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May 4, 2018

VIA ELECTRONIC FILING

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

**Re: *En Banc* Hearing on Implementation of Supplier Consolidated Billing
Docket No. M-2018-2645254**

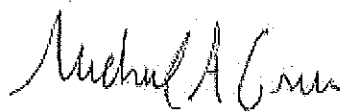
Dear Secretary Chiavetta:

Enclosed for filing are the Comments of WGL Energy Services, Inc. in the above-referend matter. As stated in the Comments, WGL Energy Services, Inc. respectfully requests the opportunity to testify at the June 14, 2018 *En Banc* hearing in this matter.

If you have any questions, please do not hesitate to contact me.

Best Regards,

STEVENS & LEE



Michael A. Gruin

Encl.

cc: Dan Mumford, OCMO (via email)

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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Hearing on Implementation of	:	
Supplier Consolidated Billing	:	Docket No. M-2018-2645254
	:	

COMMENTS OF WGL ENERGY SERVICES, INC.

WGL Energy Services, Inc. (“WGL Energy”) hereby files these Comments in response to the Secretarial Letter issued on March 27, 2018, which sought information from interested parties regarding the legality and appropriateness of implementing electric generation supplier consolidated billing (“SCB”).

WGL Energy is a competitive electricity and gas supplier in Pennsylvania, Delaware, Maryland and the District of Columbia. WGL Energy strongly supports the implementation of SCB as a billing option available to customers of electric generation suppliers (“EGSs”) in Pennsylvania, and respectfully urges the Commission to make SCB available as an option for EGS customers. As a supplier that operates in numerous markets with significantly different rules for supplier billing, WGL Energy can unequivocally state that SCB will be a tremendous improvement to the competitive market by promoting the development of best in class service offerings by licensed retail electricity and natural gas suppliers and will improve the customer experience in Pennsylvania. WGL Energy believes the competitive retail energy market in Pennsylvania is mature enough to support an SCB program.

I. En Banc Testimony

WGL Energy is interested in testifying at the Commission’s June 14, 2018 *en banc* hearing, and proposes to provide testimony from Phillip Woodyard, Chief Operating Officer of

WGL Energy, and Bernice McIntyre, Regulatory Strategy Director, Non-utility Regulatory Strategy Department, WGL Business Development and Non-utility Operations. WGL Energy submits that as the proponents of SCB and the stakeholders most affected by SCB, EGSs should be provided the opportunity to present testimony first at the *en banc* hearing, and also have the opportunity to respond to the testimony of other stakeholders at the hearing.

II. The Commission has the Legal Authority to Permit SCB

As explained in the Petition of *NRG Energy for Implementation of Electric Generation Supplier Consolidated Billing*, Docket No. P-2016-2579249, Section 2804(3) of the Public Utility Code provides the express legal authority for SCB. This Code section mandates the unbundling of generation, transmission and distribution, and authorizes the Commission to require the unbundling of other services. The Commission has already interpreted this language as providing the authority to allow SCB. See, *Application of Duquesne Light*, Docket No. R-00974103 (Order entered May 21, 1998). See also the Commission's *End State Final Order*, Docket No. I-2011-2237952 (Order entered February 15, 2013).

Furthermore, section 2807 (c) of the Public Utility Code assumes that EDCs may not always provide the billing function for electricity service, and the Commission has already concluded that “there is nothing in the Act that would prohibit supplier single bill options.”¹ And Section 2809(e) of the Code authorizes the Commission to “impose requirements on EGSs that are necessary to ensure the present quality of service provided by electric utilities does not deteriorate including assuring that adequate reserve margins of electric supply are maintained and assuring that 52 Pa. Code Ch. 56 (relating to standards and billing practices for residential

¹ *Application of Pennsylvania Power & Light Company for Approval of Restructuring Plan under Section 2806*, Docket No. R-00973954 (Order entered June 15, 1998).

utility service) are maintained.” This Code section provides the Commission with the statutory authority to apply the billing, payment, termination and reconnection requirements of Chapter 56 of the Commission’s regulations to EGSs.

III. SCB will provide substantial benefits to the competitive market in Pennsylvania

WGL Energy submits that the threshold question of the *whether* SCB should be implemented has already been resolved, and the Commission should focus on the details of *how* SCB should be implemented. The Commission has examined the issue of SCB on numerous occasions over the past decade, and definitively concluded that it should be available as a billing option in Pennsylvania. The Commission launched an investigation of Pennsylvania’s retail electricity market in April 2011 (“Electric RMI”) in order to “explore what changes need to be made to allow customers to best realize the benefits of competition,” emphasizing the importance of customers’ ability to choose electricity products and services.² After reviewing comments filed in response to the *RMI Launch Order*, the Commission issued the *RMI Launch Order II*, concluding the need to make improvements to the competitive landscape.³ In the *RMI Launch Order II*, the Commission directed the Office of Competitive Market Oversight (“OCMO”) to produce two work plans: one for intermediate steps involving changes to the existing market model and the second for the long range steps involving structural changes to the default service model.⁴ SCB was specifically addressed in the second work plan, which was referred to as the vision for the “End-State” for Pennsylvania’s competitive market.

