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February 21, 2017

VIA OVERNIGHT DELIVERY
Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, Second Floor
Harrisburg, PA 17120

RE: Rulemaking to Amend the Provisions of 52 Pa. Code, Chapter 59 Regulations Regarding Standards for Changing a Customer's Natural Gas Supplier Docket No. L-2016-2577413

Dear Ms. Chiavetta:

Enclosed for filing with the Commission are ***PECO Energy Company's Comments Regarding Standards for Changing a Customer's Natural Gas Supplier*** with regard to the matter referenced above.

Very truly yours,

Michael S. Swerling
Counsel for PECO Energy Company

MSS/adz

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FEB 21 2017

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

RULEMAKING TO AMEND THE PROVISIONS OF 52 PA. CODE, CHAPTER 59 REGULATIONS REGARDING STANDARDS FOR CHANGING A CUSTOMER'S NATURAL GAS SUPPLIER	:	L-2016-2577413

PECO ENERGY COMPANY'S COMMENTS REGARDING STANDARDS FOR CHANGING A CUSTOMER'S NATURAL GAS SUPPLIER

I. INTRODUCTION

On December 22, 2016, the Pennsylvania Public Utility Commission (the "Commission") issued an Advanced Notice of Proposed Rulemaking Order to *Amend the Provisions of 52 Pa. Code, Chapter 59 Regulations Regarding Standards for Changing a Customer's Natural Gas Supplier* at Docket No. L-2016-2577413 ("ANOPR"). The ANOPR seeks to accelerate the process of switching customers between Natural Gas Distribution Companies ("NGDCs") and Natural Gas Suppliers ("NGSs") as well as between different NGSs. At the same time, the Commission maintains its long-standing commitment to prevent instances of "slamming" in which a customer's account is switched from one NGS to another without the customer's consent. PECO Energy Company ("PECO") applauds the Commission's continued commitment to enhancing the retail customer shopping experience in these regards. Accordingly, PECO hereby submits its comments in support of the Commission's proposed amendments to its regulations at 52 Pa. Code §§ 59.91 – 59.99.

II. COMMENTS

A. 52 Pa. Code § 59.91. Definitions.

The proposal to add definitions for *Current NGS*, *Selected NGS* and *Supplier of Last Resort* is consistent with the electric definitions adopted in the Commission's April 3, 2014 Final

Omitted Rulemaking Order (*Standards for Changing a Customer's Electricity Generation Supplier*) at 52 Pa. Code § 57.171[1] and, therefore, should be adopted.

B. 52 Pa. Code § 59.92. Customer contacts with the NGDC.

Currently, Section 59.92 states that when a customer contacts an NGDC and requests to be switched to an NGS, the NGDC must inform the customer to contact the NGS directly. The ANOPR proposed to adopt an exception to this requirement. Per the ANOPR, this notification requirement would not apply if a Commission-approved program (i.e., Standard Offer Program)[2] required an NGDC to initiate the change in service. The proposed exception aligns with the same exception adopted in 52 Pa. Code § 57.172 for electric service.[3] The proposed notice exception should be adopted because if PECO implements a gas Standard Offer Program, it could be executed in the same manner as its existing electric Standard Offer Program.

Furthermore, the Commission's proposal, which requires Suppliers of Last Resort ("SOLRs") to notify customers that cancellation penalties could apply if they leave their current supplier, is an important element to enhancing the customer shopping experience. These notifications provide customers with fair and accurate information so they can make fully-

[1] In its *Rulemaking to Amend the Provisions of 52 Pa. Code, Chapter 57 Regulations Regarding Standards for Changing a Customer's Electricity Generation Supplier*, Docket No. L-2014-2409383 at 19-20 (Final Omitted Rulemaking Order entered April 3, 2014), the Commission adopted similar definitions for *Current EGS*, *Selected EGS* and *Provider of Last Resort*.

[2] In August 2013, the Commission launched an Electric Choice Standard Offer Program to offer non-shopping electric customers a simple way to enter the competitive market with guaranteed, immediate savings. The Standard Offer Program is geared toward customers who are utilizing their default supply – or paying their utility for electric generation, rather than a competitive supplier. Customers receive a 7 percent discount off the utility's generation rate, or price to compare, at the time of enrollment, for 12 months at a fixed rate. The agreement includes no enrollment or cancellation fees, so customers can switch or cancel at any time without penalty.

[3] According to 52 Pa. Code § 172(a):

> When a customer or a person authorized to act on the customer's behalf contacts the EDC to request a change from the current EGS or default service provider to a selected EGS, the EDC shall notify the customer that the selected EGS shall be contacted directly by the customer to initiate the change. This notification requirement does not apply when a Commission-approved program requires the EDC to initiate a change in EGS service.

informed decisions in the marketplace. Additionally, this change parallels the electric rule at 52 Pa. Code 57.172. For these reasons, the cancellation penalty notification requirement should be adopted.

