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May 4, 2018

VIA ELECTRONIC FILING

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

**Re: Petition of NRG Energy, Inc. for Implementation of Electric Generation
Supplier Consolidated Billing;
Docket No. P-2016-2579249**

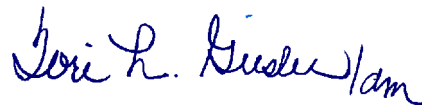
**En Banc Hearing for Supplier Consolidated Billing;
Docket No. M-2018-2645254**

Dear Secretary Chiavetta:

Pursuant to the Pennsylvania Public Utility Commission's Secretarial Letter dated March 27, 2018 regarding the above-referenced proceedings, 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

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Enclosures

c: As Per Certificate of Service
Dan Mumford, Director of the Office of Competitive Market Oversight

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of NRG Energy, Inc. for Implementation of Electric Generation Supplier Consolidated Billing	: : :	Docket No. P-2016-2579249
En Banc Hearing for Supplier Consolidated Billing	: :	Docket No. M-2018-2645254

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

I. INTRODUCTION

On January 18, 2018, a Joint Motion was passed at a public meeting of the Pennsylvania Public Utility Commission (“Commission”), which directed that a Petition for Implementation of Electric Generation Supplier Consolidated Billing, filed by NRG Energy, Inc. (“NRG”) on December 8, 2016, be denied. In addition, the Joint Motion directed that the Commission’s Law Bureau and Office of Competitive Market Oversight (“OCMO”) establish a docket under which an *en banc* hearing process would be conducted which would be designed to solicit input regarding supplier consolidated billing (“SCB”) and other possible alternatives to the competitive market, with the goal being to promote shopping and the inclusion of electric generation supplier (“EGS”)-offered value added services. Consistent with that Joint Motion as adopted, the above-captioned docket was initiated and a Secretarial Letter was issued at the new docket on March 27, 2018 (“Secretarial Letter”). The Secretarial Letter outlined a stakeholder input process under which comments are initially to be filed by May 4, 2018 addressing the detailed set of questions which were appended to the Secretarial Letter. In addition to responses to those queries, commenting

parties are invited to volunteer to testify at an *en banc* which is scheduled to be held on June 14, 2018, with the final testimony to be from a panel selected by the Commission. Finally, reply comments to all material offered in comments on May 4, 2018 and in testimony on June 14, 2018 will be accepted by filing with the Commission no later than July 27, 2018. Consistent with the Secretarial Letter, Metropolitan Edison Company (“Met-Ed”), Pennsylvania Electric Company (“Penelec”), Pennsylvania Power Company (“Penn Power”) and West Penn Power Company (“West Penn”) (collectively, the “Companies”) hereby submit their initial comments for consideration.

II. COMMENTS

A. LEGAL

- 1. Is SCB permitted under Chapters 14 and 28 of the Public Utility Code, 66 Pa.C.S. §§ 1401-1419, 2801-2815? If so, what limits, if any, are imposed by the Public Utility Code? In particular, does the language in Section 2807(c) limit the Commission to only (1) dual billing and (2) EDC consolidated billing? Does the statutory language in Chapter 14 require that customer billing functions, especially those related to service connections, payment arrangements, terminations of service and reconnection of service, are functions that are to be performed solely by the EDC?**

No. SCB is not permitted under the current state of the law, as the Public Utility Code does not provide authority for the Commission to adopt SCB. In particular, if adopted, SCB would directly contravene key provisions of Public Utility Code, including Section 2807(d) and Chapter 14. The Companies have identified many key respects in which the implementation of SCB under the current state of the Public Utility Code would be unlawful.

The legislature followed the Commission’s blueprint for allocating customer service functions in crafting the terms of Section 2807(d) of the Competition Act, which commands that

“[t]he electric distribution company *shall* continue to provide customer service functions.”¹ Thereafter, in 2004, the legislature affirmed the mandate of Section 2807(d) when it imposed non-delegable duties on “public utilities” under Chapter 14 of Public Utility Code² for the full range of “residential utility service standards” listed in Section 1402(1) and delineated in detail in the balance of Chapter 14. These duties encompass, among other key functions, obtaining and returning customer deposits (Section 1404); establishing payment arrangements and assuring customer compliance with payment agreements (Section 1405); termination and reconnection of service, including mandatory notices, in-person contacts, payment arrangements and medical certifications to forestall termination (Sections 1406 and 1407); payments to restore service (Section 1407); formal and informal complaints, including the obligation to attempt to resolve such complaints through direct customer/public utility contacts (Section 1410); and public utilities’ obligation to provide information concerning universal service programs when a customer contacts the public utility for a payment arrangement (Section 1410.1).

More recently, the Commonwealth Court decided *Dauphin Cty. Indust. Dev. Auth. v. Pa. P.U.C.*, which holds that the Commission cannot “interpret” clear statutory language imposing a duty on a specific entity as authorizing the delegation of that duty to another:

The Commission’s interpretation of Section 2807(f)(5) is not entitled to deference. Unlike the statute at issue in *Popowsky*, there is no ambiguity in the Competition Act’s mandate. It provides, plainly, that “[t]he default service provider shall offer the time-of-use rates ... to all customers that have been provided with smart meter technology.” 66 Pa. C.S. §2807(f)(5) (emphasis added). Our rules of statutory construction require that words and phrases be read according to their common and approved usages. 1 Pa. C.S. §1903(a). The legislature’s unqualified use of the words “shall offer” in Section 2807(f)(5) places the burden on the default service

¹ 66 Pa.C.S. § 2807(d) (emphasis added).

² See, e.g., 66 Pa.C.S. §§ 1405, 1406, 1407, 1410 and 1410.1 (imposing duties on “public utilities,” which, as clearly defined in Section 1403, include EDCs but do *not* include EGSs).

provider, in this case PPL, to offer Time-of-Use rates to customer-generators. The legislature knows the difference between a default service provider and an Electric Generation Supplier. Its decision to place the onus on default service providers was neither accidental nor arbitrary.³

Just like the statutory language at issue in *Dauphin County*, Section 2807(d)⁴ and Chapter 14⁵ contain the “legislature’s unqualified use” of the word “shall” in imposing obligations on EDCs and “public utilities” (defined in Section 1403 as EDCs and not EGSs), respectively, and in a number of other ways clearly identify EDCs and “public utilities” as the entities responsible for the actions required.

By implementing SCB absent a statutory change, the Commission would be countermanding the clear statutory directives of Section 2807(d) and Chapter 14. The comprehensive reshaping of the landscape for customer billing and collection, customer service functions, dispute resolution, payment arrangements and responding to customer inquiries that the implementation of SCB would require cannot occur without extensive changes to the Public Utility Code that only the legislature and Governor are empowered to make.

³ 123 A.3d 1124, 1134-1135 (Pa. Cmwlth. 2015) *appeal denied* 140 A.3d 14 (Pa. 2016) (footnotes omitted) (“*Dauphin County*”).

⁴ 66 Pa.C.S. § 2807(d) (“The electric distribution company shall continue to provide customer service functions consistent with the regulations of the commission, including meter reading, complaint resolution and collections.”)

⁵ *See, e.g.*, 66 Pa.C.S. § 1406(b)(1) (“Prior to terminating service under subsection (a), a public utility: (i) Shall provide written notice of the termination to the customer . . . (ii) Shall attempt to contact the customer or occupant to provide notice of the proposed termination . . .”); 66 Pa.C.S. § 1405(a) (“The commission is authorized to establish payment arrangements between a public utility, customers and applicants within the limits established by this chapter.”); 66 Pa.C.S. § 1406(f) (“A public utility shall not terminate service to a premises when a customer has submitted a medical certificate to the public utility.”); 66 Pa.C.S. § 1407(c)(1) (“A public utility shall provide for and inform the applicant or customer of a location where the customer can make payment to restore service.”); 66 Pa.C.S. § 1410(1) (“The commission shall accept formal and informal complaints only from customers or applicants who affirm that they have first contacted the public utility for the purpose of resolving the problem . . .”); 66 Pa.C.S. § 1410.1 (“When a customer or applicant contacts a public utility to make a payment agreement as required by section 1410, the public utility shall: (1) Provide information about the public utility’s universal service programs, including a customer assistance program. (2) Refer the customer or applicant to the universal service program administrator of the public utility. . . (3) Have an affirmative responsibility to attempt to collect payment on an overdue account.”).

The Commission does not have authority under the Public Utility Code (“Code”) to implement SCB for several reasons. First, if adopted, SCB would directly contravene key provisions of the Code and the Commission’s regulations. In particular, Section 2807(d) of the Code provides that EDCs “shall” continue to provide customer service functions notwithstanding the introduction of competition in the Commonwealth.⁶ The legislature affirmed this mandate in 2004 when it imposed a host of statutory duties on “public utilities” under Chapter 14 of the Code, including standards for credit and payment arrangements, termination and restoration of service, and customer complaint handling. The duties imposed on “public utilities” under Section 2807(d) and Chapter 14 of the Code are the same functions that would be taken over by EGSs under SCB. However, the Commonwealth Court has held that the Commission cannot “interpret” clear statutory language imposing a duty on a specific entity to delegate those duties to another entity.⁷ Furthermore, using SCB to market *non-generation* products and services and include those costs in a single “flat” bill would make it difficult, if not impossible, for customers to discern the price for generation service, contrary to Section 2807(c) of the Code and the Commission’s bill format regulations.⁸

Second, SCB cannot be implemented without extensive revisions to the Commission’s regulations.⁹ Existing regulations cannot be changed without adhering to the formal and substantive requirements of the Commonwealth Documents Law¹⁰ and the Regulatory Review

⁶ 66 Pa.C.S. § 2807(d).

⁷ *Dauphin County*, 1134-1135.

⁸ *See* 66 Pa.C.S. § 2807(c)(1) (requiring that bills “enable customers to determine the basis” for all of their “unbundled” charges); 52 Pa. Code § 54.4 (requiring that every charge to be stated separately and identified as a charge for either “basic” or “nonbasic” service on residential and small business customer bills).

⁹ *See, e.g.*, 52 Pa. Code Ch. 56 (imposing standards and billing practices for residential utility service on public utilities and EDCs but not EGSs).

¹⁰ 45 P.S. §§ 1201-1202.

Act,¹¹ including review by the Independent Regulatory Review Commission (“IRRC”) and standing committees of the legislature.

2. Would a purchase of receivables (POR) program where the EGS purchases the EDC's receivables be permitted under the Public Utility Code and Commission regulations?

Under existing voluntary EDC purchase of receivables (“POR”) programs, participating EGSs that elect utility consolidated billing sell their receivables to the EDC. Under those circumstances, the customer's receivable for generation service is, after the EDC's purchase, owed to the EDC - just like generation charges for default service. The EDC can, therefore, lawfully terminate service for non-payment of the purchased receivable, as the delinquent account is owed to the EDC. While there appears to be no legal impediment to EGSs purchasing the receivables of the EDC (“reverse POR”), it is unclear, based on the legal restrictions outlined in response to section II.A.1. of these comments, how collections could be effectively managed under an SCB and reverse POR model. An EGS cannot lawfully demand that a customer’s service be terminated for non-payment of a receivable owed to an EGS. Meanwhile, if an EGS were to purchase an EDC’s receivable, the entire delinquent account would then be owed to the EGS, and the EDC would have no lawful basis to terminate service for non-payment. In fact, the Retail Electric Supply Association (“RESA”) itself has historically acknowledged that a receivable must be owed to an EDC as a condition precedent to the EDC’s lawful right to terminate service for non-payment of that receivable.¹²

¹¹ 71 P.S. §§ 745.1 *et seq.*

¹² *Petition of PPL Elec. Util. Corp. Requesting Approval Of A Voluntary Purchase Of Receivables Program And Merchant Function Charge*, Docket No. P-2009-2129502, 2009 WL 4087051 (Pa. P.U.C., Nov. 19, 2009) (“*PPL POR Order*”), p. 14 (“RESA’s position on the termination issue is that since PPL would be purchasing an EGS’s accounts receivable, PPL would own those accounts and should have all of the suspension and termination tools available for those customers as it has for its default service customers.”).

3. Given that POR programs are voluntary and the Commission could not require an EGS to purchase an EDC's receivables, what effect would that have on the viability of SCB if an EGS does not include a POR program in its SCB plan?

In the event the legal issues outlined above could be resolved, the establishment of POR programs under an SCB model would be critical to the viability of not only SCB, but billing and collections for EDCs in general. For the Companies, 17.7% of bills issued to residential customers carry an arrearage each month. While the idea would be to simply shift roles in the consolidated billing model, the practical effect would instead likely result in dual billing becoming the norm. This is because while EGSs would be billing for current EGS and EDC charges as well as past due EGS charges, EDCs would be required to continue separately billing for past-due EDC charges. The same would hold for any EGS with which a payment troubled customer had previously shopped but from which the customer was no longer taking service, and to which the customer still owed payment for an accrued arrearage. In this type of instance, a customer could be facing bills associated with electric service coming in from three (or more, depending on the customer's shopping habits) separate entities. To the extent this would result in dual billing, customer confusion is likely to increase. Specifically, it is likely going to be unclear to customers what entity they are paying relative to electric service, and for cash-strapped customers, which bill should be prioritized for payment where they are trying to do what they can to maintain electric service, thereby also making it more likely they will not pay the amounts necessary to prevent termination and maintain service.

If SCB were to be adopted without accompanying POR programs, significant care would need to be taken by the Commission to establish clear rules for when arrearages would be turned over from the EGS to the EDC for billing and establish detailed payment posting priorities for both current payments and payments coming into the EGS that were targeted by the customer to pay

delinquent EDC charges. In addition to the customer confusion such a construct would cause, another likely effect is increased arrearages, uncollectible expense and cash working capital requirements of EDCs as they try to collect arrearages from customers. Even with clear payment posting priorities, without POR programs, any potential bad debt would fall to the EDCs. However, under SCB, EDCs would no longer be able to fully manage the collection process as that would be initially managed by EGSs. EDCs would lose visibility as well as contact points with their customers and, as a result, the EDCs' ability to effectively collect on bad debt would be hampered, if not eliminated. Because customers will not have received an initial bill from their EDC, it is expected that the customers will be less likely to pay for a bill associated with arrearages once they are pushed back to EDCs for further collection. This could likely result in an increase in arrears which would ultimately lead to an increase in write-offs and uncollectible expense. All of these increased costs will fall on the shoulders of distribution ratepayers in Pennsylvania and, to the extent allowed to go unchecked, could create cost recovery concerns for EDCs. Meanwhile, the same may result as an unintended consequence to EGSs, for those customers whom they no longer serve but which left service with their previous EGS with remaining balances due.

That all said, there is no legal authority for the Commission to require an EDC to sell its accounts receivable to an EGS.¹³ Given the complications outlined here – which surely would grow if the effort were undertaken to include those that the Companies may not have considered yet – it's unclear what incentive EDCs would have to want to participate in such a construct.

4. If the Commission decides to explore these topics further, what are the preferred procedural methods for doing so?

SCB would require extensive changes to the existing statutory and regulatory

¹³ *PPL POR Order* (affirming that the Commission lacks authority to require an EDC to purchase the accounts receivable of an EGS; accordingly, forcing an EDC to sell its accounts receivable is equally unauthorized).

framework. Once legislative modifications could be passed through the legislature, the changes needed to accommodate this proposal within the Commission’s regulations would require a notice and comment rulemaking process, like any other rulemaking. Changing existing regulations must satisfy the rigorous requirements of the Commonwealth Documents Law and the Regulatory Review Act, including review by the IRRC and standing committees of the House of Representatives and the Senate. Even if statutory authority existed for the Commission to adopt SCB -and it does not-the rulemakings that are indispensable for implementing such a proposal, including IRRC and standing committee reviews, would have to be completed successfully before implementation could begin. This would be not only for the benefit of EGSs and EDCs, but for the electric ratepayers of this Commonwealth. Absent clear rules under which this process would work, the volume of litigation that would likely ensue – whether developing through formal complaint processes, rate recovery-related proceedings, universal service proceedings, could be quite significant.

B. IMPACT ON THE MARKET

1. How would implementation of SCB affect Pennsylvania's retail electric market?

SCB has a history of being rejected in other jurisdictions where advocates of SCB raised arguments that SCB is necessary for EGSs to developing meaningful long-term relationships with customers and “market their products and services”. Most notably, this happened in Connecticut in 2014 on the basis that dual billing satisfied those needs better and more efficiently.¹⁴ The Companies agree. While some EGSs serving in Pennsylvania already do business in Texas, where SCB is the standard, not all EGSs operating in Pennsylvania are similarly situated.

¹⁴ *Connecticut Public Utility Regulatory Authority Review Of The Billing Of All Components Of Electric Service By Electric Suppliers*, Conn. PURA Docket No. 13-08-15 (Aug. 6, 2014) (“*PURA Report on SCB*”), pp. 6-7. A copy of the *PURA Report on SCB* is attached as Appendix A.

Accordingly, accounting and customer service infrastructure would be needed for many EGSs to implement SCB in Pennsylvania. The effort by those EGSs who operate within Texas to leverage their existing resources would, of course, come at a cost to other EGSs that are not players in the Texas market but, instead, are focused on providing generation service at the most competitive prices to customers in Pennsylvania – perhaps driving them from the Pennsylvania market entirely. In turn, these increased costs (which would not otherwise be incurred) would surely harm the competitive retail market in the Commonwealth and are clearly not in the best interests of Pennsylvania consumers.

No demonstration has been made to date, in terms of shopping statistics, price levels, or customer satisfaction, that SCB would benefit the Pennsylvania retail electric market. Likewise, no demonstration has been made that SCB is necessary today notwithstanding the retail market enhancement initiatives undertaken by EDCs since the conclusion of the Commission’s Retail Market Investigation, including, most recently, a “joint” bill for use in conjunction with utility consolidated billing (“UCB”). Notably, the Commission rejected SCB in the *End State Final Order*, namely on the basis of the cost and complexity of implementing SCB, a lack of EGS interest in light of the availability of UCB under EDCs’ purchase of receivables (“POR”) programs and customer protection concerns.¹⁵

In addition, specific detriments to the Pennsylvania retail electric market may ensue to the extent SCB is implemented, including:

- The introduction of billing products that may reduce bill transparency, diminish a customer’s ability to make informed shopping decisions, and lead to customer confusion.
- The need to address complex policy and implementation issues related to, for instance, EGS credit requirements, termination and restoration of service, protocol for the exchange of usage data, utility hardship fund donations, regulatory notices, Commission oversight, payment agreements and billing disputes.

¹⁵ See *Investigation of Pennsylvania’s Retail Electricity Market: End State of Default Service*, Docket No. I-2011-2237952 (Final Order entered Feb. 15, 2013) (“*End State Final Order*”), pp. 66-67.

- Compromised accessibility of universal service and energy conservation programs mandated by the Competition Act and adverse impacts to federal Low Income Home Energy Assistance Program (“LIHEAP”) grants and subsidies under EDCs’ customer assistance programs.
- Proposals to “block” customers from switching to another EGS or returning to default service until their SCB account balance is paid in full would restrain customer choice and endanger existing safeguards that protect customers against unauthorized switching, as well as drive price increases that may occur while customers are “blocked,” including, in particular, increases in “variable” prices that occur under variable-priced contracts.
- The creation of billing system redundancies and imposition of unnecessary costs on customers to accommodate a limited number of EGSs.

The introduction of the UCB model widely used by EGSs in Pennsylvania – not SCB – was the key driver of retail competition for residential and small business customers in Illinois. In fact, the Illinois experience was a highly instructive empirical test of the contention that SCB is needed to realize the goal of a “robust” competitive market for generation service in the Commonwealth. The results of that real-world test totally belie any suggestion that SCB is necessary to further develop the Pennsylvania retail electric market.

