for electric customers on variable rate
Philadelphia Inquirer, Feb. 14, 2014

**Many Pa. electric customers feeling
rate shock as temperatures plummet,
variable rates rise**
Pennlive, March 9, 2014

**EDITORIAL: Pa. must address seasonal
shock in variable-rate electric bills**
Express-Times, March 10, 2014



Shopping for Electricity

The Pennsylvania Public Utility Commission (PUC) makes shopping for electric generation easy.
Simply go to **www.PAPowerSwitch.com** and select the "shop for electricity" option.

Fixed vs. Variable Electric Rates

Fixed Rate

A fixed price is one that remains the same per kilowatt hour (kWh) for a set period of time – generally the length of the contract. Fixed rates provide certainty that your rates will not change during the term of your agreement. However, if market prices fall you may have to wait until your contract expires to get a lower price.

Variable Rate

A variable rate is one that can change, by the hour, day, month, etc., as outlined in the terms and conditions in the supplier disclosure statement. Variable rates may fluctuate according to market conditions.

Caution!

Always read the contract disclosure statement for terms and conditions including what to expect when your contract term expires. Some contracts may revert to a variable rate, which is subject to market fluctuations.

What You Should Know...

Before entering into a contract with an electric generation supplier, there are several important questions you should ask to ensure you understand a company's contract terms and your respective responsibilities. This knowledge will help you to make the best choice for you and minimize costly surprises.

First, it is important to know whether the electric generation supplier is licensed by the PUC. You can find a list of licensed electric generation suppliers on the PUC website. Before entering into a contract for electric generation, be sure to ask the cost per kilowatt hour (kWh), whether that rate includes all taxes and fees, and how long the rate is effective. If it is an introductory rate, be sure to ask what the price will be at the end of the introductory period and whether there are limits on how high a variable rate can go. It is also important to know how your electric supplier will notify you when your contract expires or concerning any other changes in your contract terms. You should also know if there is a fee to switch suppliers. For other tips on choosing an electric generation supplier, visit **www.PAPowerSwitch.com**.

If you believe you are being charged a rate that is inconsistent with your supplier contract, you should first contact the supplier and attempt to resolve the issue. If the supplier is unable to resolve the complaint or is unresponsive, you may file a complaint with the PUC. Complaints may be filed through the PUC's website at **www.puc.state.pa.us** or by calling 1-800-692-7380. If you believe the competitive supplier has violated Pennsylvania's Unfair Trade Practices and Consumer Protection Law or has engaged in price gouging, you may file a complaint with the Attorney General's Office through its website at **www.attorneygeneral.gov** or by calling 1-800-441-2555.