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April 3, 2014

VIA ELECTRONIC FILING

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

Re: ***Review of Rules, Policies and Consumer Education Measures Regarding Variable Rate Retail Electric Products***
Docket No. M-2014-2406134

Dear Secretary Chiavetta:

Pursuant to the Commission's Order entered March 4, 2014 in the above-referenced proceeding, enclosed herewith for filing are the Comments of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company.

Please contact me if you have any questions regarding this matter.

Very truly yours,

Tori L. Giesler

dlm
Enclosures

c: Dan Mumford, Office of Competitive Market Oversight (via email)
H. Kirk House, Office of Competitive Market Oversight (via email)

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Review of Rules, Policies and Consumer Education Measures Regarding Variable Rate Retail Electric Products	: : :	**Docket No. M-2014-2406134**

COMMENTS OF METROPOLITAN EDISON COMPANY, PENNSYLVANIA ELECTRIC COMPANY, PENNSYLVANIA POWER COMPANY AND WEST PENN POWER COMPANY

I. INTRODUCTION AND BACKGROUND

On March 4, 2014, the Pennsylvania Public Utility Commission ("Commission") entered an Order ("Order") in the above-captioned docket requesting written comments from interested stakeholders addressing ten pointed questions relating to variable priced electric generation contracts and processes associated with the switching process used when customers shop for retail generation.

Metropolitan Edison Company ("Met-Ed"), Pennsylvania Electric Company ("Penelec"), Pennsylvania Power Company ("Penn Power") and West Penn Power Company ("West Penn") (collectively "the Companies") respectively submit the following limited comments in response to the Order.

II. COMMENTS

The Commission's Order largely focuses on efforts to improve customer awareness and understanding of the various types of contracts available to them in the retail electric generation market today. It initially outlines the numerous specific efforts the Commission itself has taken towards this end, including various updates to its website and a press release aimed to draw customers to these educational materials. It goes on to ask eight questions specifically associated with the types of information electric generation suppliers ("EGSs") should be required to provide to customers, not only through their disclosure statements, but also through ongoing communications related to price changes, historical pricing information, and explanations as to how rates are determined, among other points.

The Companies have been experiencing firsthand the concerns associated with the impact of recent electricity market price increases on those segments of shopping customers who have been receiving generation service through variable priced EGS products. In many instances, customers had no idea that their price was variable, or that it had the potential to fluctuate to the degree that many customers experienced this past January and February. The Companies support the Commission's efforts through this Order to explore opportunities to heighten customer awareness and encourage more active shopping decisions. Such efforts will provide customers with better tools to be able to make informed purchasing decisions, including creating awareness as to the long term potential risks associated with variable contract pricing that many customers did not fully appreciate prior to our recent winter pricing fluctuations. Providing customers the tools necessary to make more meaningful decisions that fit their own unique circumstances is likely to lead to customer experiences that are significantly more positive, which in turn will lead to a stronger retail electric market. Complete customer understanding of and attentiveness to EGS pricing options available to them is the only certain way to proactively prevent against the negative impacts felt by affected customers in January and February 2014 in the future.[1]

[1] As the Companies noted in their March 25, 2014 comments to the Commission's Rulemaking, as defined *infra*, the changes proposed by the Rulemaking are reactive rather than proactive and would not prevent against a similar situation occurring again in the future, particularly considering that customers generally do not realize that they are subject to these charges or what the magnitude of the increase will mean over the course of a month until that month's bill arrives and the charges have already been incurred. While options such as shortening the timeline for switching would reduce the duration of time that a customer is exposed to variable pricing, recent variable price spikes have been for a short duration following a specific event or point in time, and were thus likely to be covered by a single billing cycle. Because of this, at the point that the customer would know that they wish to switch, in all likelihood, it would be too late to avoid these types of charges. Therefore, accelerating the switching period does not get to the heart of the problem that led to the recent customer "rate shock," which appears to reflect a limited consumer understanding of the implications of entering into a variable rate contract with an EGS, and the risks that attend such purchasing decisions. As such, the Companies believe that the Commission's alternative efforts aimed towards creating customer awareness and strengthening an understanding of product options will be more beneficial as a long-term proactive solution.

The Order additionally seeks limited information from electric distribution companies ("EDCs") that have daily recorded and automatic meter reading capabilities on the subject of implementing mid-cycle EGS switching. Specifically, the Commission seeks answers to the following two questions: 1) Under current plans, when will mid-cycle EGS switches be implemented; and 2) How much can these plans be accelerated, and at what additional cost?