As of May 1, 2002, residential and small business customers in Illinois were allowed to choose their own electric supplier. At that time, however, Illinois law authorized two billing options for those customers: dual billing and SCB. Three years later, in the context of a Commonwealth Edison Company (“ComEd”) base rate proceeding, a coalition of EGSs,¹⁶ requested that the Illinois Commerce Commission mandate UCB with a POR feature to “improve the environment for retail electric competition in the small customer market segment and help bring the benefits of competition to it.”¹⁷ In support of this new billing option, a witness for CES

¹⁶ In Illinois, the equivalent of an EGS in Pennsylvania is called a Retail Electric Supplier (“RES”). For consistency, RESs are referred to herein as “EGSs.”

¹⁷ Direct Testimony of Ken Hartwick on Behalf of the Coalition of Energy Suppliers (“CES”), *Commonwealth Edison Company Proposed General Increase in Electric Rates, General Restructuring of Rates, Price Unbundling of Bundled*

– himself an employee of an EGS – emphasized the benefits of UCB for customers, utilities and EGSs:

The customer benefits by being able to take advantage of [EGSs] competitive offerings while still maintaining the simplicity of one bill delivered and collected by his familiar utility. *In my company's experience with residential customers, we have learned that our customers strongly prefer to receive one bill for both delivery and commodity charges from the utility.*

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UCB imposes no hardship on the utility in terms of physical delivery of its bills. If the utility does not issue a UCB, it still needs to issue a bill for its delivery charges. Where the [EGS] send the customer a bill for its commodity charges, the utility must still send the customer a bill for its delivery charges. The [EGS] benefits from UCB by not having to duplicate the costly billing systems that the utility already possesses. In turn, the [EGS'] customers avoid having to pay for the cost of a duplicate billing system by taking [EGS] service. All ComEd customers paid for the utility's underlying billing system prior to their ability to exercise choice. These customers should not be forced to pay for another billing system under competition.¹⁸

UCB with POR was not adopted in the ComEd rate case. Thereafter, in November 2007, Public Act 95-0700 was enacted to amend the Retail Electric Competition Act of 2006 and remove certain barriers to retail competition for residential and small business customers in Illinois. Those amendments required EDCs with more than 100,000 customers to implement UCB and POR programs.¹⁹ To that end, Ameren Illinois Company (“Ameren”) and ComEd began to offer UCB, in addition to the existing SCB and dual billing options, in 2009 and 2010, respectively. The

Service Rates, and Revision of Other Terms and Conditions of Service, Docket No. 05-0597 (submitted on Dec. 23, 2005), p. 2; *see also id.*, p. 8 (“My company has found that UCB with POR helps create a competitive market for residential and small commercial customers.”). A copy of Mr. Hartwick’s testimony is attached hereto as Appendix B.

¹⁸ *Id.*, p. 6 (emphasis added).

¹⁹ 220 ILCS §§ 5/16-118(c) and (d).

competitive electricity market in Illinois for residential and small commercial customers was very small prior to the availability of UCB with POR, and that market began to expand rapidly only after Ameren and ComEd began to offer UCB with POR.²⁰

In sum, the Illinois experience not only contradicts the idea that SCB is necessary for customers to realize the benefits of retail competition in Pennsylvania, but it confirms the Commission's concern expressed in the *End State Final Order* that SCB would be of little interest to EGSs in light of the availability of UCB with a POR component that fully insulates them from bad debt risk. In fact, the results of a recent Commission survey demonstrate that "value-added" opportunities are not a focus of customer shopping decisions.²¹ Rather, customers reported that their prime motivation for switching is to lower their monthly electric bill.

Finally, SCB is not the sole means for an EGS to strengthen its relationship with customers or to communicate directly with their customers regarding potential offers that they feel are important. To the contrary, inclusion of the EGS logo and expanded bill messaging space on utility consolidated bill allows EGSs to gain brand loyalty.²² Of course, EGSs are also free to issue separate bills to their customers or market non-generation products and services consistent with their business models in the same manner that non-EGS vendors market those same products and services.

²⁰ See Final Order, *Northern Illinois Gas. Co. d/b/a NICOR Gas Co. – Proposed Establishment of Rider 17, Purchase of Receivables with Consolidated Billing*, Docket No. 12-0569 (I.C.C. July 29, 2013), p. 11 ("RESA and [Interstate Gas Supply of Illinois, Inc. ("IGS")] also noted that, in Illinois, on the electric side, both ComEd and Ameren have [purchase of receivables with utility consolidated billing ("PORCB")] programs. RESA/IGS assert it is well known that the Illinois residential competitive market has expanded greatly since the implementation of PORCB... RESA/IGS argue that PORCB is part of the fundamental foundation for competition, without which large-scale residential customer swinging simply could not have occurred.").

²¹ See PA PowerSwitch Attitudes and Usage Report (October 2016), p. 13 (only 3% of survey respondents identified "access to new products, like time-of-use options" as a motivating factor for switching electric providers). A copy of the relevant portion of the PA PowerSwitch Attitudes and Usage Report is attached hereto as Appendix C.

²² See *Joint Elec. Distribution Co.-Elec. Gen. Supplier Bill*, Docket No. M-2014-2401345 (Final Order entered May 23, 2014), pp. 5-7, 35.

2. What are the benefits to consumers associated with implementation of SCB?

The Companies do not believe that customers will benefit from the implementation of SCB, for all of the reasons outlined further in these comments.

3. Is implementation of SCB necessary to facilitate the introduction of products and services to retail electric customers in Pennsylvania and to boost competition in the electric generation market? Is SCB needed to facilitate the provision of smart-meter related products like Time-of-Use (TOU)?

Simply stated, no. The efforts the Commission has undertaken through its RMI, have driven an increased awareness in Pennsylvania's retail electric market. While it is true that there are still many customers who choose not to shop with an EGS, it is important to remember that not shopping is in fact exercising a customer choice – which is absolutely those customers' right. The Companies address this question further in section F.1. of these comments.

4. What effect would implementation of SCB have on standard offer programs (SOP) and how would they interact, if at all?

The Companies' standard offer program, the Customer Referral Program ("CRP"), requires all participating EGSs to utilize UCB under a rate ready rate. The use of a rate ready rate allows the EDC to verify that the enrollment is consistent with the terms and conditions of the CRP and further allows the EDC, the Commission and various stakeholders to track the number of customers currently enrolled in the CRP, as well as audit and verify billing according to the terms and conditions of the program. If the Commission would adopt SCB, a second decision would need to be made as to: a) whether the CRP was still necessary; and, if so, b) whether the CRP would need to be modified to allow SCB. It is hard to imagine that if the EDCs are no longer billing under UCB, that the very basis for the CRP would even continue. To the extent the Commission would determine it does not, the program could be

discontinued altogether. If the program were to continue, it would, as currently designed, certainly require changes, if only to adjust program rules, roles and contractual relationships, at a minimum. After all, the Companies would likely no longer be fielding billing calls directly from customers in quite the same way as they do today and therefore their ability to not only bill and oversee but also market the program would be in question. However, to put an EGS in the position of marketing a program that includes offers from competitor EGSs does seem counterintuitive, at best.

C. MECHANICS - HOW IT WOULD WORK

- 1. Should an EGS be required to meet more stringent financial/bonding requirements, demonstrate that it possesses the technical expertise to perform billing and customer service functions, or make any other showing before being permitted to offer SCB? If so, what should those requirements be and what process should the Commission use to review an EGS's eligibility?**

Yes. An EGS should be required to post bonding in amounts sufficient so as to cover situations such as where a customer pays the EGS for distribution service, but the EGS is incapable of making, or fails to make, for whatever reason, the payment to the EDC. EDCs are not financial institutions and, as a public policy matter, they must be protected from the credit risk associated with their receivables being controlled by another party, lest their delivery operations be imperiled to the purported benefit of the retail market. Similarly, once the Companies could better understand the design of the SCB model to be implemented, more specifics could be provided, but there would certainly need to be minimum technical requirements, including but not limited to cybersecurity protections.

- 2. Would a pilot program involving an EDC working with an EGS or group of EGSs to design and implement a SCB platform be appropriate?**

No. From an EDC standpoint, a pilot is unlikely to be more advantageous than a

wholesale process change would be, as the functions at issue in this proceeding are not scalable in a way meaningful for a pilot basis. That is, the expense of development and implementation would most likely be the same if initially offered with one or several suppliers as a pilot as would be incurred to implement on behalf of all suppliers in an EDC's territory.

3. What steps would the Commission need to take to ensure that EDCs receive payment according to the terms of the POR program in a timely fashion?

The key minimum features that EDCs would need to see the Commission require of a POR model in order to ensure EDCs received timely payment would be: 1) sufficient credit and collateral requirements; 2) provisions that call for swift remedy where payment is not made, including expedited Commission intervention and determination, where necessary; 3) alternative remedies to EDCs where customers have paid the EGS but the EGS defaults, which could include customer payments being directed straight to the utility; and 4) removal of the EGS's ability to participate in SCB. Meanwhile, EDCs would need to implement system changes to establish a mechanism whereby EDCs would be able to receive payments against charges that the EDC has not billed on, while providing proper accounting.

4. What type of costs may be incurred by EDCs and EGSs when implementing SCB in Pennsylvania's retail electric market? Would the costs of implementation outweigh the potential benefits? Who should be responsible for paying those costs?

Absent a clear picture of what the model would look like, it is impossible to project the total costs of implementation. For instance, factors which could drive significant variability to the costs of implementation would include how low-income programs would be treated under SCB; whether POR programs would be established or not; etc. While the Companies cannot begin to estimate the costs of implementation absent greater detail, the costs would likely include information technology system changes, training, and other such

expenses, which are expected to be significant. Regardless of the amount, given that EDCs already have a workable option in place that would incur no additional cost to continue using, any costs to implement SCB should be borne by the EGS community. After all, EGSs today enjoy numerous options for billing, all without cost to them. Alternatively, the Companies would expect to be permitted to recover those costs through distribution base rates.

5. Is it feasible/appropriate to designate an EGS offering SCB as default service provider? See 66 Pa. C.S. §§ 2803 (definition of default service provider), 2807(e) (relating to obligation to serve) and 52 Pa. Code § 54.183 (relating to default service provider).

What entity serves in the role as a default service provider is not relevant to the issue of SCB as compared to UCB. Ultimately, having an EGS fill the role of default service provider will not eliminate any of the complexities or legalities which must be resolved to implement SCB. Such a change could actually complicate things further, as an EGS wishing to serve as a default service provider would need to meet all of the requirements of default service provider, including the filing and approval of a default service plan before the Commission. Further, the EGS would have to take this role on while accepting the inability to earn a profit from the sale of default service, based on Commission precedent.²³ It is expected that not many EGSs would be interested in such an opportunity where it would not otherwise ease the complications of SCB. The bottom line is that none of the concerns associated with SCB would change simply by virtue of an EGS becoming a default service provider.

²³ *Joint Petition of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company For Approval of Their Default Service Programs*, Docket No. P-2011-2273650, *et. al.*, pp. 53-63 (Opinion and Order entered August 16, 2012) (adopting the Administrative Law Judge's recommendation that the Companies' proposed Market Adjustment Charge be denied on the basis that "Pennsylvania has not allowed the addition of a return component within the EDCs' obligations to serve, as set forth in 66 Pa. C.S. § 2807(e)" and that "EDCs are required to provide default service electric power to retail customers at no greater cost than the cost of obtaining generation").

D. COLLECTIONS-TERMINATION

1. Does an EGS offering SCB need the power to order termination of a customer's service?

Yes – which power it does not hold today. The Companies discussed this in detail in section A.1. of these comments.

2. Would allowing an EGS to order an EDC to terminate a customer's service comply with Chapter 14 of the Public Utility Code, 66 Pa. C.S. §§ 1401-1419, and Chapter 56 of the Commission's regulations, 52 Pa. Code §§ 56.81-56.83, 56.91-56.101, 56.111-56.118?

No. The Companies address this issue at length in section A.1 of these comments.

3. If an EGS purchases an EDC's receivables and the EDC is no longer owed any money, does the EDC (or EGS) have the authority under the Public Utility Code and Commission regulations to terminate service for nonpayment of distribution charges?

Arguably, no. While this scenario is untested in Pennsylvania as far as the Companies are aware, it is very likely that any standing to terminate service is removed once the collectibles are no longer owed to an EDC. Further, EDCs should not be put in a position of risk regarding their ability to manage what will ultimately come back to them as uncollectibles.

4. What safeguards should an EGS employ to ensure proper termination and reconnection of service by the EDC (e.g., steps to ensure timely sharing of data with EDCs; use of termination checklists; steps to promote customer understanding regarding the functions handled by the EGS versus those handled by the EDC)? What role, responsibility, and discretion does the EDC have in executing the termination process?

At its outset, EGSs would need to own and manage customer inquiries, including credit calls and billing inquiries. This would mean that the EGS would need to establish policies and

procedures that conform to the tariffs and regulations set forth. EGSs would need to be responsible for any outbound dialing campaigns, billing notices, customer rights and responsibilities pamphlets, and termination notices. Because the EGS would not own the facilities serving the customer, there would need to be a mechanism to notify the affected EDC that a termination is requested. Likewise, the EGS would need to be responsible for requesting reconnections in a manner consistent with regulations, such that lags in communication did not cause either the EDC or EGS to be noncompliant with regulatory requirements and customer protections. The notification process from the EGS to EDC would need to be integrated with all EDCs' systems and would need to trigger the appropriate field work/actions. The EGS should be responsible for ensure compliance with regulations and for educating the customer, as well as for management of installment plans, medical certificate programs, and customer complaint resolution/response. These roles are appropriate given that only the EGS will have control and oversight with regard to customer accounts. Without the level of account oversight they have today, EDCs cannot comprehensively execute these responsibilities consistent with regulatory obligations as they currently exist.

The challenges with the EGS determining terminations and reconnections are dependent upon the technology deployed by the EDC and any rules governing how that technology can be utilized. Currently, there are notice delivery and attempted customer contact requirements in Pennsylvania which require physical visits both leading up to and on the day of termination. Any required activity that must be completed prior to requesting termination should be completed by the EGS. The EDC would be responsible for the execution of the termination as it would involve the EDC's facilities. Because the EDC would be responsible for completing the termination, the EDC would be responsible for leaving the

appropriate paperwork following the termination. This would require the EGS to provide that information along with work date ranges for the EDC. Policies and procedures would also need to be put in place when the disconnection work is in progress both from a safety perspective and to avoid creating unnecessary field visits. The EDC should not be required accept payments from customers while in the field, but rather instruct the customer to call the EGS.

Because the EDC would be responsible for completing the disconnection/reconnection work with its personnel, the EDC would also be responsible for determining the schedule. If an agreement could be reached that would allow the EDC to perform disconnection with a physical visit to the property within a date range, then the EDC would be able to better accommodate work requests from the EGS. Without this capability, the EDC will be required to make a physical visit to a customer's property on demand. The EDC would need to complete a more thorough study on potential staff impacts due to the restructuring of work in that instance.

5. Would a blocking mechanism to prevent switching by customers who have made payment arrangements with the EGS be permitted under the Public Utility Code and Commission regulations, and prudent from a public policy perspective?

Today, customers can choose to terminate their contract with their supplier at their own discretion (though the customer may incur additional fees for ending the contract early). Establishing a blocking mechanism as suggested may create a market that leads to customers being effectively stripped of their ability to choose suppliers to the extent their payment troubled status extends for a lengthy period. Under the Public Utility Code, customers are entitled to payment arrangements of up to sixty months. In some cases, customers are granted even lengthier arrangements. Under a blocking model, an EGS could presumably offer more "favorable" payback periods to the customer (i.e., longer payback periods), which would effectively cause that customer to be forced to remain with that EGS

for the entire length it would take to pay down the arrearage. In the Companies' experience, this can be an incredibly long period of time. This also raises questions as to what negative incentives such a construct could create for EGSs that are prone to predatory pricing practices in an effort to retain customers. Imagine the consequences of a customer agreeing to a sixty-month payment arrangement with an EGS then charging a rate 50% or more than the price to compare. Such an outcome brings back memories of "owing my soul to the company store." The concept of a blocking mechanism can provide scary results without adequate customer protections. Finally, there may also be specific situations where blocks would need to be evaluated and potentially removed (*e.g.*, slamming). To eliminate a customer's choice to shop with another EGS or to return to default service, for a simple reason of continuity of a payment arrangement would seem to undermine the entire goal of the retail market and makes no sense given that customers do not face such restrictions under UCB today. Even worse, implementing such a block could prevent a customer from escaping a disadvantageous or predatory rate to the extent they find themselves being billed one.

6. What consumer protections, if any, should be implemented by an EGS if a blocking mechanism is permitted?

At a minimum, disputes regarding a blocking mechanism should be reviewed by the Commission, which then would be able to direct the EGS to remove the block. There should be required disclosures from the EGS to the customer regarding this mechanism. Also, there should be an option for the customer to call and request that they be placed on the default rate offered by the utility until the arrears are paid with the EGS. This would allow the EGS to maintain the relationship while providing the customer with critical pricing protections allowed today.

7. **What steps should EGSs take to ensure proper accounting for value-added service (VAS) charges pursuant to Chapter 56 of the Commission's regulations, 52 Pa. Code §§ 56.23, 56.24, including allocation of customer payments to accounts with past due balances? Does the Commission have authority under the Public Utility Code to require an EGS to follow these regulations with respect to accounting for VAS charges? Should procedures be put in place to ensure that nonpayment of VAS not lead to termination of service? If so, what procedures should be implemented?**

To the extent that EDCs either elect to or are ordered to bill for EGSs non-basic products and services, the charges associated with these items must not be combined in any way with billing for basic electric service. Further, the payment processing hierarchy must put the non-electric products and services last in line in the priority of payment both for current charges and arrearages. To the extent that the Commission finds it has the authority to direct the implementation of SCB and does so, EGSs that offer SCB would also need to assure that the payment processing hierarchy is the same for an EGS as outlined above for an EDC. The EGS would need to be subject to audit by the Commission to verify that such payment hierarchy is being followed. In addition, safeguards would need to be put in place to assure that non-payment of non-basic charges would not lead to termination of electric service.

E. LOW-INCOME CUSTOMERS/ASSISTANCE PROGRAMS

1. **Should EGSs offering SCB be permitted to include LIHEAP and CAP customers? If so, how would SCB and these programs interact, especially with regard to customer notification and education?**

Very serious consideration should be given to the treatment of low-income customers in the context of SCB. With regard to LIHEAP, grants are received by the EDC in a “mass” file from the Department of Public Welfare. In order to allow for the same transfer of grants to an EGS under SCB, extensive programming would be required of EDCs to identify customers that elect the SCB option so that payments are sent to the EGS via electronic data interchange (“EDI”).

Because LIHEAP grants are paid to the vendor of record, if an EDC's name is not on the bill (which could be the case where the billing would be performed by the EGS), that EDC would not qualify as the vendor for purposes of receiving the associated LIHEAP grant. Also, LIHEAP's Crisis Program requires the vendor to have access to the LIHEAP PROMISE™ system (a web-based system for claiming payments from the agency). If a utility is not a "vendor," it does not have access to the PROMISE™ system.

