



LICENSING STANDARDS AND PROCESSES

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TOPIC 1 - REVIEW OF LICENSING MANUAL



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- No Licensing Manual
 - Statutes, Regulations and Commission Orders



QUICK HISTORY LESSON



PUBLIC UTILITY CODE

- Chapter 28 - Electric Generation Customer Choice and Competition Act
- Enacted December 3, 1996, effective January 1, 1997.



RETAIL ACCESS PILOT PROGRAMS

- Section 2806(g) Retail Access Pilot Programs
- Commission had the authority to order EDCs to submit proposals for pilot programs to begin on April 1, 1997



LICENSING ELECTRIC GENERATION SUPPLIERS (EGSs)

- Section 2809 - Electric Generation Suppliers (EGSs)
- Suppliers, brokers, aggregators, and municipal corporations serving outside their municipal boundaries and electric cooperatives



STATUTORY REQUIREMENTS FOR LICENSING EGSs

- Technically and financially fit, willing, and able to properly perform the service
- Able to conform its operations to the Public Utility Code, applicable regulations and Commission Orders
- Provide security in the form and amount approved by the Commission



INTERIM LICENSING GUIDELINES

- Rulemakings are a lengthy process requiring public notice and comment –
- Review by the State Attorney General, the state house and senate oversight committees and the Independent Regulatory Review Commission.
- Because there was an immediate need for a licensing program the Commission was able to use an abbreviated process to establish interim guidelines.



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- Tentative Order issued January 16, 1997, seeking public comment on Proposed Interim Guidelines,
- Two week comment period ending January 31, 1997.
- Final order establishing Interim Guidelines on February 13, 1997



Benefits from Interim Guidelines

- Had suppliers licensed to participate in the EDCs' pilot retail access programs
- Gained practical experience in applying the guidelines so problems were identified and could be corrected on a going forward basis.
- Served as a starting point for the Rulemaking Process.



Licensing Regulations

- The Licensing Regulations for Electric Generation Suppliers at 52 Pa. Code §§54.31-54.43 were adopted on August 8, 1998.



Applications for a License

- Application form available on the Commission's website.
- The form requested information that could be used to determine the applicant's financial and technical fitness to provide service, such as:
 - Information describing the service that applicant wanted to provide.
 - Information about the class of customers it proposed to serve.
 - Evidence of applicant's technical competency to provide the nature and scope of the service, like business plans, employee training programs, membership in a regional reliability council.
 - Information about applicant's prior experience in dealing with regulatory entities
 - Identification of applicant's utility affiliates, if any.
 - Financial information such as credit ratings and credit history.



Application Process

- The applicant must file an original and eight copies of the application.
- The application must be verified by oath or affirmation.
- Copies of the application are to be served on the Office of Consumer Advocate, the Office of Small Business Advocate, the Department of Revenue, the Attorney General and the EDCs in whose territories the applicant wishes to provide service.
- Applicants may request confidential treatment of proprietary information that is disclosed in the application process. The Commission will rule on the confidentiality request when it acts on the application.



Security Requirements

- Section 54.40 requires that security in the amount and form approved by the Commission must be provided for the issuance and the maintenance of an EGS license.
- The initial security level for a licensee is set at \$250,000, but may be modified based on nature and scope of the applicant's proposed operation.
- After the first year, the amount of security will be set at 10% of the licensee's gross receipts for the previous year.
- Proceeds from the security may be used to pay gross receipts tax left unpaid by the supplier or to secure electric generation to fulfill contracts for generation on which the supplier defaulted.
- Payments and liens of the Commonwealth are given priority over those of the EDCs for payment of Gross receipts tax and other private individuals.



TOPIC 2 : LICENSE RENEWAL PROCESS



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- No process for "renewing" the licenses for either EGSs or NGSs.
 - The licenses are permanent unless suspended or revoked for cause.
 - Requirements do exist for maintaining the license



Requirements For Maintaining a License

A Licensee must:

- Maintain security in the required amount and form
- Comply with operational and consumer protection regulations
- Comply with Reporting Requirements as follows:

- **Quarterly Gross Receipts**

- To be filed by within 30 days of the end of the quarter. §54.39(a)

- **Annual Report**

- To be filed on or before April 30 of each year.



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- Annual Report contains:
 - Updates to tax information
 - Annual gross receipts from the previous year
 - Total amount in kilowatts of electricity sold
 - Percentage of generation sold by energy source. §54.39(b)
- Failure to comply with these requirements and any other reasonable requirements that might be established in Commission orders may result in fines and/or suspension or revocation of the supplier's license. §54.42.



TOPIC 3: PROVISIONAL LICENSES



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- Provisional licenses have been granted only for Natural Gas Suppliers (NGSs).
 - Granted only when applicant has satisfied all the technical and financial fitness criteria, but have not satisfied the security requirement in Section 2208 (c) (financial fitness)
 - Provisional status is lifted when the NGS provides proof that it met the security requirements of the NGDCs in whose territories that it will provide service
 - When the natural gas supplier can provide confirmation that the security requirements have been satisfied the provisional license becomes a permanent license.



Topic 4. DEVELOP A DATA BASE FOR TRACKING AND DOCKETING



Secretary's Bureau

- DOCKETING SYSTEM "BRIDGE"
 - Docket for all Commission filings
 - Documents that are filed by suppliers or complaints against suppliers
 - Filings can be linked to a Supplier by notational reference to the supplier's application number



BCS Informal Complaint Data Base

- Tracks informal customer complaints regarding service and billing problems
- Helps identify generic customer service problems with a supplier



FUS Databases

- Application Information
- Quarterly Gross Receipts Report Data Base
- Annual Report Data Base



Application Information Database

- Information is recorded from the application for each supplier
- Date License was approved (Anniversary Date)
- Company Name, Address and Business Contact Information
- Contact Person for Civil Defense-type Emergencies (PEMA)
- Type of electric generation supply operation, i.e., Supplier, Broker/Marketer, Aggregator
- Name and contact information for emergency contact person (for civil defense matters/PEMA)
- Form of the Security and Security Amount



Topic 5. MECHANISMS TO ENSURE COMPLIANCE WITH LICENSE CONDITIONS



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- Staff members review the databases re: quarterly and annual reports periodically to determine if the report has been filed.
 - If the supplier has not filed the report and does not comply in response to staff requests, then the matter is referred to the Chief Counsel for prosecution.
 - On the anniversary date of its license, FUS staff reviews an EGS's annual gross receipts for the previous 12 months and compares the total with the amount of security listed for the EGS on the Application Information database.
 - Staff will contact the supplier and request additional security. If needed to bring the mount to 10 % of the year's gross receipts. If the supplier does not comply, the matter is referred to the Chief Counsel for prosecution.