C. 52 Pa. Code § 59.93. Customer contacts with NGSs.

1) Introduction to 52 Pa. Code § 59.93

PECO recommends that the Commission revise the introductory paragraph in Section 59.93 to state:

> When a contact occurs between a customer and an NGS to request a change of the NGS *from the Current NGS or Supplier of Last Resort to the Selected NGS*, upon receiving direct oral confirmation or written authorization from the customer to change the NGS, the following actions shall be taken..." [Citation omitted.]

This change will better align with the electric rule at Section 57.173, which refers to Current EGS, Provider of Last Resort and Selected EGS. This change also aligns with the proposed revisions to Sections 59.93(1) and (2) in which the Commission uses the newly proposed terms Selected NGS and SOLR, which appear in the proposed changes to the Definition Section of 52 Pa. Code 59.91.

2) 52 Pa. Code § 59.93(1)

Regarding the Commission's proposed changes to 52 Pa. Code § 59.93(1), PECO supports replacing the "end of the next business day" notification requirement with the "end of the 3-business day rescission" requirement.

a. Removal of the End of Next Business Day Requirement

Removing the requirement for a Selected NGS to notify the NGDC about a customer's selection by the end of the next business day following completion of the switching application improves the customer experience. This enhancement provides flexibility for NGSs to commence service according to the customer's preference, including a future date. The

Commission already has applied this revision to electric shopping and PECO has not encountered any related issues. Additionally, the Commission proposes replacing the End of Next Business Day notice requirement with an "End of 3 Business Day Rescission" notice requirement. As discussed below, NGDCs will be notified about the switching application after the 3 Business Day Rescission period expires.

b. Adoption of the End of 3-Day Rescission Period Requirement

Including the requirement for a Selected NGS to notify the NGDC about a customer's selection at the end of the 3-day rescission period (established in 52 Pa. Code § 62.75(d) and related to disclosure statements for residential and small business customers), further enhances the customer experience. Regardless of when the customer decides to start service with the Selected NGS, the 3 Business Day Rescission period remains. It is between the customer and NGS to determine when the 3 Business Day period starts. Because PECO will continue to be notified about the customer's switching application, no process changes will be required on PECO's part. Accordingly, PECO is situated to implement these changes for its gas customers.

52 Pa. Code § 59.93(2)

The proposal to remove the 10-day waiting period that Section 59.93(2) currently requires NGDC's to include in confirmation letters sent to customers (after the NGDC is notified by the Selected NGS of a customer's selection) solidifies the Commission's proposed 3 Business Day Rescission period. This proposal ensures that customers will not experience unnecessary delay after the 3 Business Day Rescission period expires and the NGS forwards the customer's enrollment request to the NGDC (which then triggers the 3-business day period that the NGDC has to process the switch). This change also matches the electric rule at 52 Pa. Code § 57.173(2).

The reduction in the amount of time required to process a customer switch supports adoption of this proposal.

Additionally, the Commission proposes to retain the existing portion of Section 59.93(2), which requires NGDCs to verify the accuracy of the information provided by NGSs by matching at least two data elements such as name, address and account number. This verification requirement is not included in the Commission's *Standards for Changing a Customer's Electricity Generation Supplier* at 52 Pa. Code §§ 57.171-57.180. For its electric customers, PECO only verifies one data element, customer account number, and has not encountered any problems with this approach. Therefore, for purposes of consistency with the electric rules and PECO's electric verification process, PECO recommends removing this requirement from Section 59.93(2). However, if the Commission decides to retain this requirement, PECO requests that NGDCs be permitted to verify only one data element (such as customer account number). PECO believes that this will permit more flexibility for switching applications to be completed in a timely manner.

D. 52 Pa. Code § 59.94. Time frame requirement.

PECO agrees with the Commission "that there are important customer benefits in keeping the switching timeframe as short and as similar to the electric timelines as possible." (ANOPR at 26).

<u>Off-Cycle Switching</u>

PECO's Advanced Metering Infrastructure ("AMI") system has permitted off-cycle switching for its electric customers. It also has facilitated the Company's compliance with the electric requirement for accelerated (3-day) switching contained in 52 Pa. Code § 57.174. Without its AMI system, it would be more difficult for PECO to accommodate the number of switching requests it receives in a given month. On average, PECO processes approximately 22,790 electric off-cycle switching requests on a monthly basis.[4] Between November 2016 and December 2016, the highest number of switches that occurred for a single customer in one month was 7. Accordingly, unlimited off-cycle switching with smart meter technology was essential for PECO to satisfy all of these requests in a problem-free and customer-friendly manner. PECO can implement 3 business day off-cycle gas switching (in accordance with the proposed revisions to Section 59.94) because it has installed an AMI system for its natural gas customers.