Additionally, the subsidy under the Companies' Pennsylvania Customer Assistance Program ("PCAP") is calculated on the basis of combined generation and distribution charges. If the Companies only have access to billing information for distribution charges, which would be the case under SCB, the energy "burden" used to determine the PCAP subsidy to a customer could be calculated only on the basis of EDC charges (the only data the Companies would have at that point). Such a calculation would yield a much lower PCAP subsidy, and PCAP-eligible customers would, therefore, be responsible for paying a higher proportion of their monthly bills. As such, under SCB, the role for establishing and administering customer assistance ("CAP") programs should shift to the EGS. This issue is further compounded by the fact that customers purportedly change suppliers with relative frequency.²⁴ Frequent changes would lead to serious confusion for customers and could significantly drive up the costs of uncollectibles due to failure of customers to adhere to rules which may differ across each program. An additional concern would result with respect to who would pay for those programs and how cost recovery would be accomplished. In order to effectuate such a program, the entire

²⁴ RESA just testified in the Companies' DSP V proceeding that the Companies' assumption of a two-year customer retention period for CRP customers is too long and that a more appropriate assumption would be twelve months. *Joint Petition of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company For Approval of Their Default Service Programs*, Docket No. P-2017-2637855, *et al.*, RESA St. 1, pp. 23-24.

construct of universal service may well need to be replaced with a universal, statewide program which would be portable between EGSs, and would offer the same rules, regulations, vendors, and systems to all participants, for the benefit of EGSs, EDCs, vendors and customers alike. Alternatively, CAP customers could be excluded from participation in SCB. One of these solutions would be necessary to ensure that qualifying customers are able to receive all of the benefits they are entitled to, while not causing disparity between customers simply based upon their shopping decisions.

Even by taking one of these approaches, the following list of considerations – which is not exhaustive, but offers an illustration of the complexity of this issue - would need to be addressed with regard to the various components of universal service:

- Significant software system changes
- Responsibility for records maintenance and regulatory reporting
- EGS bonding requirements
- Vendor roles and relationships
- Portability of customers, arrearages, and benefits amongst EGSs and EDCs
- Cost recovery
- Whether non-basic charges for products and services are to be permitted on a CAP bill
- How CAP customers are to be billed under “budget” or annual payment programs
- Responsibility for required regulatory messaging, including bill messages
- Complaint handling
- Continuity and administration of ancillary and sometimes local programs, such as WARM, Gatekeeper, Hardship Funds and CARES, in the case of the Companies
- Outreach, including enrollment or recertification letters, removal letters, customer education, etc.
- Treatment of pre-program arrears

2. If EGSs offering SCB are permitted to include LIHEAP and CAP customers, how would these programs interact and what changes (statutory, regulatory and programmatic) would be necessary?

Absent a proposed model, EDCs are not in the best position to respond to this question, as there are too many variables at issue. However, the Companies’ response to question E.1. applies

to this question equally, as there are a great deal of administrative issues which would need to be addressed in order to successfully transition to an SCB model in Pennsylvania. These issues would impact not only the EGS and EDC communities, but the third parties and other agencies that are affected by or have interest in these programs in any regard. Most of all, the impact to customers with regard to this topic could be significant, given that these programs offer important safety nets for low-income customers. It is expected that both statutory and regulatory changes, apart from the actual programmatic changes which would be implicit in implementing SCB, could be required.

3. How would EGSs ensure that programs to assist low-income customers remain in place in accordance with the policy established in 66 Pa. C.S. § 2802(17) (relating to declaration of policy)?

As with the Companies' response to E.2. above, this issue should be more thoroughly addressed by the EGS community. However, it should be considered that Commission oversight today exists only as related to regulated utilities. It is questionable how much oversight the Commission can exercise over EGSs absent a statutory change to address this issue. As a result, it further becomes questionable how the Commission will be in a position to hold EDCs accountable to the requirements of this policy where they are not in a position manage those programs themselves, or their ability to do so is diminished under SCB.

4. How would EGS-implementation of SCB affect existing universal service billing procedures?

The Companies have addressed this question within their response to E.1., above. Absent overhauls to how universal service programs are administered, the model used today would prove untenable under SCB for the reasons outlined in that section.

5. Would an EGS with SCB have an obligation to answer or refer to the EDC questions regarding low-income programs and to educate customers on the options and programs available?

The answer to this question is highly dependent upon the details of the model adopted. However, if SCB were established, a mechanism would need to be established which would permit data sharing between the EGS, the EDCs it is working with, and those EDCs' CAP intake systems. All vendors associated with this process would have to pass cyber security rules in place for each of the EDCs, which are strict. In order to effectuate this, it's also likely that EGSs would need to have some form of contractual relationship with the EDCs' vendors for those programs. Given the number of different utilities an EGS would be working with, and the number of EGSs with which EDCs would be required to coordinate, it may be necessary to consider the implementation of standard billing, collections, and CAP data sharing processes and programs. Under any circumstances, the time and cost associated with establishing the framework to support this aspect of the SCB construct would be significant in and of itself, and an important question that must be answered is that of who would be responsible for bearing the costs to develop, implement, and administer this effort.

F. POSSIBLE ALTERNATIVES

1. Changes to utility consolidated billing (UCB) to allow for additional flexibility needed to bill for smart-meter related services like Time-of-Use (TOU) and the addition of charges for EGS value-added services.

Today's construct already offers the flexibility needed to bill for smart-meter related services (like time of use ("TOU")). With the implementation of smart meters, EGSs have the option to bill TOU products utilizing their choice of UCB bill ready or dual billing. EDCs provide the necessary usage information either via EDI or through supplier portals, with which EGSs are able to calculate and submit those charges with accurate descriptions through the messaging

section they are offered on customer bills, or through the opportunity the EGS has to provide descriptions for various charges to be placed on a UCB. Therefore, as it relates to this particular type of service, a change to construct would really be a solution in search of a problem.

As to non-basic products and services, requiring EDCs to bill for such items will require significant effort on the part of the Commission, the EDCs and the EGSs to establish appropriate protocols in order to assure customer protections and a smooth implementation. First, such protocols must separate value-added services from basic electric service to exclude those charges from existing POR programs. This would likely require such charges to be coded in a manner which would allow EDCs to recognize them on the utility side as separate non-basic electricity charges once transmitted through EDI. The development of these EDI protocols would be best handled by the Commission's established EDI work group. In addition, a payment posting hierarchy would need to be developed that would address how partial payments would be applied so as to protect customers against disconnections of electric service related to nonpayment of charges for non-basic products and services. Finally, payment posting from the EDC to the EGS for non-basic charges would need to be separate and distinct from payment posting for basic electric service, as well as reporting associated with this distinction.

Finally, requiring EDCs to allow for the billing of EGS products and services on the EDC consolidated bill could lead to customers having unauthorized charges added to their bills – activities known as “cramming”. The Commission, the EDCs and EGSs and consumer groups must establish appropriate consumer protections prior to any implementation of EDC billing for EGS products and services to avoid cramming experiences. Cramming of unauthorized charges on telecommunications bills became something of an art form in the 1990's, an activity that has continued until this day. The Federal Communications Commission (“FCC”), in a July 14, 2017

Notice of Proposed Rulemaking, noted that unscrupulous carriers target vulnerable populations like the elderly, recent immigrants, small business, and non-English speakers to add unauthorized charges, or “crams” onto customers’ bills. The fact that cramming continues nearly twenty years after the FCC’s 1999 adoption of “truth-in-billing” rules for traditional landline voice service is a clear indication that cramming is neither something to ignore nor is it easily eradicated. As the Commission recently noted in comments filed with the FCC related to such cramming practices:

The Pa. PUC supports the Commission’s efforts to deter incidents of slamming and cramming going forward. The Pa. PUC continues to review customer complaints involving instances of alleged cramming and slamming. In one complaint, the Pa. PUC discovered that an alleged instance of cramming could have affected more than 1,500 customers. Refunds were issued, and the matter has been referred to our Bureau of Investigation and Enforcement to take any further action that may be warranted.

...

For example, the FTC states that mobile cramming is on the uptick. The FTC notes that placing third-party charges on mobile phone accounts as a means of allowing customers to charge payments for third-party goods and services, while useful, has also led to fraud and is becoming an increasing and significant concern particularly with respect to mobile cramming.

The Pa PUC agrees with NTCA, WTA and National Association of Statue Utility Consumer Advocates (NASUCA) that the cramming prohibition should be codified and extended to all providers of voice communications, regardless of technology, including wireless (both post-paid and pre-paid) and interconnected VoIP.²⁵

A Commission directive that EDCs bill for EGS products and services opens this Commission and the EDCs to complaints and damage to their brand image while potentially costing vulnerable populations millions of dollars in unauthorized charges. Such a direction should not be taken lightly or without significant time and resources devoted to establishing consumer protections against cramming.

²⁵ Reply Comments of the Pennsylvania Public Utility Commission, *In the Matter of Protecting Consumers from Unauthorized Carrier Changes and Related Unauthorized Charges*, CG Docket No. 17-169, pp. 2-3 (filed on October 13, 2017) (citations removed and emphasis added).

2. Unbundling of billing services. Possible models include providing open, non-discriminatory access to the EDC's billing system to EGSs and other billing entities at tariffed prices. What other unbundling models are possible?

To date, the Commission's policy has been highly supportive of the competitive retail market. As one example of this, EDCs provide billing as well as collection services for basic electric service to EGSs at no cost. For those EGSs serving within the territories of the Companies, which have zero discount POR programs, this results in virtually no uncollectible risk to EGSs. As such, no other billing model would provide EGSs with a lower cost or more efficient model than the one utilized today for basic electric service. Currently, the cost of billing and uncollectible expense is largely borne by distribution customers on behalf of all parties utilizing the billing system. Because all distribution customers also take either default service or competitive electric service, the costs are expected to be correctly falling to the correct customer class in total.

As to pricing, true unbundling of billing services would result in EGSs being assessed cost-based charges for billing and receivables related to billing performed on their behalf such that EDCs would be compensated for the use of their billing systems by allocating their total costs to each of distribution customers, default service customers, and EGSs. It is questionable whether such an allocation of costs would leave any stakeholder better off, let alone the Pennsylvania retail electricity marketplace in total. As noted above, the total cost of the system would essentially come back to the same customers via increased costs of default service and competitive electric service in an amount that would at least equal the decrease in costs allocated to distribution customers. As currently constructed, EDCs are adequately compensated for their billing systems (absent some deviations associated with volatility in uncollectible expense), and

the current system is efficient and minimizes the costs to all participants by eliminating expensive duplication of services.

If the Commission would move to have EDCs, at their option, bill for products and services outside of basic electric service, billing services associated with those non-basic products and services should not be required to be provided for free, nor should it be mandatory that an EDC do so. First, EDCs should individually be able to decide for themselves whether or not they want to get into the business of billing for non-basic products and services. After all, current legal obligations of an EDCs' certificates of public convenience do not include acting as a billing agent for all comers. Instead, providing this additional billing service for non-basic products and services should be offered to EGSs at the higher of cost or market. If EDCs elect to offer such services to EGS they must, at a minimum, be permitted to recover their fully allocated costs in order to avoid having distribution customers subsidize for-profit businesses selling products and services. In addition, EDCs should be permitted to charge market prices for a function (billing) that is openly available in the market.

Finally, as noted above, prior to EDCs getting into the business of billing for non-basic products and services, the Commission should carefully vet proposed rules and regulations to avoid "cramming". If implemented poorly, cramming could not only damage EDCs' brand images, but also swamp the Commission with numerous complaints, turn customers off of participating in Pennsylvania's retail electric market, and damage the reputation of the Commission – which is tasked with protecting the interests of the public at large, not just retail electric generation suppliers.

3. Unbundling of other related and specified services.

Apart from the costs directly associated with the billing function, the additional costs that the Companies have been able to identify which could be further unbundled include those of their supplier support functions, collections, contact center support, and scheduling coordination. Each of these categories of costs include significant services that the Companies provide to the EGSs serving in their territories at zero cost to the EGSs, all of which are collected from all distribution customers, shopping and non. It has historically been, and remains, the Companies' position that recovery of those costs from distribution customers is more efficient than unbundling those costs to recover from EGSs and the Companies therefore do not recommend unbundling those costs. However, to the extent that they are directed to be unbundled, EDCs should be able to recover those costs at the higher of cost or market, similar to the Companies' feedback with regard to EDCs billing for non-basic products and services on behalf of EGSs.

4. Allowance of third-party billing agents, such as EGSs, or an independent billing agent in place of UCB or SCB.

The current model of UCB, under which EGSs have the option of dual billing, is the most efficient method of billing customers for basic electric service today. Regardless of whether the EDC performs the function itself or outsources it to a billing agent, the EDC remains responsible for billing and collections, a function around which Pennsylvania's entire statutory and regulatory construct – for the benefit of EDCs, EGSs, and customers alike – is designed. Under this model, the burden to meet all Commission regulations falls on the EDC, over which the Commission retains clear jurisdiction. Today, EGSs also can elect to have the EDC bill on their behalf or, if the EGS elects dual billing, it can bill on its own behalf or through an independent billing agent. Given the way independent billing agents are typically used, this approach should be viewed as a means of implementing UCB or SCB, not as an alternative to UCB or SCB. In either instance, the

independent billing agent must be contracted by either the EGS or EDC to provide the service. To implement any other construct using independent billing agents, the question of jurisdiction over billing practices would most certainly arise.

III. EN BANC TESTIMONY


The Companies look forward to the opportunity to present further information related to these topics and their impact upon the Pennsylvania retail electric market, the Companies, and their customers. To that end, the Companies would appreciate the opportunity to be able to present testimony at the June 14, 2018 *en banc* on these important issues and await the Commission's determination as to what parties will be selected.

IV. 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 March 2018 Secretarial Letter. The Companies look forward to the opportunity to provide further input on these topics.

Respectfully submitted,

Dated: May 4, 2018


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APPENDIX A

Connecticut Public Utility Regulatory Authority
Review Of The Billing Of All Components Of Electric Service By Electric Suppliers,
Conn. PURA Docket No. 13-08-15 (Aug. 6, 2014)



STATE OF CONNECTICUT

PUBLIC UTILITIES REGULATORY AUTHORITY
TEN FRANKLIN SQUARE
NEW BRITAIN, CT 06051

**DOCKET NO. 13-08-15 PURA REVIEW OF THE BILLING OF ALL COMPONENTS
OF ELECTRIC SERVICE BY ELECTRIC SUPPLIERS**

August 6, 2014

By the following Commissioners:

John W. Betkoski, III
Arthur H. House
Michael A. Caron

Lead Staff: C. Wood
Legal Advisor: R. Luysterborghs

DECISION

DECISION

I. SUMMARY

The purpose of this review is to report to the General Assembly the costs and benefits associated with allowing the licensed electric suppliers to bill for all of the electric rate components on the electric bill. Unfortunately, the Public Utilities Regulatory Authority was unable to obtain any cost information on this issue from the electric distribution companies and the electric suppliers who participated in this proceeding. To determine the costs and benefits of supplier consolidated billing, a study would need to be conducted to identify the necessary changes and associated costs to the customer information systems and other processes of the electric distribution companies and electric suppliers. Such a study has not been conducted by these participants. Consequently, no cost information is available.

Absent the cost information, the Public Utilities Regulatory Authority provides to the General Assembly in this report a sense of some of the complexities and challenges involved to effectuate supplier consolidated billing. It discusses some of the necessary changes to the customer information systems and other processes of the electric distribution companies and electric suppliers to effectuate supplier consolidated billing. It also offers options to supplier consolidated billing that may provide the same or similar results that electric suppliers contended would be achieved by supplier consolidated billing. It is not clear what benefits, if any, would result from supplier consolidated billing or who would be the benefactor(s), as there appears to be disagreement on this issue.

This report does not approve or deny suppliers' billing of all electric rate components on the electric bill. Rather, it recommends that further analysis is warranted regarding the feasibility, cost effectiveness and overall desirability of the supplier consolidated billing option.

II. BACKGROUND

Pursuant to Section 16-245d of the General Statutes of Connecticut (Conn. Gen. Stat.) as amended by Section 10 of Public Act 13-119, An Act Concerning the Public Utilities Regulatory Authority, Whistleblower Protection, the Purchased Gas Adjustment Clause, Electric Supplier Disclosure Requirements, and Minor and Technical Changes to the Utility Statutes (Act), the Public Utilities Regulatory Authority (Authority or PURA) is required, on or before October 1, 2013, to conduct a review of the costs and benefits of electric suppliers' billing for all components of electric service, and report to the General Assembly the results of such a review (Report). The Authority conducted its review based on the information submitted in this proceeding and hereby submits this Report to the General Assembly.

III. PARTICIPANTS TO THE PROCEEDING

The Authority recognized the following as Participants to this proceeding: The Connecticut Light and Power Company (CL&P); The United Illuminating Company (UI);

the Office of Consumer Counsel (OCC); the Department of Energy and Environmental Protection; all electric suppliers licensed in the State of Connecticut (Suppliers); and trade associations. All Participants are listed in the attached service list.

IV. CONDUCT OF THE PROCEEDING

By Notice of Request for Written Comments dated October 15, 2013, the Authority sought comments from the Participants, including more than 50 electric Suppliers. Written comments were received by the following: The Connecticut Light and Power Company (CL&P); The United Illuminating Company (UI); Direct Energy Services, LLC (Direct); National Energy Marketers Association (NEMA); Retail Energy Supply Association (RESA); Starion Energy, Inc. (Starion); and North American Power and Gas, LLC (NAPG). Subsequently, the Office of Consumer Counsel (OCC) submitted its own analysis (OCC Analysis). Additionally, the Authority issued 58 interrogatories to the various Participants to which HOP Energy, LLC (HOP), energy-me midwest llc (energy-me) and Sunwave Gas & Power Connecticut Inc. (Sunwave) responded. In total, only 11 Participants, of which seven are Suppliers, and two are trade associations chose to respond to some or all of the Authority's inquiries.

V. AUTHORITY REVIEW

A. CURRENT ELECTRIC SERVICE BILLING PRACTICES

Under current statutes, electric distribution company (EDC) customers receiving Supplier service have available to them two billing options: (1) utility consolidated billing (UCB) where the EDC bills for all components of the bill including the generation component; and (2) dual billing, whereby the Supplier directly bills for the generation component and the EDC bills for transmission and distribution service components as well as billing components for legislatively mandated programs. The Act requires that the Authority conduct a review of the costs and benefits of having a third billing option for EDC customers. This option is the Supplier consolidated billing (SCB) option which would allow Suppliers to bill for all components of electric service. EDCs are responsible in part for, bill printing and document retention, meter issues, bill inserts and messages, as well as statutory and regulatory mandates prior to issuing bills to customers.

CL&P currently performs all of the billing for the distribution services to its 1.2 million customers in Connecticut. It also provides UCB for 96% of its customers that purchase generation service from Suppliers. Written Comments dated November 14, 2013, p. 2.

UI currently has 49 active Suppliers in its service territory and CL&P has 57. The annual number of UCBs issued by UI in 2013 was 1,906,311. The number of UCBs issued by CL&P as of March 3, 2014, was 480,630. Responses to Interrogatories RA-1 and RA-18. Each UCB contains the name, address and contact information of the EDC and the Supplier. The utility name and the applicable delivery charges are listed separately from the name of the Supplier and its generation service charge. The typical residential UCB currently contains a total of seven billing components; six EDC billing components for distribution and transmission services and public benefits charges and

one Supplier charge for generation service. The EDCs do not bill Suppliers for their services that include meter reading, bill production, postage, and customer service. Responses to Interrogatory RA-4. Consequently, all EDC customers pay for these services through their delivery rates.

B. CHALLENGES AND BENEFITS OF SUPPLIER CONSOLIDATED BILLING

Of the 11 active Participants in this proceeding, the two EDCs (UI and CL&P); the OCC; and Starion do not support SCB. UI and CL&P Written Comments dated November 14, 2013; OCC Analysis dated April 1, 2013; Starion Written Comments dated October 29, 2013. HOP has not yet considered using SCB and energy-me stated that it does not make sense to implement SCB in Connecticut based on its own experiences in other jurisdictions and the operating environment in Connecticut. HOP Response to Interrogatory CS-5; energy-me Response to Interrogatory CS-10. Direct, RESA, NAPG; Sunwave and NEMA, support SCB. Direct and RESA Written Comments dated November 14, 2013; NAPG Written Comments dated October 31, 2013; Sunwave Response to Interrogatory CS-10; NEMA Written Comments dated November 13, 2013. NEMA and RESA are retail supplier trade associations that each represented other Suppliers. Currently, only three Suppliers that participated in this proceeding each provide SCB in one jurisdiction; Energy-me in Illinois; NAPG in Georgia through the Atlanta Gas Light; and Direct in Texas. Responses to Interrogatory CS-1.

