

Barry T. Smitherman
Chairman

Donna L. Nelson
Commissioner

Kenneth W. Anderson, Jr.
Commissioner



Rick Perry
Governor

Public Utility Commission of Texas

Date: October 8, 2010

To: Chairman Barry T. Smitherman
Commissioner Donna L. Nelson
Commissioner Kenneth W. Anderson, Jr.

From: Christine Wright & Rebecca Reed, Competitive Markets Division
Margaret Pemberton, Legal Division

Subject: **Item 34: Project No. 38675** – *Amendments to Customers Protection Rules Relating to Prepaid Service* – Staff’s Proposal for Publication, for consideration at the October 14, 2010 Open Meeting

Attached for your review and approval is Staff’s Proposal for Publication in Project No. 38675, *Amendments to Customers Protection Rules Relating to Prepaid Service*, which would repeal the existing §25.498 and replace it with new §25.498. Currently 10 REPs that have filed Notices of Intent to serve customers under existing §25.498. First adopted by the Commission in July of 2007, the existing rule applies to customers that have an advanced meter or a special meter or communications system that can perform the functions of an advanced meter necessary for prepaid service.

The capabilities provided by the advanced metering systems (AMS) installed by the transmission and distribution utilities (TDUs) in ERCOT allow REPs to promptly disconnect and reconnect service remotely. The advanced meters also provide actual customer usage data to REPs so that customers are not billed or disconnected on estimates derived from the previous month’s meter read. These systems also allow customers to receive direct communications from the meters to devices inside their homes if they elect to have the devices installed. Customers have access to data online through Smart Meter Texas (www.smartmetertexas.com) where they can view their usage in 15-minute increments. In addition, the AMS allow REPs to “ping” their customers’ meters on demand, providing near-real time meter reads.

Staff proposes numerous revisions to the existing rule based on experience gained in the market from the time the rule was first adopted in 2007. Staff is proposing a structure that entails the following revisions:

- (1) Applicability: Prepaid service shall only be offered to customers if that service complies with this rule.
- (2) Disclosure and Acknowledgement: A REP is required to provide a disclosure statement to the customer that describes the nature of the prepaid service. The REP needs to have acknowledgement from the customer that it understands the service.
- (3) Minimum Payment Balance: A REP may require a customer to have a minimum positive prepayment balance of no more than \$75.
- (4) Switch-hold: A customer may be placed under a switch-hold if it enters into a deferred payment plan (DPP) with the REP, consistent with the recently amended rule concerning DPPs (§25.480(j)).
- (5) Critical Care and Chronic Care Customers: REPs may not offer this service to critical care or chronic care residential customers.
- (6) Phase-in Period: No later than six months after the effective date of this rule, new and renewed contracts for prepaid service shall conform to this rule.

In addition, under staff's proposed rule, REPs serving customers under this rule are exempt from the following customer protection rules:

- (1) §25.474(f)(3)(G) and §25.474(h)(5)(D) (*relating to Selection of Retail Electric Provider*);
- (2) §25.479(b) (*relating to Issuance and Format of Bills*);
- (3) §25.479(c)(1) (*relating to Bill content*);
- (4) §25.480(b), (h), (i), (j), and (k) (*relating to Bill Payment and Adjustments*); and
- (5) §25.483 (*relating to Disconnection of Service*), except for subsections (b)(2)(A) and (B), (d), and (e)(1)-(6).

Staff believes the customer protection benefits resulting from the new rule would substantially outweigh the costs of compliance with the rule by REPs who choose to offer prepaid service. Staff believes that as advanced meter deployment continues that the offering of this service will increase. Staff views prepaid service as extremely beneficial, as it allows customers to choose a product that does not require a deposit and allows them to make more frequent payments based on individual preferences.

If you have any questions, please contact Christine Wright at 936.7376, Rebecca Reed 936.7371, or Margaret Pemberton at 936.7290.