

CHARGE Conference Call

July 8, 2010 – 9:30 a.m.

Call-in number: 1-866-618-6746 and Access Code: 6060145

Topics for Discussion

1. EGS Marketing Activities

- Staff targets July 15, 2010 Public Meeting for consideration by PUC and envisions issuance of tentative order for comment

2. Supplier Consolidated Billing Implementation

- EDEWG plans to have a document ready to submit to CHARGE around the end of July
- Discussion of issues identified by PPL regarding the relationships established by this billing structure where charges are forwarded by EDC to EGS without POR, there is a contract between EDC and EGS, there is a contract between EGS and customer, and there is no relationship between EDC and customer for collection of charges

3. Eligible Customer List

- Staff targets July 15, 2010 Public Meeting for consideration by PUC and envisions issuance of tentative order for comment

4. Default Service Bid Information

- Staff seeking feedback on the approach followed by FirstEnergy as a starting point for standardizing release of default service auction results and formulation of price to compare
- No feedback provided during June 24 call; any objections to this approach should be communicated in advance of or during July 8 call so that staff can move forward to formalize this approach or submit a recommendation to the PUC
- Link to the PTC calculator and default service procurement schedule - http://www.firstenergycorp.com/supplierservices/Pennsylvania/Met-Ed_and_Penelec/Met-Ed_and_Penelec_Default_Service_Information.html
- Link to the results for the May auctions - <http://www.firstenergycorp.com/utilitypowerprocurements/pa/mepn/index.html>
- General link to navigate to either site - <http://www.firstenergycorp.com/corporate/Suppliers.html>

5. Estimated State Tax Amount on Bills

- Question has arisen about whether the presentation of “estimated total state taxes” on residential bills is required for generation charges of EGS as there is no standard treatment among EGSs
- Staff has determined that EDC tax components are Capital Stock, Property Tax-Local and PURTA, State Unemployment Compensation, PA State Income Tax, and Gross Receipts Tax.
- Staff is conducting further review of statute and regulations to offer guidance to EGSs on this issue; interested in feedback from group on value of having information on bills about taxes (other than GRT) paid by EGSs

6. Gross Receipts Tax

- Based on discussion during June 10, 2010 call about the need to gross-up the GRT rate from 5.9% to 6.27%, Staff is drafting FAQ for PAPowerSwitch.com to clarify for consumers
 - IECPA suggested that the PUC should direct EGSs to refer customers to this clarification
- EGSs should ensure that sales and marketing communications are consistent with billing practices

7. Historical Usage Requests

- PUC’s order adopted on June 3, 2010 in Petition of PECO Energy for Approval of Smart Meter Technology Procurement and Installment Plan clarified PECO’s obligation to provide historical usage information in response to EDI request when a customer has previously restricted release of this information but has given the EGS a letter of authorization
 - Link to the order:
<http://www.puc.state.pa.us/general/ConsolidatedCaseView.aspx?Docket=M-2009-2123944>
- Staff expects Secretarial Letter to be issued clarifying this obligation for all EDCs, within the next couple of weeks

8. Last-In Enrollments

- Spreadsheet was previously circulated to show how EDCs handle multiple enrollments for the same customer before the 16-day cut-off date; it is attached to this recap for ease of reference
- Group has generally discussed value of standardizing enrollment process going forward; benefits of standardization were identified; and issue will remain on the list for further discussion

9. Mixed Meter – EGS Authority

- Questions have been raised about whether EGSs must have authority to serve residential customers when a residential customer is served as part of a mixed meter situation
 - Staff's prior guidance was that if the customer is served under a Residential rate schedule, the EGS should have authority under the license to serve residential customers (and that residential consumer protections would apply)
- During the April 29, 2010 call, EGSs expressed concerns about needing a license to serve residential customers if they are contracting with a commercial entity, such as a military base, due to marketing, reporting and compliance differences
- Based on concerns raised during April 29, 2010 call, staff has revisited this issue and now believes that it may not be necessary for an EGS to obtain a license to serve residential customers or to afford residential consumer protections when the EGS contracts with and bills the commercial customer
- Staff is drafting document to explain issue and different interpretations in order to obtain guidance from the Commission; should be ripe for discussion during July 22, 2010 call