Billing Changes

Based on its experience with the recent changes to the electric rules (applicable to customer switching), PECO agrees that billing system changes are required. Accordingly, to implement a similar off cycle switching process for gas customers, PECO will need to make Information Technology ("IT") enhancements, which it estimates to cost approximately $2 million. These billing system changes will permit PECO to reduce the number of days it takes to process a natural gas switch, from 11 calendar days to 3 business days.

Resolving Commodity and Capacity Issues Associated with 3-Day Switching

The Commission proposes that NGDCs act as a clearinghouse to ensure that associated commodity and capacity follow customers who switch. PECO does not believe that it is necessary to create such a clearinghouse paradigm because NGDCs already perform this function successfully through their Imbalance Cash Out rules. Specifically, Rule 10.11.3.2 in PECO's Gas Choice Supplier Coordination Tariff provides a mechanism to: 1) resolve natural gas imbalances; and 2) change corresponding levels of assigned Firm Transportation ("FT") capacity (related to the timing of a customer switch). According to Rule 10.11.3.2, the party responsible

[4] This average was determined using data from November 2015 through October 2016.

for delivering FT capacity and natural gas, after a customer switch occurs, is paid by the non-delivering party a cash amount equal to the following calculations:

(i) Capacity charges, as determined for each of the transferring Customers for which the delivering party delivered Pipeline FT Capacity gas by multiplying the maximum applicable pipeline tariff rates (apportioned on a pro rata basis equal to the amount of Pipeline FT Capacity held by the Company on each pipeline) by each such Customer's ADCQ, and dividing that amount by the fraction of the calendar month which transpired after the transfer;

(ii) Delivered gas costs, as determined for each of the transferring Customers for which the delivering party delivered Pipeline FT Capacity gas after the transfer, by multiplying the volume of such Pipeline FT Capacity gas (grossed up for pipeline fuel charges and apportioned on a pro rata basis equal to the amount of Pipeline FT Capacity held by the Company on each pipeline) by the Index Price, plus applicable variable pipeline charges (apportioned in the same ratios of Pipeline FT Capacity).

This methodology describes how PECO reconciles differences between forecasted and actual NGS gas supply, as well as, associated capacity when a customer switches prior to the end of a monthly nomination cycle. Each month, PECO forecasts gas usage and capacity for its Low-Volume Transportation ("LVT") customers. If an LVT customer is forecasted to receive gas supply and capacity from one NGS and switches to a different one, PECO performs a true-up of the pipeline capacity and gas commodity at the end of that month. The resulting payable or receivable is considered a Cash-Out Transaction. The same process occurs if a customer moves between PECO and an NGS. PECO believes that this methodology achieves the Commission's intended result to ensure that gas commodity and capacity follow customers as they shop.

E. Cost Recovery

As stated previously, PECO expects that it will cost approximately $2 million to implement an off cycle switching process for its gas customers. The ANOFR invited parties to comment on preferred cost recovery methods. Accordingly, PECO proposes to seek full and current cost recovery of its implementation costs through an automatic adjustment clause as permitted by 66 Pa. C.S. § 2205(c)(7), which states:

> *Natural gas distribution companies shall have the right to recover on a full and current basis all prudent and reasonable costs incurred to implement customer choice from retail natural gas customers or other entities as determined by the commission. Recovery from retail natural gas customers shall be made pursuant to a reconcilable automatic adjustment clause under section 1307 (relating to sliding scale of rates; adjustments).*

F. Other Issues Related to NGS Switching

PECO requests that the Commission implement a policy that does not require NGSs to provide NGDCs with verification of a customer's authorization to release data (i.e., historical usage data). The Commission adopted a similar policy regarding supplier access to electric customer account information in its June 3, 2010 Opinion and Order in *PECO's Smart Meter Technology Procurement and Installation Plan.*[5] In that order, the Commission stated:

> *Consistent with our findings regarding the authorization to release historical usage data for PPL, an EGS will not be required to provide documentation to PECO that the EGS has received authorization of a customer to provide usage data to the EGS.*
>
> (Opinion and Order at 13).

Adopting this change for gas accounts would align with the electric access requirements, eliminate the step of having to obtain a Letter of Authorization and streamline the process of providing account information to NGSs. Additionally, PECO requests that the same customer protections adopted in the June 3, 2010 Opinion and Order, apply here – namely, that NGSs requesting account information be subject to audit by the NGDC or Commission for compliance with the customer authorization requirement after the fact. Id.

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[5] See *Petition of PECO Energy Company for Approval of Smart Meter Technology Procurement and Installation Plan*, Docket No. M-2009-2123944 (Opinion and Order issued June 3, 2010).

III. CONCLUSION

PECO looks forward to continue working with the Commission and other stakeholders in shortening the timeframe required to complete a retail customer switch. PECO also continues to applaud the Commission for maintaining adequate protections for instances of customer slamming. Accordingly, PECO respectfully requests that the Commission favorably consider its comments to the ANOPR.

Respectfully Submitted,

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February 21, 2017

For PECO Energy Company

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