1. Challenges of Instituting SCB

None of the participants to this proceeding were able to provide the estimated costs to implement SCB. This is because a thorough review and study would need to be conducted to determine what this undertaking would entail. While no specific cost information was provided, it is expected that substantial and costly changes would be required to build and integrate the customer information systems to implement SCB. Additionally, the operating costs would likely increase for the EDCs and the Suppliers who choose to provide SCB. The EDC customer information system is very complex. The Electronic Data Interchange (EDI) system, which is used to exchange information between the EDC and Supplier, is not currently conducive to the SCB model. The EDI would need a significant redesign to provide Suppliers with several types of meter data and billing determinants in a timely and accurate manner for the Supplier to calculate the bills. EDCs would be required to transmit a significant quantity of complex data to the participating Suppliers, the content of which would be very different than what it is currently. The data transfer today is limited to dollars billed, kilowatt and kilowatt hour usage and customer and Supplier identity information. Information transmitted under SCB would include information for things like budget billing, account coding (e.g., winter moratorium non-shut off), credit, payments, etc. Additionally, EDCs would have to coordinate all distribution and transmission rate changes with each Supplier on a strict schedule, which can increase the likelihood of billing errors.

Other potentially costly changes would be to the Suppliers who choose to offer SCB. The ability of and the costs associated with providing SCB could vary by Supplier depending on whether the Supplier provides this service in other jurisdictions, type of infrastructure, and necessary program changes for Suppliers who do not provide this

option. Such changes may involve the restructuring of their billing and customer service systems to handle the complexity of the large volume and variety of rates and rate structures currently offered by the EDCs. Rather than make these potentially costly changes to their billing systems, Suppliers may utilize a third-party service for billing.

The primary point of contact for customers receiving their generation from a Supplier would switch from the EDC to the Supplier as a result of SCB. This is not practical and could add to customer confusion. Currently, customers know that they are to call the EDC for outages, emergencies, and starts and stops in service. The one constant element absent dual billing is EDC billing, regardless of who the customer's Supplier is. Each month, thousands of customers switch Suppliers. It is unknown how the existing switching process would work when SCB is entered into the mix. Numerous challenges could result. For example, credit issues associated with multiple billers could result in improper credits and disconnections, as well as SCB Suppliers collecting on prior balances of another Supplier. Additionally, customer records and billing would be spread among numerous SCB entities, possibly jeopardizing customer information security. This area would need to be explored before SCB could be approved. Another area that would need to be explored is how Suppliers would administer initiatives for low-income customers such as budget billing, on-bill donations to charitable organizations (i.e., Operation Fuel), arrearage forgiveness programs and energy assistance programs.

Additionally, Suppliers offering SCB would be required to address a wide range of issues impacting customers, including billing disputes and disconnections. Billing questions would likely include questions associated with the EDC's own charges on customer bills. Consequently, customer service representatives (CSR) for every Supplier opting for SCB would need to be educated on all of the non-Supplier rate components on customer bills to be effectively responsive to customer inquiries. Supplier staffing would likely need to increase as well. Currently, the EDC's CSR are fully equipped to answer all billing questions, with the exception of some Supplier service questions. The EDC CSR are also trained when to refer the customer to the Supplier to address as the Supplier issues. Under SCB however, the EDC CSR would have to pass the caller to the Supplier to answer all billing questions because the EDC would not have the customer billing information readily available as they do now. Additionally, implementation of SCB could cause customer confusion over whom to call for general inquiries, new service requests, terminating service, and low-income programs. Having Suppliers address EDC customer billing issues may not be practical.

Another challenge regarding SCB is the timing of bill payments to the EDC. Under SCB, the payment to EDCs would have an additional 30-day lag time, which could have a substantial negative impact to the EDCs' cash flow. At a minimum, this 30-day lag may necessitate the need for an increase to the EDCs' working capital requirements. Further analysis would need to be performed to determine what other impacts may result from this payment delay. To complicate matters further, SCB could result in 50 plus Suppliers performing the consolidated billing function that is currently performed by the two EDCs. This payment delay could also negatively impact customers facing critical situations such as service termination for non-payment, a delay in service reconnection by the EDC, or the accrual of late payment charges. Additionally, prior to approval of SCB, it would need to be determined which entity (EDC

or Supplier) would assume the risk for unpaid EDC charges. Under the SCB scenario, substantial financial assurance would need to be in place to protect both the EDCs and the customers.

The Authority is concerned that having the potential of more than 50 suppliers billing for EDC services can create a complicated mess. The ease by which a customer may move between Suppliers complicates this matter further. Because customers can switch between Suppliers or to/from standard offer service, SCB could impact the of Supplier's ability to provide accurate and timely bills. The additional lag time for EDCs receiving payment from numerous different Suppliers is also cause for concern. This lag may jeopardize not only the EDC's bill collection but also that of the entities for which the EDCs bill.¹ Additionally, because Suppliers do not have the physical capability to terminate service, they would have little leverage in their billing collection service.

Before SCB is approved, important issues concerning the need for additional PURA oversight and customer safeguards and protections should be reviewed. For example, the Authority would need to: (1) address the qualification of Suppliers who choose to provide SCB; (2) address SCB customer complaints; (3) ensure that financial assurance instruments are in place for each SCB Supplier; (4) monitor Supplier billing practices; and (5) enforce Supplier billing compliance with statutes and regulations. Such oversight would likely require an increase in the Authority's staff and thus, increased costs.

An additional consideration is that the Authority's regulations include numerous requirements regarding billing, customer notices, and service termination that have been implemented to protect customers. Thus, Connecticut statutes and the Authority's regulations would need to be thoroughly reviewed to determine the changes, if any, that would be made to protect customers under SCB.

Finally, statutory changes would be needed if the General Assembly intends to permit SCB. Conn. Gen. Stat. §16-244i states that the EDCs must provide metering, billing and collection services, with a limited exception that permits Suppliers to provide direct billing and collection services for electric generation services. Pursuant to Conn. Gen. Stat. §16-245d, PURA is only authorized to adopt regulations that permit Suppliers to bill for electric generation services. Therefore, absent a statutory change, the PURA has no authority to adopt regulations or issue a Decision permitting Suppliers to bill directly for all components of electric service and exercise responsibility for other billing-related functions that are currently performed by EDCs.

2. Benefits of SCB

Without a full study, the limited information provided in this proceeding indicates, it is unclear what, if any benefits may result from SCB or who would be the benefactor. Proponents of SCB believe that the EDCs could reduce operating costs and administrative burdens under SCB. These potential cost savings would result from a

¹ The EDCs collect payments for the Department of Revenue Services, the Connecticut Clean Energy Finance and Investment Authority and the Conservation Fund.

reduction in personnel for customer service functions, and reduced bad debt and working capital requirements. However, the EDCs argued that operating costs and administrative burdens would increase under SCB. CL&P and UI Written Comments dated November 14, 2013. For example, the EDCs would need to develop methods for transferring data to the participating Suppliers. Additionally, the EDCs would still be required to maintain billing and associated systems to provide service to customers who choose a Supplier that does not offer SCB and to customers who remain with the EDC for generation service. Since cost estimates were not provided, the Authority was unable to assess and identify findings or estimates about whether SCB would create savings or increase overall costs to customers.

Supporters of SCB appear to do so for two main reasons. The first is that they claimed that UCB places a significant barrier between the customer and the Supplier. Under SCB, the barrier would be removed. The second is that UCB cannot accommodate the Suppliers desire to offer customers a wider range of competitive and innovative products and services, rate plans and billing options. To supporters, SCB is very important in establishing a relationship with retail customers because the primary point of contact for all billing questions would be the Supplier for customers choosing service. They claimed that SCB would provide the Supplier with more direct customer interface and communications to sell their products and services. Additionally, the Supplier would no longer have to conform to the requirements and limitations of the EDC's billing platform that exists under UCB. See for example, Written Comments.

SCB supporters also contend that it would alleviate customer confusion over the respective responsibilities of the EDC and Supplier. Opponents of SCB disagree; rather customer confusion may increase. In fact, they argued that it may even increase customer confusion. Especially for customers who frequently switch Suppliers as each may have their own bill format. One Supplier argued against SCB because it would lead to customer confusion, would drastically increase operating costs for smaller emerging companies such as itself, and because Suppliers do not have the capability to start or stop electric service. Starion Written Comments.

The Authority disagrees with SCB supporters who imply that the only way to address the Supplier concerns with UCB is by offering SCB for the following reasons. First, Suppliers always have the opportunity to interface with their customers and market their products and services through numerous means. Suppliers could improve customer education and communication from the time the customer begins purchasing service.

Second, if the products, pricing and services are limited by the current UCB, the Supplier has the option to bill its customers directly under a dual billing option. This dual billing option is a tool for Suppliers to perform customized billing and rate structures. Potential customers could weigh the service under a single UCB bill versus those billed under the dual billing option.

Third, shifting the responsibility of consolidated billing from the EDCs to potentially 50-plus Suppliers would, in the Authority's view, likely increase customer confusion and decrease customer service satisfaction. The EDCs are and will most likely continue to be the best equipped to address issues pertaining to the services that

they provide. It is not reasonable for these entities to address issues concerning each other provider's services. Additionally, customer confusion under the current UCB may be alleviated by modifying the UCB billing format to more prominently display Supplier information and responsibilities.

VI. CONCLUSION

Because the EDCs and Suppliers have not conducted studies that estimate the costs to implement SCB, the Authority is unable to provide this information to the General Assembly. Without such a study, the changes to the EDC and Supplier systems and processes discussed above are inconclusive. Also unknown is whether the cost to Suppliers of performing SCB would be any less than the EDC; what the benefits of SCB are and who would benefit; and whether SCB is feasible. Especially if only a small number of Suppliers elect to offer SCB. In the end, any additional costs to implement and operate SCB would most likely be passed on to the customers.

If the General Assembly seeks to pursue the costs and benefits of SCB, the Authority recommends that a full study be performed that explores what this process would entail for both the EDCs and Suppliers. This study should not only identify and quantify the physical and administrative changes and associated costs that would be required for the EDCs and Suppliers to effectuate SCB, but it should also: (1) provide detailed information regarding consumer protections; (2) detail the effect on consumer rates and from whom these costs should be recovered (i.e., EDC customers or Supplier customers) and why; (3) identify all benefits and benefactors of SCB including how SCB is in the best interest of ratepayers; (4) explore the existing Supplier switching process; and (5) how SCB would comport with existing statutes and regulations.

The billing of all electric services by a multitude of Suppliers at this time does not seem practical. The reasons are numerous. First, and foremost, there does not appear to be real benefits to ratepayers. If the desired result is to offer ratepayers the convenience of a single electric bill, the UCB is the most administratively and perhaps cost efficient way to provide this benefit. Second, while there is interest among some Suppliers who participated in this proceeding to provide SCB, the lack of Supplier participation in this proceeding seems to infer that to many, especially smaller companies, the interest in SCB is also lacking. Requiring the EDCs to make the necessary and potentially costly changes to their respective customer information systems and other processes to accommodate SCB for a small number of interested Suppliers would not be practical. Third, the billing components of electric service consist of numerous charges, the vast majority of which are for services provided or administered by the EDCs. These EDC charges are very complex with some having annual or semi-annual reconciliation mechanisms. Fourth, while the costs are unknown, it appears likely that enabling the EDCs to transfer the necessary billing information and for the Suppliers to obtain the necessary resources to successfully assume the billing responsibility could be costly to the EDCs and Suppliers and ultimately, to ratepayers. Fifth, other options exist for Suppliers to achieve the same or similar desired result. Finally, given the responsibilities that the EDCs have for billing aspects, such as meter installation and reading, bill inserts, and implementing rate changes, transferring the billing responsibilities to entities that have no responsibilities in these matters seems ill advised.

**DOCKET NO. 13-08-15 PURA REVIEW OF THE BILLING OF ALL COMPONENTS
OF ELECTRIC SERVICE BY ELECTRIC SUPPLIERS**

This Decision is adopted by the following Commissioners:

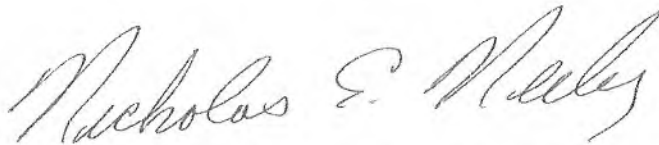
John W. Betkoski, III

Arthur H. House

Michael A. Caron

CERTIFICATE OF SERVICE

The foregoing is a true and correct copy of the Decision issued by the Public Utilities Regulatory Authority, State of Connecticut, and was forwarded by Certified Mail to all parties of record in this proceeding on the date indicated.



Nicholas E. Neeley
Acting Executive Secretary
Public Utilities Regulatory Authority

August 6, 2014

Date

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

COMMONWEALTH EDISON)	
COMPANY)	
)	
Proposal general increase in electric rates,)	
general restructuring of rates, price)	No. 05-0597
unbundling of bundled service rates, and)	
revision of other terms and conditions of)	
service.)	

DIRECT TESTIMONY OF

KEN HARTWICK

U.S. ENERGY SAVINGS CORP.

**ON BEHALF OF THE
COALITION OF ENERGY SUPPLIERS**

COMPRISED OF:

**CONSTELATION NEWENERGY, INC.
DIRECT ENERGY SERVICES, LLC
MIDAMERICAN ENERGY COMPANY
PEOPLES ENERGY SERVICES CORPORATION
U.S. ENERGY SAVINGS CORP.**

CES Ex. 4.0

TABLE OF CONTENTS

	Page
I. INTRODUCTION	1
II. PURCHASE OF RECEIVABLES / UTILITY CONSOLIDATED BILLING PROPOSAL OF THE COALITION OF ENERGY SUPPLIERS	3
III. CONCLUSION	20

CES Ex. 4.0

1 **I. INTRODUCTION**

2 **Q. Please provide your name, employment, and background relevant to your**
3 **appearance as a witness in this proceeding.**

4 A. My name is Ken Hartwick and I been serving since April 5, 2004, as Chief
5 Financial Officer of the Energy Savings Income Fund (“ESIF”), a trust
6 established under the laws of Ontario, Canada. U.S. Energy Savings Corp.
7 (“USESC”), an intervening party in this proceeding, is one of ESIF’s wholly
8 owned subsidiaries and affiliates. USESC is certificated in Illinois as an
9 alternative retail gas supplier. While USESC has not yet applied to be certificated
10 as an alternative retail electric supplier in Illinois, my company has been
11 marketing five year gas contracts to the state’s residential and small commercial
12 customers. USESC has been involved in the formal and informal proceedings
13 regarding the post-2006 structure of the Illinois electric industry as an active
14 member of the Coalition of Energy Suppliers (“CES” or the “Coalition”).

15
16 Prior to my current position, I served as Senior Vice President, Finance (October
17 2000 to September 2001) and Chief Financial Officer and Senior Vice President,
18 Finance (October 2001 to April 2004) of Hydro One, an Ontario electric utility.
19 Prior to joining Hydro One, I was Vice President from May to October, 2000,
20 at Cap Gemini Ernst & Young, a utility consulting business and a partner at Ernst
21 & Young LLP (auditors) in the energy practice from July 1994 to 2000.

22

23 **Q. On whose behalf are you testifying?**

24 A. I am testifying on behalf of the Coalition. The members of CES are Constellation
25 NewEnergy Inc. (“NewEnergy”), Direct Energy Services, LLC (“Direct”),
26 MidAmerican Energy Company (“MidAmerican”), Peoples Energy Corporation
27 (“Peoples”) and USESC.

28

29 This *ad hoc* coalition has been formed to propose measures to foster the
30 development of a competitive retail electric market in Illinois.¹

31

32 **Q. What is the purpose of your testimony in the instant proceeding?**

33 A. I will address one issue: the Coalition’s recommendation that the Commonwealth
34 Edison Company (“ComEd”) offer Utility Consolidated Billing (“UCB”) with a
35 Purchase of Receivables (“POR”) feature to Retail Electric Suppliers (“RESs”)
36 authorized to provide electric service to customers in its service territory.

37

38 If ComEd were to offer UCB with a POR program, this decisive action would
39 improve the environment for retail electric competition in the small customer
40 market segment and help bring the benefits of competition to it.

¹ The positions set out in this direct testimony represent the positions of the Coalition as a group, but do not necessarily represent the positions of individual companies that are members of the Coalition.

41 **II. PURCHASE OF RECEIVABLES / UTILITY CONSOLIDATED**
42 **BILLING PROPOSAL OF THE COALITION OF ENERGY SUPPLIERS**
43

44 **Q. What is a POR program?**

45 A. Under a POR program, the utility reimburses the RES for its customer billings
46 regardless of whether the utility received payment from the customer. The utility
47 is made financially whole, however, by recovering the uncollectible amounts and
48 program administration expenses through one of two options: 1) a discount rate
49 equal to the utility's actual uncollectible amount that offsets the payments to the
50 RES and is subject to a periodic reconciliation process; or 2) an element of the
51 utility's base rates.

52
53 **Q. Please describe the Coalition's POR proposal.**

54 A. The Coalition has developed a POR proposal that would apply to the accounts of
55 ComEd's delivery services customers with a peak demand below 400 kW
56 (proposed CPP-B customers) who receive a consolidated bill from ComEd that
57 includes both the delivery services provided by ComEd and the commodity of
58 electricity provided by the RES. Under the Coalition's POR proposal, ComEd
59 would purchase the RES's electric commodity service accounts receivable and
60 any utility pass-through charges at a discount to the face value of the receivable.
61 Rather than ComEd implementing and maintaining differing billing programs for
62 POR, the most efficient approach suggests that ComEd offer POR through single
63 utility consolidated billing.

64

65 **Q. Do any other utilities offer a POR program?**

66 A. Yes. Utilities across the country offer POR programs. Most notably, ComEd's
67 sister utility, PECO Energy Distribution Company ("PECO"), and possible sister-
68 to-be, Public Service Enterprise Group ("PSEG"), both offer this feature with
69 their consolidated billing system.

70

71 **Q. What are the characteristics of the programs offered by PECO and PSEG?**

72 A. Under PECO's UCB, PECO will pay the retailer, known in Pennsylvania as the
73 electric generation supplier ("EGS"), for the *undisputed* EGS charges PECO has
74 billed the customer on behalf of the EGS regardless of whether the customer has
75 paid PECO.² PECO or the EGS may request separate billing for accounts 90 days
76 or three billing cycles past due. PECO recovers the uncollectible amounts and
77 program administration expenses through utility base rates. PSEG likewise
78 assumes supplier receivables and makes payment for the full undisputed supplier
79 bill amount 5 days after the due date on the customer bill.

80

81 **Q. Please describe Utility Consolidated Billing.**

82 A. ComEd does not currently offer UCB. Under UCB, the utility provides a single
83 bill for its own charges as well as the RES' charges. The utility receives the
84 charges that the RES wants to include on the bill through an electronic
85 transaction. The utility does all of the regular billing and payment processing
86 functions that it already does for its bundled customers and then forwards

² Any dispute involving competitive energy markets is typically resolved through a dispute resolution process supervised by a state's energy regulatory body.

87 payment to the RES for its charges. UCB is in place in most deregulated retail
88 energy markets across North America, including at ComEd's sister utility, PECO,
89 and possible sister-to-be, PSEG. UCB is an efficient platform for a utility to
90 operate a POR program.