² *Investigation of Pennsylvania’s Retail Electricity Market*, Docket No. I-2011-2237952 (Order entered April 29, 2011) (“*RMI Launch Order*”).

³ *Investigation of Pennsylvania’s Retail Electricity Market*, Docket No. I-2011-22377952 (Order entered July 28, 2011) (“*RMI Launch Order IP*”).

⁴ *Id.*

In the *End State Tentative Order*, the Commission noted its belief “that SCB should be made available as a billing option as part of a vibrant, competitive market.”⁵ The Commission observed that SCB would help establish the supplier’s identity with the customer, and the Commission directed OCMO to provide a recommendation to the Commission as to how to move forward in making SCB available as a billing option for EGSs and third parties.

The Commission reiterated the benefits of SCB in the *End State Final Order*, noting that SCB will facilitate the offering of innovative new products and services and help suppliers establish brand identity with customers. With the *End State Final Order*, the Commission embarked upon a series of initiatives to foster a more level playing field for EGSs, but implementation of SCB was deferred to focus on other priorities.⁶ Instead of moving forward with SCB, the Commission directed OCMO to explore making the EDC consolidated bill more supplier-oriented. The Commission directive resulted in the implementation of “joint bills” pursuant to the Order in the matter of *Joint Electric Distribution Company-Electric Generation Supplier Bill*, Docket No. M-2014-2401345 (Order entered May 23, 2014) (“Joint Bill Order”). While the “joint-bill” initiative has resulted in some improvements to EDCs bills, unfortunately, the initiative has fallen fall short of resulting in a true “joint-bill” that helps EGSs forge long-term relationships or engage in more effective communications with their customers. With the joint-bill initiative failing to make a large improvement in the competitive market, and with the benefits of SCB already established, the time has come for the Commission to take the next step towards implementing SCB as a billing option in Pennsylvania.

⁵ *End State Tentative Order*, Docket No. I-2011-2237952 (Order entered November 8, 2012).

⁶ *End State Final Order*, Docket No. I-2011-2237952 (Order entered February 15, 2013).

The lack of SCB has prevented Pennsylvania consumers from realizing the full benefits of electricity choice. SCB would enable EGSs to establish a more direct relationship with customers and offer a variety of other value added services such as appliance or service maintenance protection plans, security service, energy efficiency products, and improved analytical tools. The ability of EGSs to provide these services now is greatly restricted by the fact that charges for these services cannot be included on EDC bills. SCB would also enable regular communication between EGSs and their customers, facilitating greater trust and allowing EGSs to demonstrate their proficiency at meeting customers' needs.

SCB would also provide a platform for alternative pricing and payment options such as flat billing or pre-pay discounts, which are becoming popular in states (such as Texas) that facilitate such options. Pennsylvania customers have made the investment through their EDCs to install smart meters, yet the data from these meters is not being utilized to offer customers the full range of potential products and pricing plans. Utility consolidated billing does not offer the flexibility and communication platform to support the variety of pricing plans that could be offered. WGL Energy has experience with offering flat-bill products in other jurisdictions. Customers of all sizes and income levels have expressed interest in these products and provided positive feedback on them. Flat bill products allow customers to enjoy budget certainty for the entirety of their energy contract, and prepaid plans provide credit-troubled customers with an option to obtain electricity service that otherwise may not be available to them due to EDC requirements for posting deposits. Customers are very familiar with alternative pricing and payment options through the wide availability of such options from mobile telephone providers.

These benefits and options can be brought more widely to the electricity market if SCB is implemented.

SCB, especially if done electronically or via email, would also support improved data presentation for customers through online tools. Frequent, regular communication between EGSs and customers enables EGSs to obtain feedback to better understand customer needs and concerns (for example, with customer service issues, desired products and services, budget issues, and payment issues). Direct billing by EGSs will also improve customers' understanding of the competitive market and the options available to them, resulting in greater customer confidence in the competitive energy marketplace. SCB will also provide a platform to deliver tools that can be tailored to help customers manage their energy consumption and reduce their electricity costs, allowing customers to take greater control of their energy bill.