10. Contract Expiration/Renewal Notices

- Renewal notice regulations at 52 Pa. Code 54.5(g) have been superseded by subsequent guidelines issued in 2001, which are attached and posted on the OCMO's webpage at http://www.puc.state.pa.us/electric/electric_CompetitiveMarketOversight.aspx
 - All EGS s should review guidelines and submit any questions to ra-OCMO@state.pa.us
 - Staff is offering to informally review proposed renewal notices; please send them to ra-OCMO@state.pa.us at least 10 days prior to issuance to consumers
- During the June 24, 2010 call, Staff sought input on issues concerning the issuance of renewal notices when the price to compare is not yet available and handling the situation where a customer does not respond to a notice
- Issues are set forth in attached document, along with staff's proposals for addressing them, for further discussion

11. CHARGE Contact List

- Contact list is on website at the following link:

http://www.puc.state.pa.us/electric/electric_CompetitiveMarketOversight.aspx

- Please send contact information or updates to ra-ocmo@state.pa.us; purpose of this list is to enable stakeholders to contact one another directly to resolve issues and is separate from email distribution list

12. Meeting Schedule for Remainder of 2010

- July 22, 9:30 a.m.
- August 5, 9:30 a.m.
- August 26, 9:30 a.m.
- September 9, 9:30 a.m.
- September 30, 9:30 a.m.
- October 14, 9:30 a.m.
- October 28, 9:30 a.m.
- November 18, *1:30 p.m.*
- December 9, 9:30 a.m.
- December 23, 9:30 a.m.

Renewal Notice Issues

Renewal notice regulations at 52 Pa. Code § 54.5(g) have been superseded by subsequent guidelines issued in 2001 (See *Interim Guidelines Regarding Advance Notification by an Electric Generation Supplier of Impending Changes Affecting Customer Service*, M-00001437, March 8, 2001).

These guidelines provide for two notices to be sent to the customer as his or her fixed term contract approaches its end and/or the supplier proposes changes to the terms of service. The first “initial notice” is to be delivered between 52 and 90 days before the contract’s expiration or the proposed change and is to include general information as to what is occurring and what is being proposed. A second, more detailed “options notice” is then to be provided at least 45 days prior to the expiration of the contract/proposed change in terms.

On June 24, 2010 the Committee Handling Activities for Retail Growth in Electricity (CHARGE) discussed two concerns with these guidelines.

INABILITY TO PROVIDE A TIMELY PRICE TO COMPARE:

Among the detailed information that is to be provided in the options notice is the Electric Distribution Company’s (EDC) “price to compare” (See II(b)(iii)). However, this is problematic because a supplier may not know the EDC’s price to compare at the time the options notice is required to be sent to the customer. (A EDC’s price to compare may not be available until 15 days prior to its effective date due to the calculations needed to account for all default supply costs and transmission costs.). The inability of the supplier to provide the EDC’s price to compare will make it more difficult for a consumer to make an informed decision as to what action to take upon the expiration of the contract. Further complicating this problem is that for many EDCs, the price to compare will be changing quarterly starting in 2011; something that was not foreseen when the interim guidelines were adopted in 2001.

CHARGE discussed this issue during its June 24 conference call and various solutions were proposed. These included providing an estimated price to compare; allowing a supplier to change its price after the price to compare is known; allowing a customer to cancel a contract without penalty if the estimated price to compare turns out to be incorrect; referring a customer to other information resources to obtain the price to compare, etc. It was also noted that in the autumn of 2009 when suppliers started marketing in the PPL territory, PPL’s price to compare was not established until mid-December 2009. Because of this, many suppliers, OCA,

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etc. used an “estimated price to compare” obtained from PPL when presenting information to consumers.

After reviewing the proposals that were discussed, the Office of Competitive Market Oversight (OCMO) is proposing that a supplier, when issuing an options notice and the EDC’s price to compare is not yet established, shall:

- Include an “estimated price to compare” on the options notice. The estimated price to compare shall be obtained from the EDC.
- The notice shall clearly state that the EDC’s price to compare is an “estimate” and provide an approximate date as to when the actual price to compare will be available. Information as to how to obtain the actual price to compare shall be included in the notice (contacting the supplier by phone, or the EDC, or a website, etc.).
- The notice shall inform the customer that the price to compare can change quarterly. Information as to how to obtain the price to compare shall be provided in the notice (contacting the supplier by phone, or the EDC, or a website, etc.).