91

92 **Q. Is the Coalition proposing that Utility Consolidated Billing be mandatory for**
93 **all RESs?**

94 A. No. UCB should be a billing option that ComEd makes available to RES serving
95 residential and commercial customers with a demand below 400 kW. Under the
96 Coalition's proposal, RESs still would retain the right to offer the single bill
97 option ("SBO"), in which the RES bills for both the utility and RES charges, to
98 any customer under the provisions of Rider SB07 regardless of the size of the
99 customer.³ Likewise, if a RES chooses to forego either UCB with POR or the
100 SBO, the RES may continue to issue its own bill for the commodity charges under
101 a "dual-billing" model.

102

103 **Q. Would this UCB with POR program replace the Single Billing Option**
104 **("SBO")?**

105 A. No. It has been well established that customers want and desire the simplicity of
106 a single bill. The Coalition's UCB and POR proposal by no means seeks to do
107 away with the SBO. Again, for RESs serving customers with demand less than
108 400 kW, ComEd would still be required to offer the following billing: SBO,

³ The Coalition is requesting through other testimony certain revisions to the SBO tariff in order to provide customers and RESs with greater opportunities to capitalize on the benefits associated with receiving a single bill for electric service.

109 UCB/POR, and a “dual-billing” model in which the RES may issue its own bill
110 for its commodity charges.

111

112 **Q. Please describe the benefits of Utility Consolidated Billing?**

113 A. UCB has benefits for the customer, the utility and RESs. The customer benefits
114 by being able to take advantage of RES competitive offerings while still
115 maintaining the simplicity of one bill delivered and collected by his familiar
116 utility. In my company’s experience with residential customers, we have learned
117 that our customers strongly prefer to receive one bill for both delivery and
118 commodity charges from the utility. UCB removes one significant hurdle to
119 making a competitive choice.

120

121 UCB imposes no hardship on the utility in terms of physical delivery of its bills. If
122 the utility does not issue a UCB, it still needs to issue a bill for its delivery
123 charges. Where the RES sends the customer a bill for its commodity charges, the
124 utility must still send the customer a bill for its delivery charges. The RES
125 benefits from UCB by not having to duplicate the costly billing systems that the
126 utility already possesses. In turn, the RES’ customers avoid having to pay for the
127 cost of a duplicate billing system by taking RES service. All ComEd customers
128 paid for the utility’s underlying billing system prior to their ability to exercise
129 choice. These customers should not be forced to pay for another billing system
130 under competition.

131

132 Q. What effect would the Coalition's POR proposal have upon ComEd's
133 uncollectibles?

134 A. The problem of dealing with uncollectible expense is not new. Uncollectible
135 expenses refer to the revenues billed by the utility that are never collected from
136 ratepayers. The problem of dealing with uncollectible expense is not new for
137 ComEd. ComEd's delivery rates include an allowance for uncollectible expense
138 that the Company charges to all customers. ComEd proposes in its revised tariff
139 to apply an uncollectibles adjustment factor ("UFA") to its commodity charges
140 for bundled customers. This adjustment will enable ComEd to recover
141 uncollectible costs for commodity service to its bundled customers.

142

143 It appears in ComEd's proposed tariffs that customers who take commodity
144 service from a RES will appropriately avoid the UFA. Absent a POR program,
145 RESs offering residential and small customer commercial customers electric will
146 most likely credit screen applicants in order to limit their potential uncollectible
147 exposure. The weaker scoring customers remaining with ComEd for commodity
148 service will force ComEd to increase the UFA for those bundled customers as
149 ComEd can no longer spread the costs across all electric commodity customers in
150 its territory. Many customers with poor credit scores may have received those
151 scores due to financial hardship. As a result of the increase in the UFA for
152 customers with poor credit scores, the group of customers least likely to afford the
153 rate increases will receive the rate increase. A POR program allows ComEd to
154 avoid this result. A POR program also saves ComEd the problem of trying to

155 predict more volatile uncollectible rates while enabling all customers, not just
156 those with the best credit histories, the ability to make an electric supply choice
157 that best meets their needs.

158

159 **Q. Under the Coalition's proposal, which customers would be eligible to**
160 **participate in the POR program?**

161 A. My company has found that UCB with POR helps create a competitive market for
162 residential and small commercial customers. The Coalition's proposal would limit
163 the POR program to ComEd's residential customers and commercial customers
164 with demand below 400 kW who upon switching to a RES elect to receive a
165 consolidated bill from ComEd that includes both delivery services and RES
166 commodity charges.

167

168 For the same reasons that large commercial customers and industrial customers
169 prefer to receive a single supplier bill for their electric service, we want to bring
170 those same benefits to residential customers and smaller commercial customers.
171 Therefore, we are proposing to limit the applicability of the UCB with POR
172 program to customers with a peak demand below 400 kW. A RES account that is
173 not served under ComEd's consolidated billing service would not be eligible for
174 participation in the POR program.

175

176 **Q. What are the benefits of a UCB and a POR program to customers?**

177 A. With a POR program, customers benefit directly economically and indirectly
178 through access to competitive choices. Under a POR program, economies of
179 scale would be achieved by designating one party to handle all credit and
180 collections and several consumer protection functions. Duplicating credit and
181 collections functions at the utility and at each RES needlessly creates costs
182 ultimately borne by customers. A POR program frees residential and small
183 commercial customers from possibly having to post two separate security
184 deposits. For customers returning to service after having been terminated due to
185 non-payment, they will avoid having to contend with two payment plans.

186

187 By encouraging RES to accept residential and smaller commercial customers, not
188 only those with good credit scores, POR programs will facilitate migration of
189 customers who might be overlooked by RESs due to poor credit scores or past
190 financial troubles. In fact, by allowing low income and poor credit scoring
191 customers to participate, POR programs open up competitive choices to the very
192 customers who might most need it. In addition, elimination of credit checks
193 through a POR program will ensure that customers wishing to switch commodity
194 service to a RES will not fear a lowering of their credit scores by the performance
195 of a credit check. If a potential creditor performs a comprehensive credit check on
196 a consumer, this check may lower that consumer's credit score.⁴ Consumers with
197 lower credit scores face higher costs of credit or may be altogether denied credit.

⁴ See, e.g., the Equifax definition of "hard inquiry", at
<https://www.econsumer.equifax.com/consumer/sitepage.ehtml?forward=elearning_glossary>.

198 **Q. What are the benefits of a UCB and a POR program to ComEd?**

199 A. In addition to helping promote a robust competitive market for all of its
200 customers, ComEd has an economic reason to implement a POR program.
201 Utilities that implement POR programs avoid the problem of RESs serving the
202 good credit customers, leaving the poor credit customers on utility service where
203 they will escalate costs to all remaining bundled customers. Thus, a POR
204 program would save ComEd the problem of trying to predict more volatile
205 uncollectible rates while enabling all customers, not just those with the best credit
206 histories, the ability to make the choice for electric supply that best meets their
207 needs.

208

209 **Q. What are the benefits of a UCB and a POR program to RESs?**

210 A. A POR program in ComEd also would provide a level playing field for RESs to
211 compete with ComEd. Currently, RESs in Illinois, unlike the utilities, do not have
212 the ability to terminate the physical delivery of electric or gas service to
213 customers who do not pay the RES portion of their energy bill. While no RES
214 controls the delivery of electricity to the consumer, if one of ComEd's bundled
215 customers does not pay his bills, ComEd may disconnect the customer for both
216 delivery and commodity. By contrast, a RES may only return the customer to
217 bundled service and seek collection of the customer's arrears. As a consequence,
218 all else being equal, ComEd's ability under the current structure to encourage
219 payment through physical termination will always provide it with a lower
220 uncollectibles rate compared to RESs.

221 POR programs significantly reduce the RESs' credit risk associated with serving
222 residential and small commercial customers. They also reduce RESs' acquisition
223 costs by allowing RESs to enroll residential and small business customers without
224 conducting credit checks or requiring security deposits.

225

226 **Q. Please explain what costs associated with credit checks RESs would incur**
227 **absent a POR program.**

228 A. Bad debt can impose high costs upon RESs. As a result, RESs typically screen
229 customers to determine the customer's creditworthiness. As it is not feasible for
230 customers to be credit screened during their first contact with the RES, the credit
231 check adds extra time to complete a customer enrollment. RESs must hire
232 additional personnel to perform the credit check and pay a credit agency such as
233 Equifax for credit reports. In short, uncollectibles are a significant cost of doing
234 business. Where the utility and the RES each operate credit and collections
235 systems, the customers pays twice for these costs.

236

237 **Q. Please explain the likely impact upon customer choice if RESs are required**
238 **to perform credit checks and bear the risk of uncollectibles.**

239 A. Data on credit scores from Equifax (*see* CES Ex. 4.1; CES Ex. 4.2), one of the
240 three national credit bureaus, reveal that a RES would be justified in denying the
241 applications of up to 31 percent of residential and 20 percent of small business
242 customers due to their credit scores. RESs, without the right to terminate the
243 delivery of service to customers for non-payment, will err on the side of caution

244 when reviewing customer credit worthiness and demand a high credit score for
245 acceptance. These rejections would prevent higher-risk customers, who are likely
246 to be more financially constrained, from taking advantage of RES products that
247 meet their individual consumption and/or financial needs, including long term
248 price stability, savings, or both.

249

250 Even though RESs will credit screen customers, the RESs' charges still must
251 include a risk premium for uncollectibles (albeit a smaller one than if no customer
252 were screened), as credit screening is not foolproof. Regardless, any unnecessary
253 risk premium makes the RES' product less attractive to consumers.

254

255 **Q. What are costs to ComEd associated with a purchase of receivables**
256 **program?**

257 A. ComEd will incur some implementation and administration costs as a result of
258 implementing a POR program. Under the Coalition's POR proposal, ComEd
259 would recover all of the costs of running the program through a discount rate.
260 However, the Commission and ComEd should realize that without a POR
261 program, ComEd's bad debt percentage would increase as the higher risk
262 customers remain with ComEd because RESs would not accept them due to their
263 low credit score. A POR program provides ComEd with a less risky approach to
264 manage its uncollectibles. Under our POR proposal, ComEd would recover all of
265 the costs of running the program through a discount rate.

266

267 **Q. Does ComEd have the same risk associated with bad debt expense as a RES?**

268 A. No. All else being equal, in the absence of a credit check, the inability of RESs to
269 terminate the delivery of electric service would result in RESs having a higher
270 level of bad debt expense relative to ComEd. Physical termination of service
271 provides a powerful incentive for customers to pay their electric bills. A POR
272 program, by contrast, eliminates this unfair advantage held by ComEd over the
273 RESs.

274

275 **Q. Do you have any data to support your conclusion that, in the absence of a**
276 **POR program, RESs would have higher levels of bad debt than ComEd?**

277 A. Yes. Employing data from Equifax, if a RES accepted all customers for
278 competitive supply without credit checks, one would expect the RES to
279 experience a cumulative bad debt rate of about 7.1 percent for residential
280 customers and 9.2 percent for small business customers. (*See* CES Ex. 4.3; CES
281 Ex. 4.4). By contrast, the bad debt rate for ComEd is 1.43 percent for residential
282 customers and 0.29 percent for small commercial customers. (*See* ComEd Ex.
283 10.7). Thus, the RES would likely only compete in ComEd's territory if market
284 supply prices are sufficiently below ComEd's commodity rate to cover the higher
285 risk premium relative to ComEd the RES must charge its customers due to its
286 higher uncollectibles rate.

287

288 **Q. What are the characteristics of an effective POR program?**

289 A. The Coalition believes the following are characteristics of an effective POR
290 program:

- 291 • The rules should allow as many customers as possible to participate in
292 choice programs by not giving customers with better credit histories
293 preferential treatment to make an electric supply choice. Restricting
294 access to competitive supply options because of customer payment or
295 credit histories defeats the purpose of empowering them to consider
296 choices that best meet their energy needs.
- 297
- 298 • The utility should be allowed to recover all of the costs of running the
299 program through a discount rate or through rate base. Shareholders should
300 not be exposed to any incremental risk as a result of instituting a POR
301 program.
- 302
- 303 • The utility must provide timely payment of billed amounts to the RESs.
- 304
- 305 • If a customer is disconnected for non-payment and subsequently pays his
306 bill, this customer should be returned to service with the RES.
- 307
- 308 • The rules for resetting the discount rate should be clear and predictable to
309 all market participants, e.g., once each year on a specific effective date.

310

311 **Q. Can you please describe the characteristics of a particular POR program?**

312 A. One example is the POR program offered by Northern Indiana Public Service
313 Company (“NIPSCO”). NIPSCO is the only utility in Indiana with a retail natural
314 gas Choice program. It bills its Choice program customers through a consolidated
315 utility bill and makes payment to the retailer.

316 • NIPSCO makes payment to the Supplier for the Accounts Receivable being
317 purchased within 20 days after the last unit billed in the final billing cycle of
318 each month. The Company makes the monthly payment to the Supplier
319 regardless of whether any particular Customer in the Supplier’s Customer
320 Base pays its bill.

321 • Currently the Account Receivable discount is 1 percent. NIPSCO agrees to
322 give a six month notification before any change is made to the accounts
323 receivable discount percentage.

324 • NIPSCO retains the right, to evaluate the financial risk associated with this
325 offering. Based upon the risk analysis, NIPSCO may change the percentage of
326 the accounts receivable discount. Retailer contracts with customers must
327 contain a provision that states that if the Customer receives an arrears notice
328 and does not pay the arrearage balance prior to the Customer’s next cycle
329 billing date, then effective as of that next billing date, the Customer will be
330 removed from the NIPSCO Choice program and returned to bundled utility
331 service.

332

333 **Q. Are there any attributes of the NIPSCO POR program that you recommend**
334 **against adopting in ComEd?**

335 A. Yes. The NIPSCO program contains a provision that returns customers to bundled
336 service if those customers are in arrears for more than two billing periods. We
337 recommend against adoption of this provision. Returning the delinquent Choice
338 customer to bundled service does not lower the utility's collections and bad debt
339 costs. It potentially raises the costs to consumers as returning a customer to utility
340 service may force the customer to pay penalties to the retailer for early contract
341 termination. This will compound a customer's financial predicament. As the
342 customer continues to increase his arrears as a bundled customer, NIPSCO
343 achieves no more savings than if the customer had remained in the Choice
344 program. The only time service to a Choice customer should be severed from the
345 Supplier is when the utility ultimately disconnects the customer for non-payment
346 and, in that case, the customer should be returned to the Supplier when his
347 account becomes current.

348
349 **Q. What is the next market you wish to describe?**

350 A. In New York, every utility regulated by the New York Public Service
351 Commission ("PSC"), except Keyspan, has adopted a POR program. All New
352 York utilities offer UCB in addition to a dual bill option. The PSC "strongly
353 encourages" New York utilities to adopt POR programs.⁵ The PSC's Uniform

⁵ Case 00-M-0504, *Proceeding on the Motion of the Commission Regarding Provider of Last Resort Responsibilities, the Role of the Utilities in Competitive Energy Markets, and Fostering the Development of Retail Competitive Opportunities*, Statement of Policy on Further Steps Toward Competition in Retail Energy Markets, (issued August 25, 2005) at 16.

354 Business Practices regulate, among other matters, the operations of retailers and
355 utilities pertaining to customer billing, enrollment and termination. New York
356 State Electric and Gas (“NYSEG”) recently adopted a program scheduled to
357 launch in early 2006. It is similar to other POR programs in the state. Here is a
358 detailed description of the program:

- 359 • New York’s retail marketers (“Energy Service Companies or ESCOs”) that
360 elect the NYSEG UCB option for all or a portion of their customers will be
361 required to sell their accounts receivable for these customers to NYSEG.
362 ESCOs will be precluded from participating in the POR for customers
363 receiving dual billing.
- 364 • Electric and gas accounts receivable for electricity and gas commodity sales
365 will be purchased at a discount off face value of the ESCO receivable as
366 ESCO customers do not pay NYSEG’s charge for recovering the utility’s
367 commodity-related uncollectible costs. The discount rate is intended to
368 compensate NYSEG for its financial risk in purchasing electric and/or gas
369 receivables, including, but not limited to, the level of NYSEG’s uncollectibles.
370 NYSEG will purchase ESCO accounts without recourse.
- 371 • The electric discount will be set on January 1, 2006 at a rate of 1.01 percent.
372 The 1.01 percent electric discount rate is the sum of: 0.71 percent, reflecting
373 NYSEG’s actual historical electric uncollectibles experience for the period
374 October 2004 through September 2005; a 0.15 percent adder, which is
375 designed to compensate NYSEG for its financial risk that the electric
376 uncollectible rate for the purchased receivables may be higher than 0.71%;

377 and a 0.15 percent adder, which is designed to compensate NYSEG for on-
378 going incremental and administrative costs, including credit and collection
379 costs.

380 • Revised annual discount rates will become effective January 1st of each
381 respective year. NYSEG will publish the revised discount rate 60 days before
382 the effective date.

383 • Each accepted Invoice receivable amount would be itemized to include the
384 gross amount, discount amount, and the net accounts payable amount. 20 days
385 after the receipt of the invoice, NYSEG Accounts Payable will release the
386 discounted payment by wire transfer (ACH).

387

388 **Q. Do you recommend ComEd should purchase receivables at a discount?**

389 A. Yes, provided ComEd separates its uncollectible expenses into accounts for
390 “delivery services”-related uncollectible expenses and “energy”-related
391 uncollectible expenses. ComEd has proposed adjusting upwards its bundled
392 customer supply charges to recover uncollectible commodity related costs. If, as
393 proposed under ComEd’s BES tariff sheets customers who leave bundled service
394 by taking commodity service from a RES no longer pay for the UAF, then
395 ComEd should use a discount rate model for its POR program. This way, by
396 purchasing receivables at a discount under UCB, ComEd’s bundled customers do
397 not pay for RES customers’ bad debt.

398

399 **Q. Please explain how the discount rate would be developed?**

400 A. The discount rate should reflect ComEd's actual uncollectible experience during a
401 recent specific historical period. To avoid distortions occurring in any one year,
402 the discount rate might, for example, reflect a multi-year rolling average adjusted
403 each year the program is in effect.

404

405 **Q. Should any other components be incorporated in the discount rate?**

406 A. ComEd will incur some costs to administer and implement this new program.
407 Recovery of such costs through the discount rate is appropriate. It is relevant to
408 underscore that only net incremental administrative charges should be assessed to
409 RESs.

410

411 **Q. What types of costs would ComEd incur to implement a POR program?**

412 A. ComEd will need to enhance its billing system to provide for UCB and POR.
413 Rather than ComEd implementing and maintaining differing billing programs for
414 POR, the most efficient approach suggests that ComEd offer POR under a single
415 utility consolidated billing option. ComEd would not be required to offer any
416 RES additional UCB options apart from the one having the POR program. The
417 Coalition recommends that ComEd in the near term will need to upgrade its
418 billing and enrollment systems to eliminate manual transactions in favor of
419 electronic automation. (See CES Ex. 2.0 at lines 368-768.) The UCB-POR
420 feature could be added cost-effectively if ComEd performs this enhancement at
421 the time it performs these other billing and enrollment upgrades.

422 **III. CONCLUSION**

423 **Q. Please summarize your testimony.**

424 A. The Commission and ComEd must realize that systems will need to change in
425 order to allow for the development of competition for small business and
426 residential customers. One of the most important elements of this transformation
427 involves the utility embracing POR and UCB in order to lower transaction costs,
428 increase efficiency and minimize customer confusion. The Commission and
429 ComEd have a great opportunity with this proceeding to develop a system that
430 accomplishes those goals. The Coalition's proposal sets forth the structure for a
431 pro-consumer, pro-competitive POR and UCB program. We look forward to
432 working with the Commission and ComEd to make this a reality.