If suppliers are able to serve as the direct billing entity for their customers, they would have a much greater incentive to develop products, services, and communication tools to enhance the customer's experience, resulting in higher enrollment and retention of customers. Monopoly utilities have no such incentives. The following list provides just a few examples of the potential customer benefits of SCB:

- SCB will allow suppliers to develop and customize more versatile and customer-friendly billing systems than the monopoly utilities are able to provide, while still ensuring that the billing processes satisfy all of the customer protection requirements of the Public Utility Code and the Commission's regulations.

- SCB will allow suppliers to offer and bill for a variety of value-added services beyond electricity, such as appliance or service maintenance protection plans, security service, energy efficiency products, and improved analytical tools.
- SCB would improve communication between EGSs and their customers, and allow customers to better differentiate between suppliers on issues beyond commodity prices.
- SCB's direct billing and payment relationship will allow suppliers to better respond to customer preferences and identify unmet customer needs.
- SCB's direct billing and payment relationship will enable EGSs to obtain feedback to better understand customer concerns (for example, with customer service issues, desired products and services, budget issues, and payment issues).
- SCB will enable suppliers to present customers with more personalized information about beneficial rate plans (such as time of use), value-added services (such as energy efficiency programs), and other service offerings (such as home protection) on a more accurate and granular level than is possible with utility billing.
- SCB will incentivize the development of supplier tools to help customers manage their energy consumption and identify plans and products to help control costs.
- SCB will make it possible for suppliers to provide bill credits (for refund or promotional purposes) directly to customers, which is currently not possible with utility consolidated billing.

IV. Mechanics of SCB

SCB should be voluntary for EGSs to offer, so customers will retain the power to choose whether to enroll with a supplier that offers SCB. SCB is simply another potential feature of competitive markets and electricity choice that will provide interested customers with a different framework for engaging with their energy supplier. Some suppliers may offer SCB, while others will not. Some customers may be interested in SCB and some may not. But it should not be assumed the customers are incapable of understanding the implications of SCB, or that they are ill-equipped to make informed choices about the pros and cons of SCB. The fact is that households and businesses have become accustomed to new models for purchasing traditional service offerings in recent years. Whereas in the past most households had one choice for cable television, customers now are customizing their own packages of video services, using a combination of cable television, high speed internet, satellite services, and streaming video services under a variety of billing platforms. In the past 20 years, hundreds of millions of customers have moved from being passive ratepayers of monopoly landline telephone service to become savvy purchasers of complicated wireless and internet voice and data services. Customers now receive telephone service –including critical emergency 911 service - from a wide variety of telephone, cable, internet, and wireless providers under a myriad of billing arrangements. With continued education, these same residential and commercial customers will be able to make informed decisions about a new type of billing relationship with their energy supplier and distribution utility. SCB may not be the best choice for every customer, and those customers who are not comfortable with SCB will be free to choose another supplier or remain with their default service provider. But just because SCB is not the right choice for some

customers does not justify prohibiting suppliers from offering SCB to those customers who may be interested in SCB.

With respect to some of the practical implementation topics raised by the Commission in its Secretarial letter, WGL Energy submits the following.

Financial/Bonding Requirements for SCB - Because of the increased role of an EGS engaging in SCB, WGL Energy believes that somewhat more stringent financial and bonding requirements and technical vetting could be required in order to permit a supplier to perform SCB. This could be accomplished by a new section to the EGS licensing Application to require additional information in connection with a request to offer SCB, and a requirement for existing suppliers to apply for and obtain approval from the Commission to offer SCB before offering it.

Pilot Program - WGL Energy sees no need for a pilot program to evaluate the mechanics of SCB. Such programs can be expensive and time-consuming, and also provide a subset of suppliers with a first-mover advantage in the move towards SCB. The better approach for implementing SCB would be to initiate an open stakeholder process overseen by the Office of Competitive Market Oversight (“OCMO”). Sub-groups and working teams of stakeholders from all perspectives could be formed during that process to work on discrete aspects of SCB.

V. **Issues related to Low-Income Customers and Assistance Programs**

Given the complexity of administering the assistance programs and the fact that CAP customers are not currently allowed to shop for service from EGSs in PPL, PECO, and Duquesne territory, WGL Energy submits these issues can be set aside until SCB is successfully

implemented. This would mean that all customers on energy assistance programs would not be eligible for SCB during the initial phase of the process. Further assessment and process evaluation could be undertaken at a later date when SCB has been operating smoothly.

VI. Issues related to Collections and Terminations of Service

It is critical to the success of SCB to allow the EGSs a process to initiate termination of service by the EDC for non-payment. The existing rules to protect customers during cold weather months and customers with registered medical needs would still be followed by EGSs under SCB. Customers need to know that they must pay for their electricity from EGSs just as they must pay their bills to the EDCs today. Implementing SCB without providing the EGSs with termination rights will lead to behaviors where consumers drop their suppliers to avoid payment. In addition, without the ability to terminate service for non-payment, EGSs will be forced to implement higher credit screening for customers before offering energy supply products and other value-added services, thereby preventing certain customers from having the opportunity to realize the benefits of SCB. The need for EGS-initiated termination is also important when the EGS purchases the receivables of the EDC. This Purchase of Receivable ("POR") process should mirror the timing that is used for the current EDC POR programs under utility consolidated billing. By purchasing the utility receivables, the collection and payment application process is cleaner and less confusing for customers.