OCMO believes that this is the most reasonable way to address this problem because it provides the customer with needed information without utilizing a burdensome or complex procedure for either suppliers or customers. While only an estimate, the estimated price to compare will still provide customers with information that will assist them in arriving at an informed decision. If the customer prefers a more definitive price to compare before acting, they will be informed as to how and when to obtain it. By requiring that the source of the estimate be the EDC, all suppliers will be quoting the same estimated price to compare, lessening customer confusion.

OCMO further notes that if EGSs use a “discount off the default service price” approach, this will remove some of the uncertainty and risk. For EGSs who are concerned about significant adjustments in the price to compare, consideration could be given to variable pricing methods. Also, OCMO suggests that consumers will likely be more comfortable accepting offers compared to an estimated price to compare if they have the option of cancelling the agreement with the EGS without penalty.

CUSTOMER FAILS TO RESPOND TO RENEWAL/CHANGE NOTICES

Another issue discussed by CHARGE on June 24 is how suppliers should handle situations when a customer does not respond to the renewal/change notices; specifically, can the supplier impose the new terms and conditions on the customer absent an affirmative response from the customer?

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Neither the electric customer information regulations on renewal (52 Pa. Code § 54.5(g)(1)) nor the above mentioned *Interim Guidelines* address this particular point. However, the analogous regulations for the gas industry (52 Pa. Code § 62.75), which were promulgated subsequent to the electric regulations and the *Interim Guidelines*, do address this point. Specifically, 52 Pa. Code 62.75(g)(2) provides:

(2) The NGS may add appropriate language in the notice so that the notice may serve as an amendment to the original agreement if the customer affirmatively reselects the NGS. Affirmative reselection occurs when the customer initiates a telephone call to the NGS and during the conversation the customer accepts the new offer, the NGS initiates a telephone call to the customer and during the conversation the customer accepts the new offer, the customer accepts the new offer by signing a document and returning it to the NGS, or the customer acknowledges the acceptance of the new offer electronically, perhaps by checking a box on a form on the NGS's website. These are offered as examples and are not meant to be all inclusive. After a customer affirmatively reselects the NGS, the NGS is relieved of its obligation to fulfill outstanding notice requirements. If the change in terms notice is for a reduction in the price of the commodity charges, the NGS is required to send only one written notice at least 60 but not more than 90 days prior to the effective date of the price change. **A fixed term agreement may be converted to a month-to-month agreement, either at the same terms and conditions or at revised terms and conditions, as long as the agreement converts from a fixed term to a month-to-month agreement and contains no cancellation penalties, in the event that the customer does not respond to the notice. A fixed term agreement may be converted to another fixed term agreement as long as the new agreement includes a customer initiated cancellation provision that allows the customer to cancel at any time for any reason and contains no cancellation penalties, in the event that the customer does not respond to the notice.** (emphasis added)

Since the language at 52 Pa. Code § 62.75(g)(2) is the most recent formal Commission declaration on this subject, staff proposed to CHARGE that these same requirements should apply for electric. No objections were raised to this approach during the June 24 CHARGE call.

OCCMO is proposing that electric generation suppliers refer to the gas regulations at 52 Pa. Code § 62.75(g)(2) when handling the renewal of contracts when the customer fails to respond to the renewal/change notices. In addition, the renewal notice shall clearly inform customers of what will occur if they fail to respond to the notice.

To summarize the proposed guideline:

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- A fixed term agreement may be converted to a month-to-month agreement, either at the same terms and conditions or at revised terms and conditions, as long as the agreement converts from a fixed term to a month-to-month agreement and contains no cancellation penalties, in the event that the customer does not respond to the notice.
- A fixed term agreement may be converted to another fixed term agreement as long as the new agreement includes a customer initiated cancellation provision that allows the customer to cancel at any time for any reason and contains no cancellation penalties, in the event that the customer does not respond to the notice.
- The renewal /change-in-terms notices sent to customers shall clearly state what will occur if the customer fails to respond to the notice (that the new terms will go into effect and that the customer may cancel without penalty).