433

434 **Q. Does this conclude your testimony?**

435 A. Yes, it does.



PA PowerSwitch Attitudes and Usage

October 2016



Background and Methodology



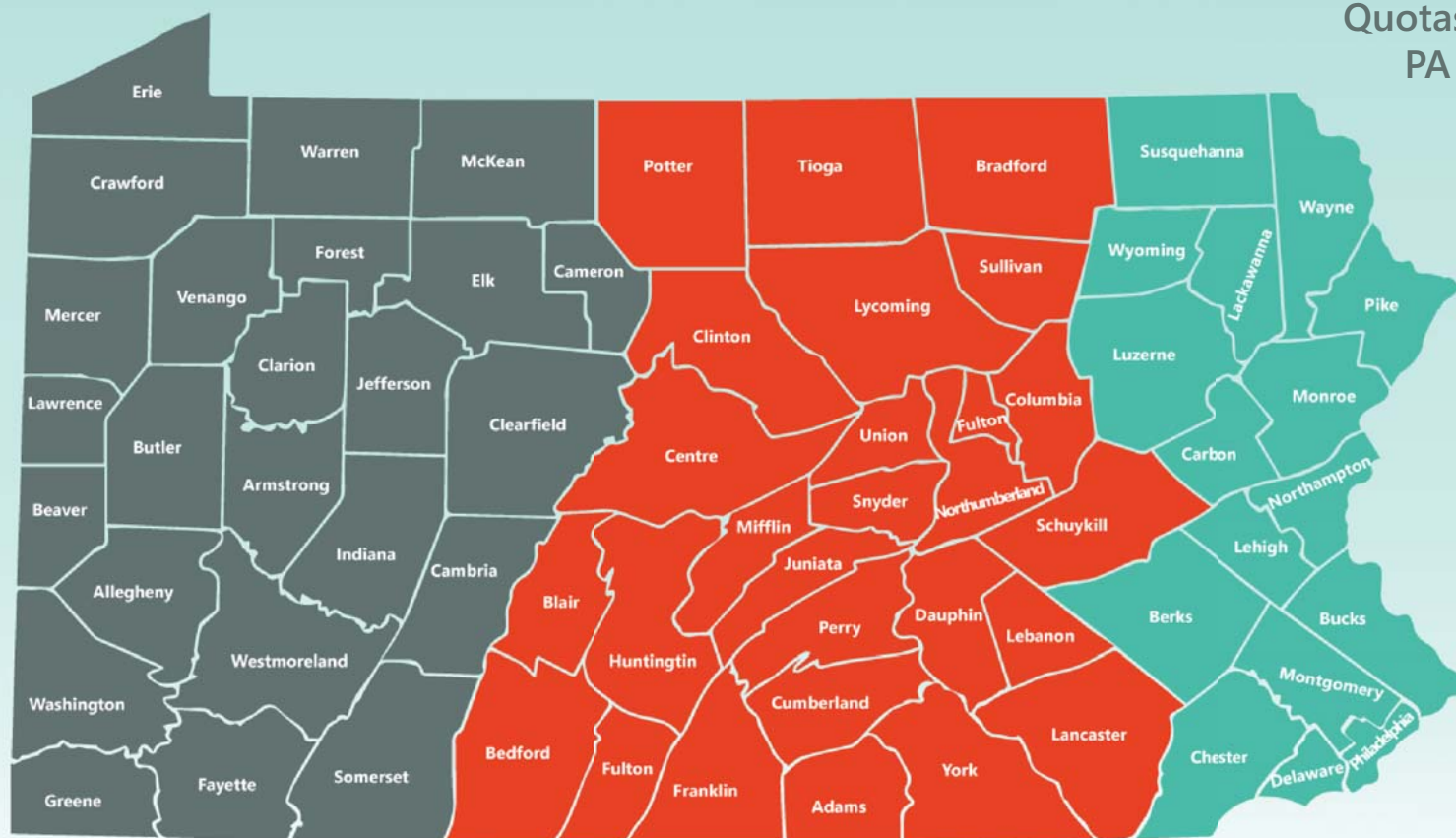
Methodology

- ❖ The study included online recruitment and sample sourcing obtained through a third-party sample partner.
All respondents:
 - ❖ Are at least 18 years old
 - ❖ Currently reside in Pennsylvania
 - ❖ Must not work for marketing, advertising, marketing research, media, the Public Utility Commission or electric utility companies
 - ❖ At least share in the household utility decisions
 - ❖ Must rent or own home
 - ❖ Must be able to switch electric providers (renters also qualify if they don't know they can switch)
- ❖ Quotas were set to obtain a representative sample of Pennsylvania residents. The following quotas were set:
 - ❖ **Gender:** Male (N=385); Female (N=415)
 - ❖ **Age:** 18–44 (N=360); 45–64 (N=288); 65+ (N=152)
 - ❖ **Residence:** Own (N=560); Rent (N=240)
- ❖ The survey was in-field from 9/20/16 to 9/28/16. A total of 800 respondents completed the survey.
- ❖ Statistical testing was performed to uncover meaningful differences between cells and subgroups, using Z-tests at the 95% confidence level. The sampling error for a sample size of 800 is $\pm 3.5\%$, at a 95% confidence interval.



Pennsylvania Regions

Quotas were set to obtain an even
PA geographic distribution:



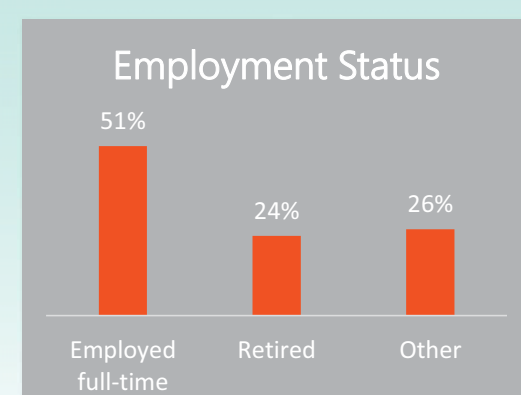
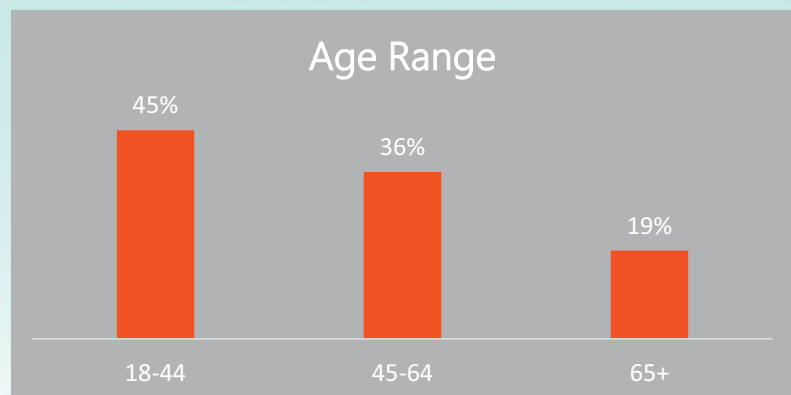
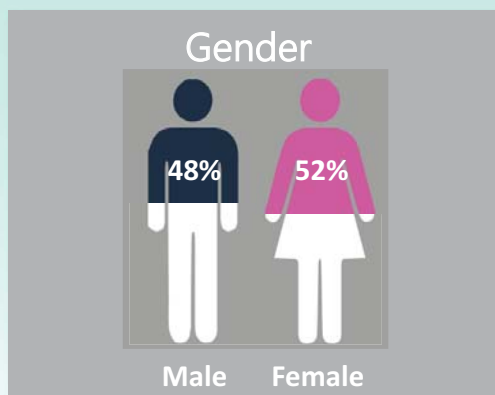
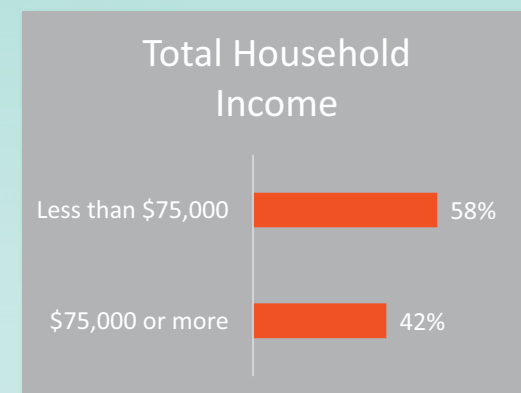
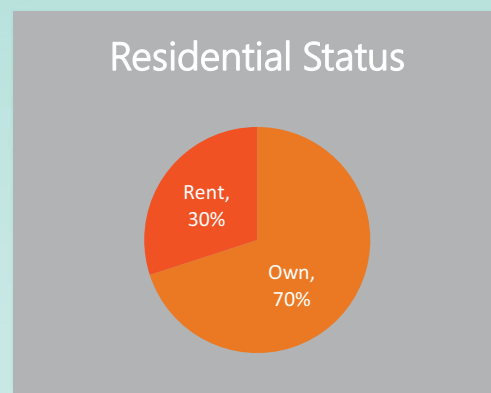
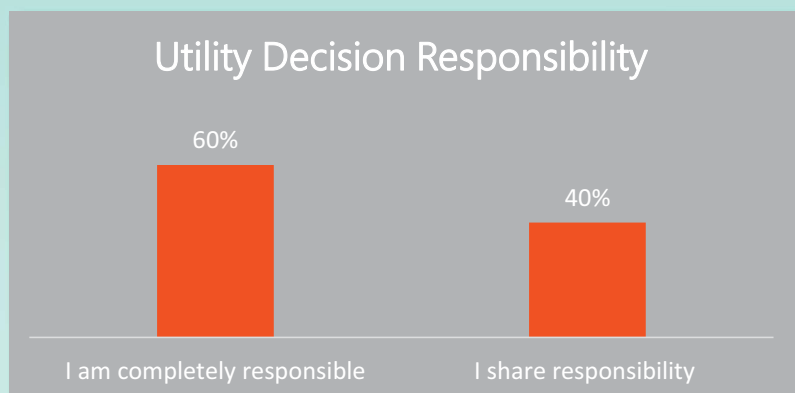
West region
N=266

Central region
N=267

East region
N=267



Sample Profile



Q3, Q4, Q6, Q7, Q31, Q32



Summary of Findings



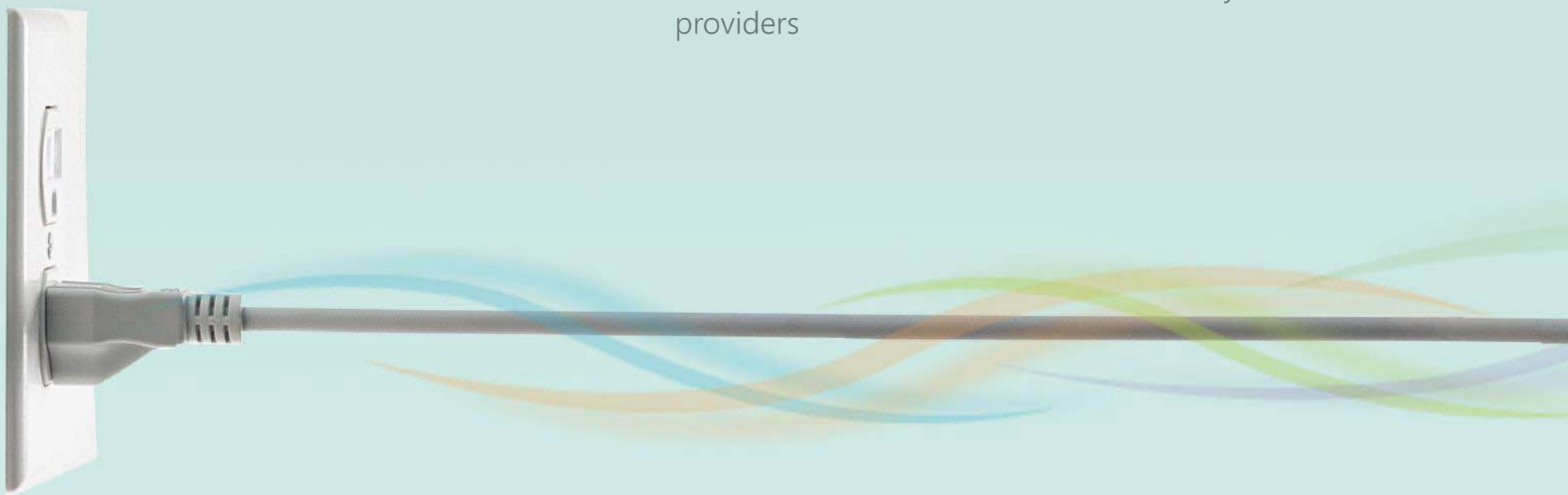
Executive Summary

- Almost all respondents (94%) are aware that they have the ability to shop for their own electric provider.
- Of those who know they have the ability to switch electric providers, 4 out of 10 respondents state that they have switched electric providers.
- The largest motivating factor behind switching electric providers is to lower monthly electricity bills, with the 45–64 age group being more likely to say so than the 18–44 and 65+ age groups.
- Over three-quarters of respondents who have switched electric providers state that the process of switching was very/extremely easy.
- Over half of the respondents who have not switched electric providers say this is due to them being happy with their current electric provider, with the 65+ age group more likely to say so than the 18–44 and 45–64 age groups.
- Just over one-quarter of total respondents are aware of the PAPowerSwitch.com website, with awareness most often stated to be from utility bill stuffers.
- Of those who visit PAPowerSwitch.com:
 - Eighty-seven percent are very/extremely satisfied.
 - Sixty-five percent have no suggestions on improvements needed to be made to the website.
 - Seventy percent say that the website is very/extremely easy to navigate.
 - Ninety percent somewhat/strongly agree that the website provides helpful information.
- PAPowerSwitch.com is a trusted resource to which respondents turn for information about electric providers, and it will be an educational and helpful resource in the future when making electric provider decisions.



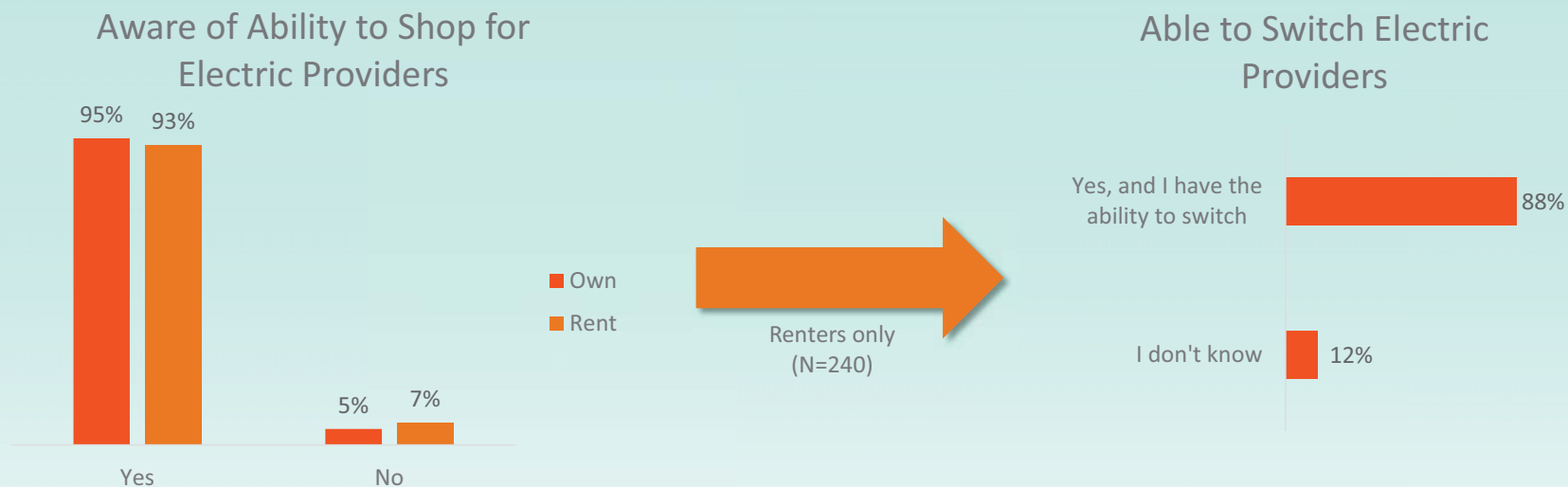
Detailed Findings

Understand consumer awareness of ability to switch electric providers



Aware of Ability to Switch Electric Providers

Ninety-five percent of homeowners, and 93% of renters, are aware of their ability to shop for electric providers. Out of the renters, 88% are aware that they can switch.



Q8. Are you aware that Pennsylvanians have the ability to shop for their own electric provider?

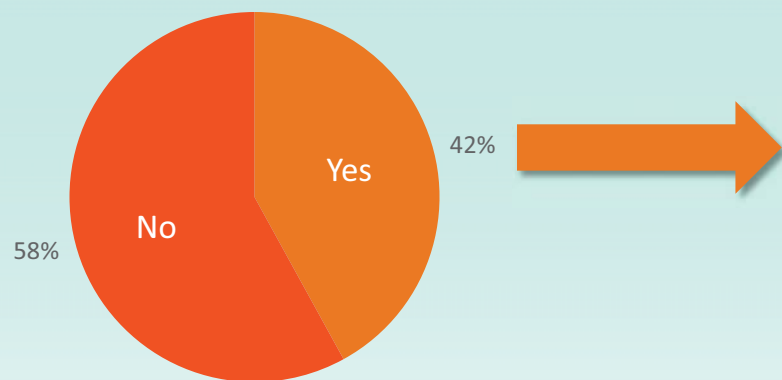
Q9. As a renter, does your household have a customer account with an electric utility and, if so, do you have the ability to switch electric providers?



Switched Electric Providers

Out of those who know they are able to switch, 4 out of 10 respondents state they have switched electric providers.

Switched Electric Providers



- ⚡ Respondents in the eastern PA region are more likely than those in the western PA region to have switched electric providers (46.9% vs. 36.5%).
- ⚡ 45–64-year-olds and 65+-year-olds are more likely than 18–44-year-olds to have switched electric providers (**65+**: 48.0% and **45–64**: 48.2% vs. **18–44**: 34.7%).
- ⚡ Those who are aware of PAPowerSwitch.com are more likely than those who aren't aware of the website to have switched electric providers (66.2% vs. 33.4%).

Q10. Have you ever switched your electric provider?

N=770 (Know They Have Ability to Switch Electric Providers)

Source: PUC PA PowerSwitch Attitudes and Usage Report, October 2016

Detailed Findings

Determine motivating factors for:

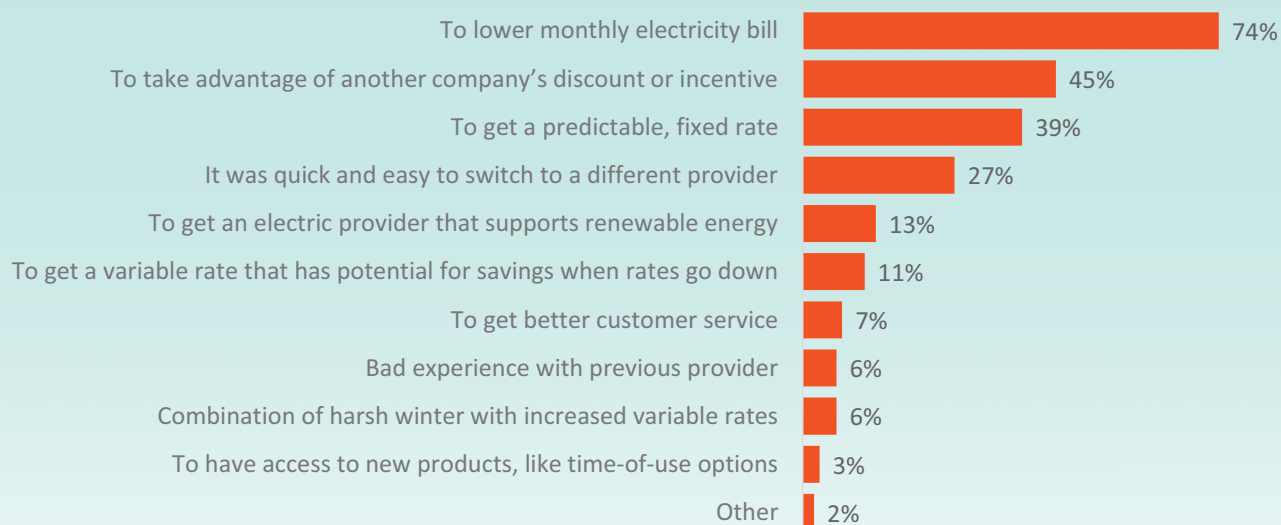
- Changing electric providers
- Not changing providers
- Encouraging a change in providers



Motivating Factors for Switching Providers

Of respondents who have switched electric providers, monetary reasons make up the top three motivating factors to switch electric providers, with a “quick and easy process” as a close fourth.