The Companies do not currently fall into the category of EDCs from which answers are sought, as they do not have automatic meter reading capabilities.[2] However, since the issuance of the Order, the Commission issued a Secretarial Letter at Docket No. L-2014-2409383 initiating a proposed final-omitted rulemaking ("Rulemaking") to amend existing regulations at 52 Pa. Code, Chapter 57. The Rulemaking would direct all EDCs, including those that do not have automatic meter reading capabilities, to accelerate switching time frames through the use of off-cycle meter reads in a manner that will permit Pennsylvania retail customers to switch suppliers within three days or less. The Companies provided comments in response to that Rulemaking on March 25, 2014.

In their comments, the Companies identified that they are currently capable of implementing temporary modifications to their existing systems that will allow for mid-cycle switching, assuming that such a switch is authorized to be made through the use of an estimated or customer supplied read. However, the Companies further pointed out that this temporary solution does have attendant pitfalls, including but not limited to certain operational limitations and anticipated customer confusion and frustration associated with issues such as the issuance of multiple bills during the same billing cycle. If implemented, this temporary solution would seamlessly transition from the use of estimated or customer supplied reads to accommodate

[2] The Companies' Smart Meter Implementation Plan was approved by the Commission on March 6, 2014 at Docket No. M-2013-2341990, *et al.* The Companies filed a Revised Plan on March 19, 2014, which seeks approval of modifications that accelerate the Companies' original deployment schedule ("SMIP"). Approval of this amended deployment schedule is pending at this time.

actual reads following the full deployment of smart meters across their system. Actual reads would phase in as replacing the estimates or customer supplied reads as each service location received the required equipment.

As pointed out in their March 25, 2014 comments, the Companies have not fully identified a permanent solution to address the fact that off-cycle switching would lead to at least two bills being sent to customers during any billing period in which they switch generation suppliers. However, the Companies continue actively working towards such a solution and anticipate that such a permanent billing change could be designed and would be best implemented as an expansion of the billing enablement phase that is planned to support their SMIP. By expanding the already-planned billing enablement phase to include such modifications to their system, the Companies could ensure that the programming properly coordinates with the other changes to be implemented to the billing system, and in the most efficient manner possible. Such a coordinated effort would enable the Companies to more easily test and identify for errors in programming as the implementation was carried out. This would also give the Companies sufficient programming time to ensure that the solution fully addresses each of the potential billing issues that could arise from mid-cycle switching and program against them most effectively.

The Companies' SMIP as currently pending does not include provisions for the implementation of mid-cycle switching, as this type of functionality was not contemplated at the time such plans were directed. However, the Companies believe that near and long-term solutions can be coordinated with their SMIP such that mid-cycle switching can be effectively implemented as a phased-in process. As the Companies specified in their March 25 comments, it is difficult to place a figure on costs associated with the long-term programming solution this would require, as that solution is still being developed. The Companies estimate that the initial temporary programming would cost the Companies between $1.5M and $2M, to be followed by costs associated with a permanent solution as well as ongoing operations. Ongoing operations are anticipated to include drivers such as increased customer service, bill production, metering and information technology costs, at a minimum. However, by expanding the billing enablement phase of the Companies' SMIP to include a permanent billing solution to support mid-cycle switching, programming costs can be reduced and efficiencies can be gained, in both time and cost. EDCs should be granted the ability to recover these costs on a full and current basis through a reconcilable rider mechanism.

With respect to the timeline for implementation, the Companies reiterate that they require up to twelve months for implementation of a temporary solution. However, the Companies ask that the Commission remain mindful of the many changes that EDCs are faced with resolving that are related to not only the acceleration of switching timelines but also initiatives resulting from the Retail Markets Investigation and other proceedings, including but not limited to EDI changes, implementation of seamless moves and instant connect functionality, smart meter deployment and the roll out of associated communications systems, and the development of a customer web lookup portal for use by the EGS community. The technical challenge associated with not only implementing each of these initiatives independently but also ensuring that they seamlessly coordinate is a consideration that cannot be overlooked if each of these initiatives are to be successfully implemented.

III. CONCLUSION

Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company appreciate the opportunity to provide comments in response to the Commission's Order relating to rules, policies and consumer education measures associated with variable rate EGS product offerings and remain committed to working with all interested parties and the Commission on this important topic.

Respectfully submitted,

Dated: April 3, 2014

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true and correct copy of the foregoing document upon the individuals listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

Service by first class mail and electronic mail, as follows:

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Dated: April 3, 2014

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