While the issue of EGS-initiated terminations raises concerns from some parties, it is important to realize that the implementation of SCB will not result in a tidal wave of enrollments or terminations. Customers will need to choose this option. EGSs cannot just transition existing

customers to SCB overnight, it will require customer consent, likely at the time of contract renewal. Not all EGSs will choose to implement SCB, and the timing of implementation will vary for the EGSs that decide to implement SCB. This will result in a modest ramp up of customers enrolling in SCB. The implementation process can also be performed in a controlled manner to be sure that all of the manual and technical steps are operating smoothly before customers are actually disconnected.

The Commission should look to the recent implementation of three-day switching as a blueprint for how SCB can be implemented. Objections to three-day switching were raised by numerous stakeholders, but once the Commission mandated three-day switching and established a firm but reasonable timeline to implement, the EDCs were able to fully adopt three-day switching within the required timeline. This achievement has been hugely beneficial to consumers and the competitive marketplace, but it never would have happened if the Commission had focused on the difficulties of implementation rather than the benefits of implementation. The same is true of SCB. While there are complex issues that need to be resolved, if stakeholders are directed to develop those solutions within a firm but reasonable timeframe, the issues can be resolved, and customers and the competitive market will benefit.

WGL Energy believes that customer education will be critically important to the success of SCB. The notion of receiving a consolidated electricity bill from a supplier is still a novel concept for most residential customers in Pennsylvania. It will take time for customers to become educated about consolidated billing and the benefits that it can provide. WGL Energy strongly believes that suppliers who are interested in SCB have the tools and motivation to fully educate prospective customers about consolidated billing. It would make no sense for a supplier

to invest considerable resources in taking on the billing and customer services functions required by SCB, not to mention the purchase of EDC receivables, without ensuring that its customers were fully informed about SCB. Again, enrolling with an EGS that offers SCB will be a voluntary choice for customers – suppliers cannot impose SCB on customers. Suppliers will need to obtain customers’ consent to receive a supplier consolidated bill, and no rational supplier would attempt to undertake consolidated billing without the knowledge that its customers were fully on board with the concept. Suppliers interested in offering SCB will need to directly engage with their existing customers to educate them about any switch to SCB, and will likewise need to incorporate an SCB educational component in all sales presentations to prospective new customers.

In addition to direct communication to their existing and prospective customers about SCB, suppliers could engage in public education about SCB through organizations such as the American Coalition of Competitive Energy Suppliers (“ACCES”), of which WGL Energy is a member. ACCES is comprised of competitive retail natural gas and electricity suppliers solely devoted to consumer education and media outreach in order to help consumers better understand and take advantage of energy choice. ACCES has experience working with state public utility commissions, utilities, and other suppliers, to develop effective customer education programs on energy choice issues, and is well-suited to developing public education tools to explain how SCB works and address the questions that consumers can expect to have about SCB.

Suppliers operate in a highly competitive market in which customers have dozens of suppliers from whom to choose. In this environment, suppliers, even more than utilities, must provide high levels of customer service to customers to ensure a positive experience - or else risk

losing customers. In WGL Energy's experience, customers who have exercised their right to choose a competitive supplier expect a high level of customer service from their supplier. Dissatisfied or confused customers will vote with their feet by choosing a new supplier or returning to utility service. Responsiveness to customer needs and customer satisfaction is a key to success as a supplier, which makes suppliers ideally suited to perform the billing and customer service functions for their customers.

Conclusion

As the Commission evaluates the possibility of Supplier Consolidated Billing, it is important to keep in mind that SCB is a voluntary program for customers, and will not be imposed on customers without their consent. This fact should mitigate many of the concerns raised by the various commenting parties. While there clearly are important issues that need to be addressed before SCB can be fully implemented, the need to work through the important billing and customer service issues should not be used as a justification to prevent millions of other residential and commercial customers from having the option to choose a supplier that offers SCB. Because many residential and commercial customers will be able to receive substantial benefits from SCB, the Commission should explicitly authorize SCB by the end of 2018, and begin the process for allowing voluntary SCB by directing the stakeholders to resolve the billing and customer service issues associated with SCB via a stakeholder process with firm but reasonable deadlines.

WGL Energy looks forward to continued engagement with the Commission and other stakeholders on this matter.

May 4, 2018

Respectfully submitted,

Bernice K. McIntyre

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