Motivating Factors for Switching Providers



⚡ Males are more likely than females to state that getting better customer service is a motivating factor to switch providers (9.8% vs. 3.7%) and that having a bad experience with a previous provider is a motivating factor to switch (9.8% vs. 2.5%).

⚡ 45–64-year-olds are more likely than the 18–44 and 65+ age groups to say that lowering their monthly electricity bill is a motivating factor to switch providers (**45–64**: 84.4% vs. **18–44**: 72.0% and **65+**: 58.3%).

⚡ The 18–44 age group is more likely than the 45–64 and 65+ age groups to say that getting better customer service is a motivating factor to switch providers (**18–44**: 11.9% vs. **45–64**: 4.4% and **65+**: 2.8%).

Q11. Which of the following were motivating factors for switching electric providers? (Check all that apply)?

N=325 (Have Switched Electric Providers)

Source: PUC PA PowerSwitch Attitudes and Usage Report, October 2016



Motivating Factors for Switching Providers

When looking at the four most often mentioned motivating factors for switching providers by PA regions, the western region is more likely than the eastern region to switch providers for a predictable fixed rate. Also, the central region is more likely than the eastern region to switch due to being quick and easy to switch a different provider.



N=93 N=111 N=121

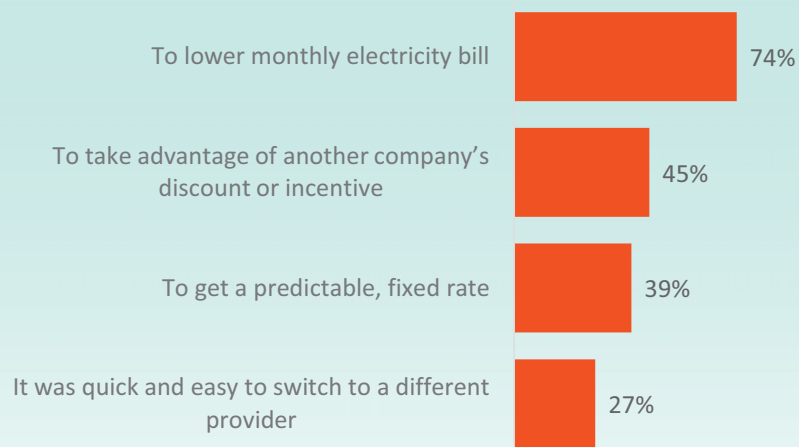
77% 77% 69%

43% 48% 45%

51% (East) 37% 32%

25% **35% (East)** 20%

Motivating Factors for Switching Providers



Q11. Which of the following were motivating factors for switching electric providers? (Check all that apply)?

N=325 (Have Switched Electric Providers)

Source: PUC PA PowerSwitch Attitudes and Usage Report, October 2016



Discount or Incentive for Switching

Over half of respondents that took advantage of a discount or incentive stated it was due to a low price/lower rate.

Low price/lower rate	57%
Lower introductory rate	13%
Gift card/debit card	12%
Fixed rate	7%
Rebate	6%
Airline points/miles	5%
Guaranteed lowest price/guaranteed savings	3%
Don't remember	12%

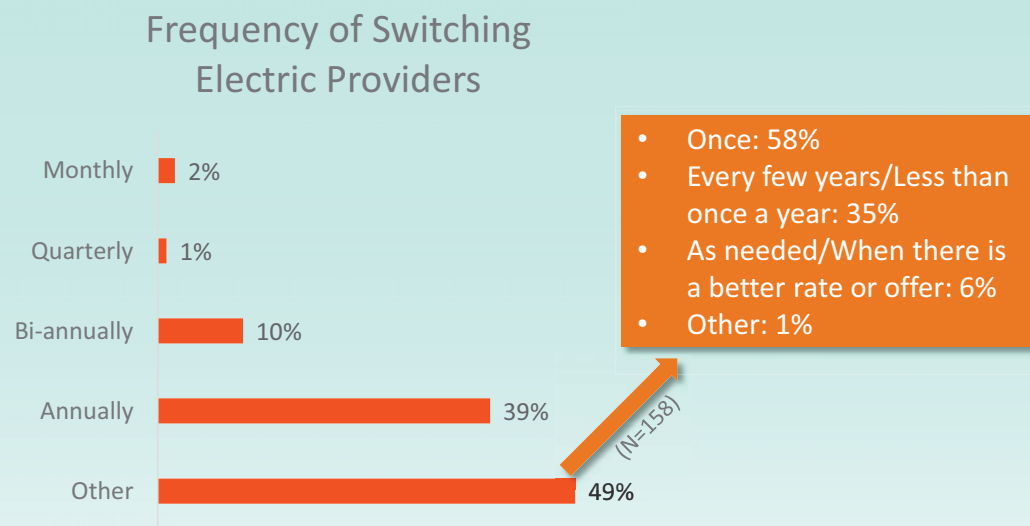
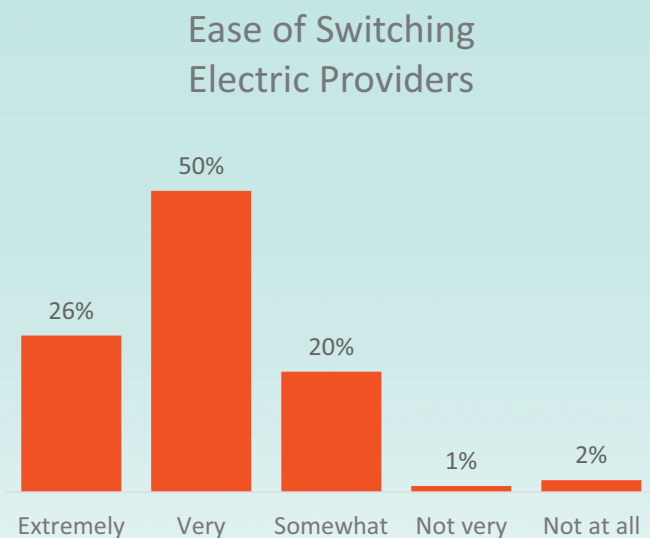
Q12. What was the discount or incentive that you took advantage of when switching electric providers? (Open-end)

N=147 (Taking Advantage of a Discount or Incentive Was a Motivating Factor) Source: PUC PA PowerSwitch Attitudes and Usage Report, October 2016



Ease/Frequency of Switching Electric Providers

Over three-quarters of respondents state that it is extremely or very easy to switch electric providers. When asked how frequently respondents have switched, nearly 4 out of 10 stated "annually."



Q13. Overall, how easy was the process of switching electric providers?

Q14. How frequently have you switched electric providers?

N=325 (Have Switched Electric Providers)

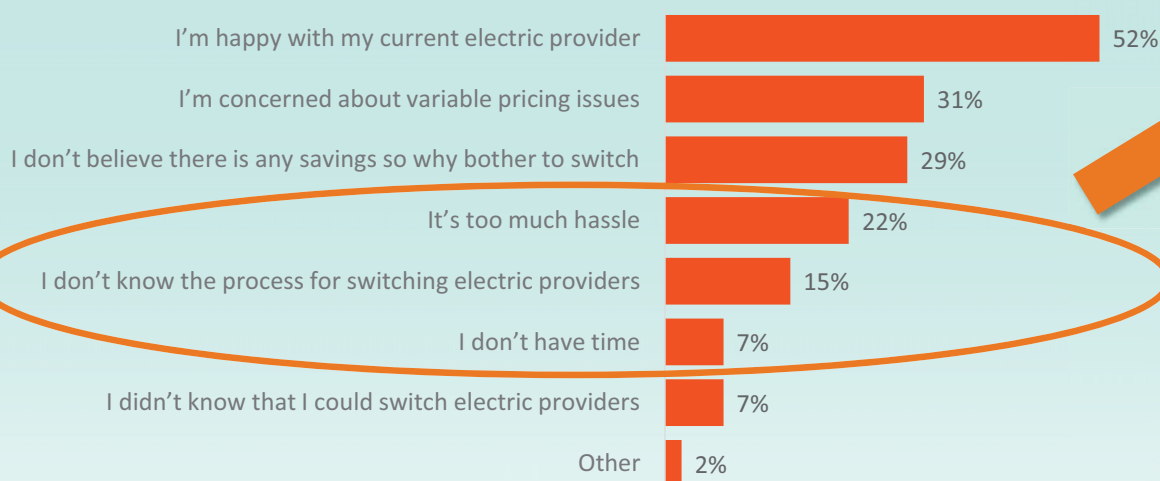
Source: PUC PA PowerSwitch Attitudes and Usage Report, October 2016



Have Not Switched Electric Providers

Respondents that have not switched electric providers are most often happy with their current provider. Only 31% of respondents stated that they were concerned with variable pricing.

Why Respondents Have Not Switched Electric Providers



Opportunity to Market

- 18–44-year-olds are more likely than the other two age groups (45–64 and 65+) to say that they have not switched due to hassle, lack of time and not knowing the process. There is an opportunity to market to the younger PA population by providing a quick and easy process for switching.

Q15. Why have you not switched electric providers? (Check all that apply)

N=445 (Have Not Switched Electric Providers)

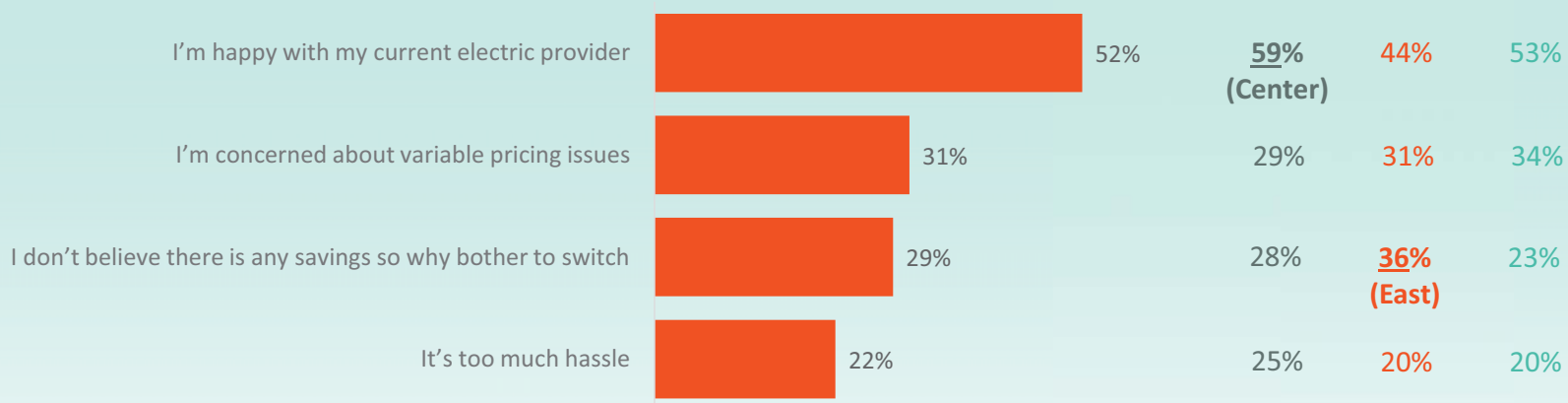
Source: PUC PA PowerSwitch Attitudes and Usage Report, October 2016



Have Not Switched Electric Providers

When looking at the four most often mentioned reasons why respondents have not switched electric providers by PA regions, the western region is more likely than the central region to say that they are happy with their current electric provider.

Why Respondents Have Not Switched Electric Providers



Q15. Why have you not switched electric providers? (Check all that apply)

N=445 (Have Not Switched Electric Providers)

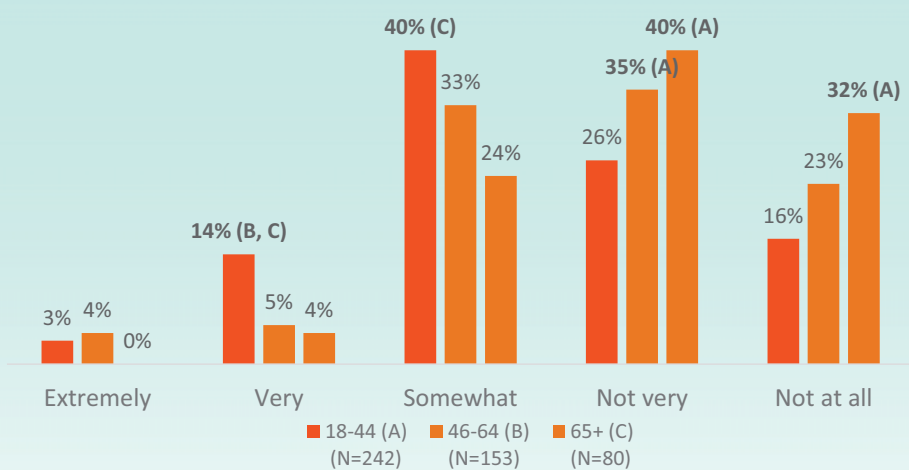
Source: PUC PA PowerSwitch Attitudes and Usage Report, October 2016



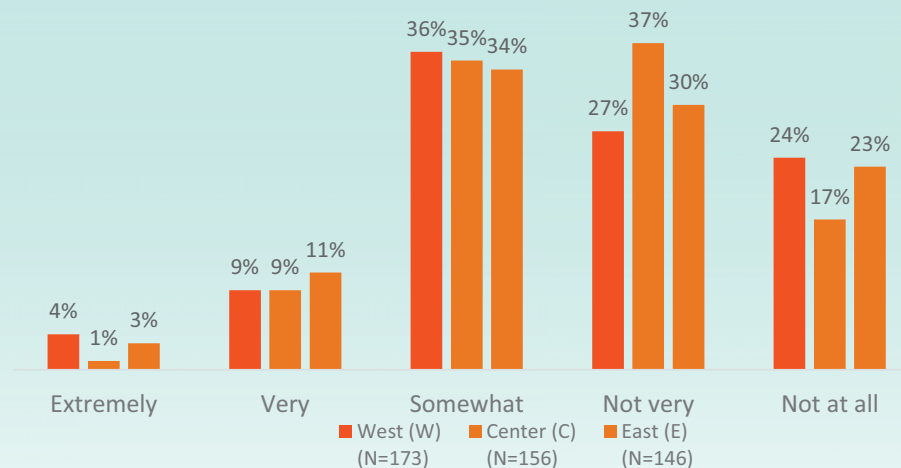
Likelihood to Research Electric Providers

The majority of those who have not switched electric providers and don't know if they are able to switch say that they are not likely to research electric providers; however, the 18–44 age group is most likely to say they are very/extremely likely to research other electric providers.

Likelihood to Research Electric Providers by Age



Likelihood to Research Electric Providers by Region



Q16. How likely are you to research other electric providers?

N=475 (Have Not Switched Electric Providers or Rent and Don't Know If Able to Switch)

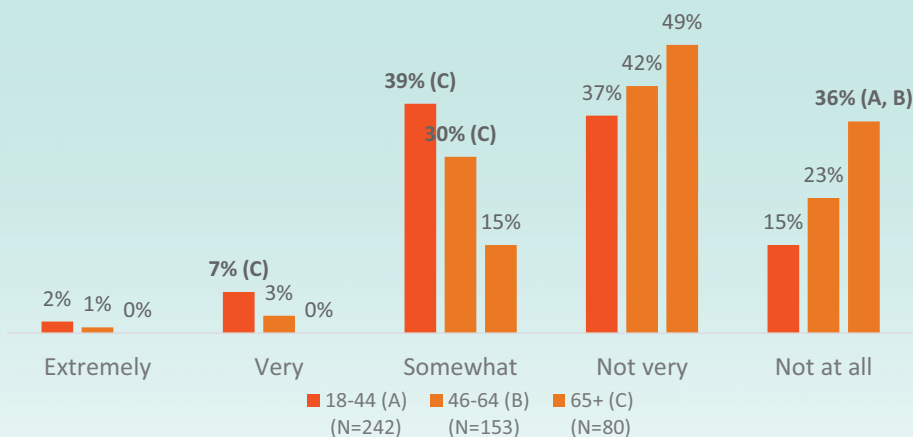
Source: PUC PA PowerSwitch Attitudes and Usage Report, October 2016



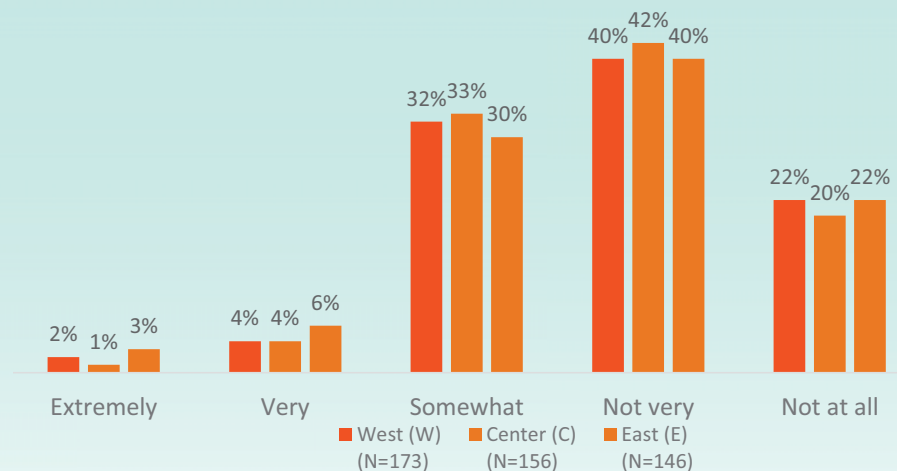
Likelihood Switch Electric Providers

Of those who have not switched electric providers and don't know if they are able to switch, the 65+ age group is more likely than the other two age groups to say that they are not at all likely to switch electric providers.

Likelihood to Switch Electric Providers by Age



Likelihood to Switch Electric Providers by Region



Q17. How likely are you to switch to a new electric provider?

N=475 (Have Not Switched Electric Providers or Rent and Don't Know If Able to Switch)

Source: PUC PA PowerSwitch Attitudes and Usage Report, October 2016



Factors Encouraging Researching or Switching of Electric Providers

Overall, respondents are encouraged by better and lower rates to switch or research electric providers.

57% - Better/lower rates 

18–44-year-olds are more likely than the other two age groups to state “Better/lower rates” (**18–44:** 62.8% vs. **45–64:** 41.8% and **65+:** 35.0%).

17% - Locked in lower rate/guaranteed low rate

8% - Better service/reliability 

Those located in the eastern PA region are more likely than the other two PA regions to state “Better service/reliability” (**EAST:** 13.7% vs. **WEST:** 6.4% and **CENTRAL:** 3.2%).

6% - Knowing more about the process/comparison rate chart

6% - Easy process to switch

19% - Nothing 

65+-year-olds are more likely than the other two age groups to state that “Nothing” would encourage them to research or switch electric providers (**65+:** 36.3% vs. **18–44:** 10.7% and **45–64:** 23.5%).

Q18. What factors, if any, would encourage you to research or switch your electric provider? (Open-end)

Note: Responses above 5% mentioned

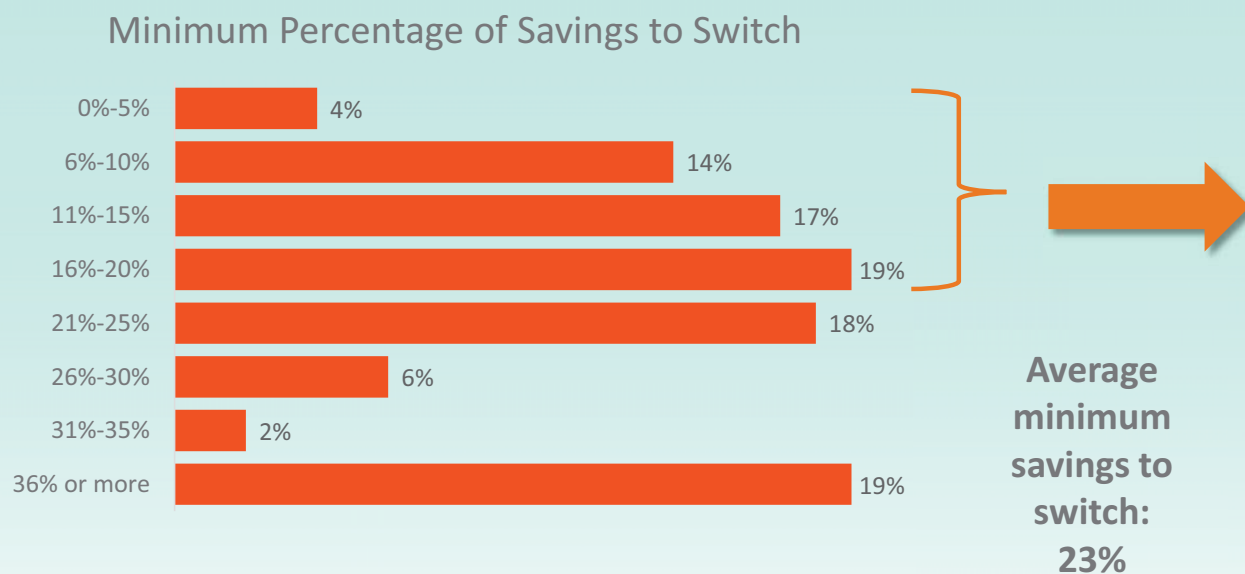
N=475 (Have Not Switched Electric Providers or Rent and Don't Know If Able to Switch)

Source: PUC PA PowerSwitch Attitudes and Usage Report, October 2016



Minimum Percentage of Savings to Switch

The average minimum of savings respondents would need before they would switch their electric provider is 23%.



Opportunity to Market

- 18-44-year-olds are more likely than the 45-64 and 65+ age groups to switch electric providers for a minimum percent savings of 20% or less. Providing them with a quick and easy process to switch could convert more young people to switch electric providers.

Q19. What is the minimum percentage of savings you would need before you would switch your electric provider?

N=475 (Have Not Switched Electric Providers or Rent and Don't Know If Able to Switch)

Source: PUC PA PowerSwitch Attitudes and Usage Report, October 2016



Minimum Percentage of Savings to Switch by Likelihood to Switch Electric Providers

The average minimum percent savings decreases as likelihood to switch electric providers increases.

<u>Likelihood to switch</u>	<u>Minimum percentage of savings needed to switch</u>		
Not at all likely	33% minimum savings	\$ \$ \$ \$	Average minimum savings to switch: 23%
Not very likely	24% minimum savings	\$ \$ \$	
Somewhat likely	17% minimum savings	\$ \$	
Very likely	13% minimum savings	\$ \$	
Extremely likely	22% minimum savings	\$ \$ \$	

Q17. How likely are you to switch to a new electric provider?

Q19. What is the minimum percentage of savings you would need before you would switch your electric provider?

N=475 (Have Not Switched Electric Providers or Rent and Don't Know If Able to Switch)

Source: PUC PA PowerSwitch Attitudes and Usage Report, October 2016



Detailed Findings

Gauge awareness of PAPowerSwitch.com and, if aware, determine:

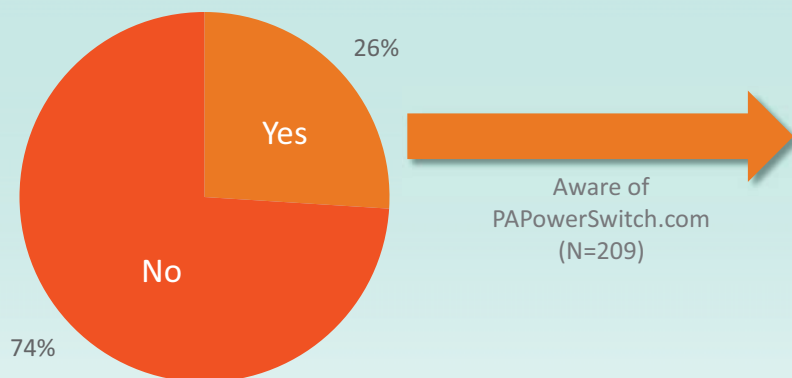
- Ease of use
- Helpfulness of site
- Areas for improvement



Awareness of PAPowerSwitch.com

Just over one-quarter of respondents are aware of PAPowerSwitch.com, with those who have switched electric providers being more likely than those who have never switched providers before to be aware of the website (42.2% vs. 15.7%).

Aware of PAPowerSwitch.com



How Respondents Have Heard of PAPowerSwitch.com



Q20. Are you aware of PAPowerSwitch.com?

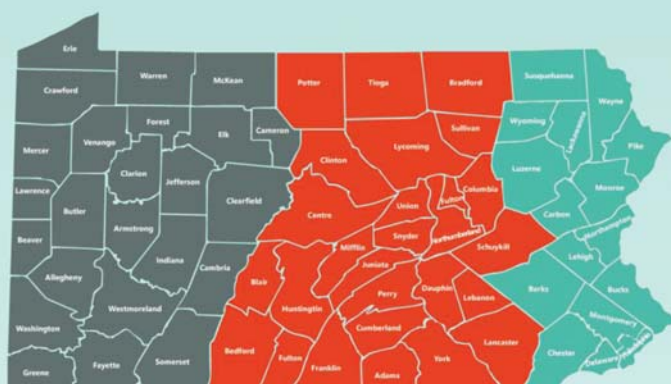
Q21. How did you hear about PAPowerSwitch.com? (Check all that apply)

Note: Top 5 responses mentioned



Awareness of PAPowerSwitch.com

There is a fairly even split of awareness of PAPowerSwitch.com across the PA regions and age groups.



<u>18-44</u>	<u>45-64</u>	<u>65+</u>
26%	27%	25%
(N=360)	(N=288)	(N=152)

24%	28%	27%
(N=266)	(N=267)	(N=267)

Q20. Are you aware of PAPowerSwitch.com?

N=800 (Total Respondents)

Source: PUC PA PowerSwitch Attitudes and Usage Report, October 2016

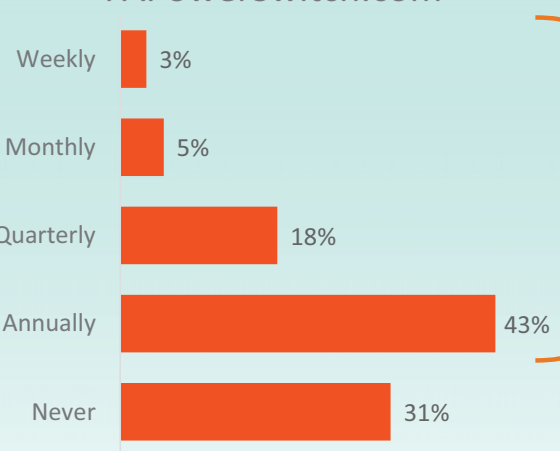


Frequency of Visiting PAPowerSwitch.com

Sixty-nine percent of respondents who are aware of PAPowerSwitch.com visit the website annually or more. Desktop or laptop computers are most often used when visiting the website. Findings by age groups indicate that mobile device usage is higher among the youngest age group.

Frequency of Visiting PAPowerSwitch.com

Devices Used to Visit PAPowerSwitch.com



Desktop or laptop computer: 87%

Smartphone: 18%

Tablet: 17%

	<u>18-44</u> (N=65)	<u>45-64</u> (N=53)	<u>65+</u> (N=26)
Desktop or laptop computer: 87%	83%	91%	89%
Smartphone: 18%	<u>31%</u> (45-64, 65+)	9%	4%
Tablet: 17%	<u>23%</u> (45-64)	9%	19%

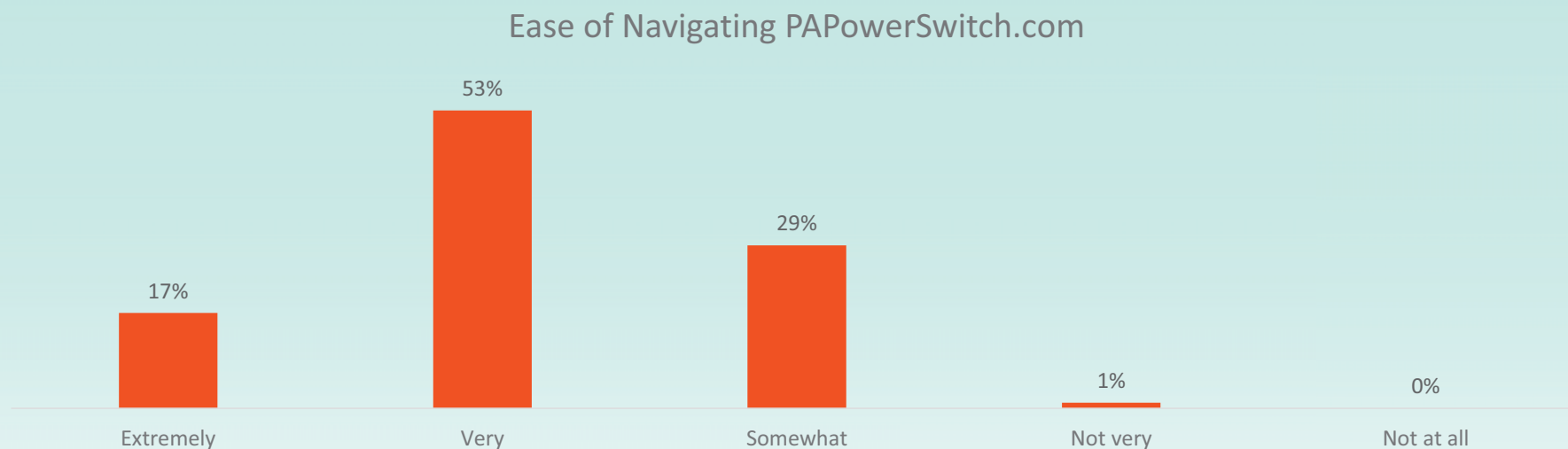
Q22. How often do you visit PAPowerSwitch.com?

Q23. On which of the following devices have you visited PAPowerSwitch.com? (Check all that apply)



Ease of Navigating PAPowerSwitch.com

Seven out of 10 respondents that have visited PAPowerSwitch.com state that it is extremely/very easy to navigate, with those who have switched electric providers being more likely than those who haven't ever switched to say so (76.3% vs. 42.3%).



Q24. How easy was it to navigate PAPowerSwitch.com?

N=144 (Have Visited PAPowerSwitch.com)

Source: PUC PA PowerSwitch Attitudes and Usage Report, October 2016



Reasons for Difficulty Navigating PAPowerSwitch.com

The top two reasons given as to why PAMPowerSwitch.com was not easy to navigate is having a lot of information and that it is confusing or hard for visitors to find information they are looking for.

A lot of information to sort through	21%
Confusing/not clear/hard to find info looking for	16%
Not easy to compare providers/rates	16%
Time-consuming to find information	12%
Too many pages	9%
Hard to navigate	9%

Q25. Please explain why it was not easy to navigate PAMPowerSwitch.com. (Open-end)

Note: Valid responses above 10% mentioned

N=43 (Have Visited PAMPowerSwitch.com and Did Not Find it Very/Extremely Easy to Navigate)

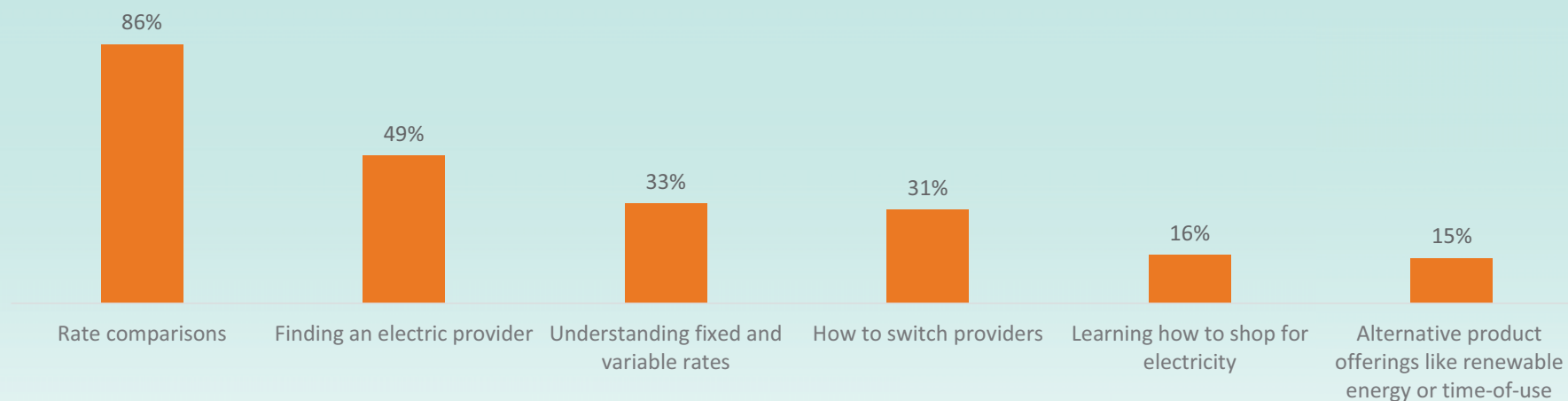
Source: PUC PA PowerSwitch Attitudes and Usage Report, October 2016



Information Sought on PAPowerSwitch.com

Although rate comparison is the top reason for visiting PAPowerSwitch.com, nearly one-half of respondents are seeking out information on finding an electric provider, and almost one-third of respondents are seeking out information on how to switch electric providers.

Information Sought on PAPowerSwitch.com



Q26. What type(s) of information did you seek out when visiting PAPowerSwitch.com? (Check all that apply)

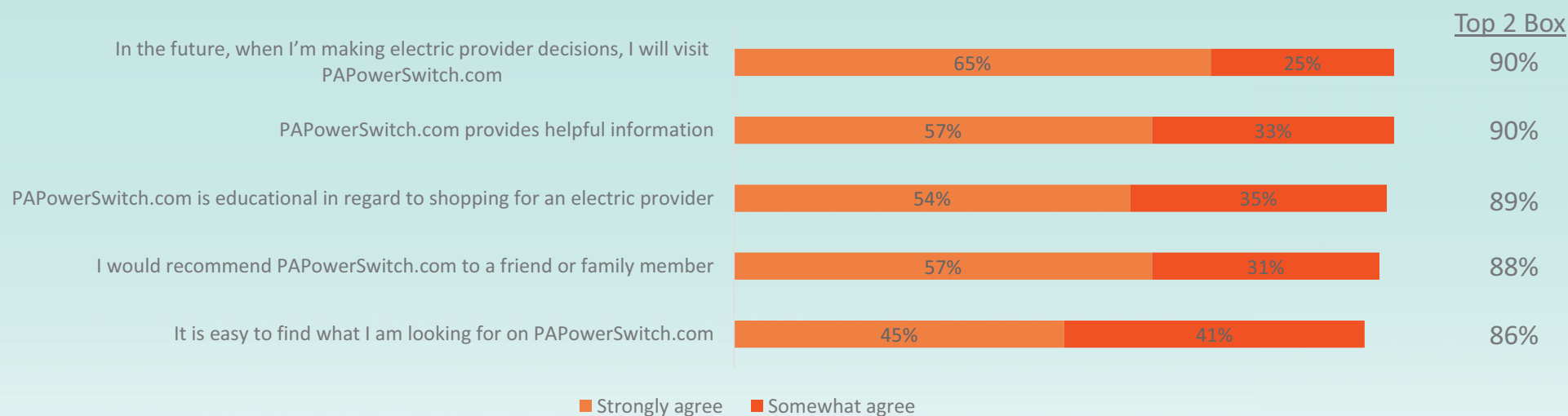
N=144 (Have Visited PAPowerSwitch.com)

Source: PUC PA PowerSwitch Attitudes and Usage Report, October 2016



PAPowerSwitch.com Agree Statements

Respondents who have visited PAMPowerSwitch.com overwhelmingly agree that they will visit the website in the future when they are making electric provider decisions and that the website provides helpful information.



Q27. Please indicate how much you agree or disagree with each of the following statements.

N=144 (Have Visited PAMPowerSwitch.com)

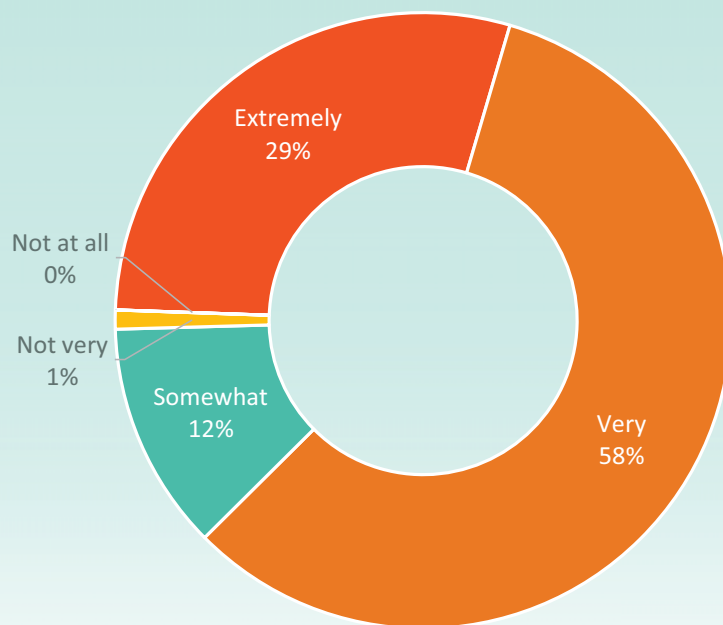
Source: PUC PA PowerSwitch Attitudes and Usage Report, October 2016



Satisfaction with PAPowerSwitch.com

Overall, almost 9 out of 10 respondents that have visited PAPowerSwitch.com are extremely/very satisfied with the website.

Satisfaction with PAPowerSwitch.com



⚡ Among respondents who have visited PAPowerSwitch.com, those who have switched electric providers previously are more likely than those who never switched electric providers to say that they are very/extremely satisfied with PAPowerSwitch.com (90.7% vs. 69.2%).

Q28. Overall, how satisfied are you with PAPowerSwitch.com?

N=144 (Have Visited PAPowerSwitch.com)

Source: PUC PA PowerSwitch Attitudes and Usage Report, October 2016



Improvements with PAPowerSwitch.com


Sixty-five percent of respondents who visit PAPowerSwitch.com state that nothing could be improved with the website. The remaining respondents indicate that improvements to provider comparison, clear/additional information and improved navigation could improve PAPowerSwitch.com.


10% - Improvements to provider comparison

10% - Clearer/additional information

7% - Improve navigation

65% - Nothing/no suggestions 

 Females are more likely than males to say that no improvements need to be made to PAPowerSwitch.com (74.6% vs. 57.1%).

 The 65+ age group is more likely than the other two age groups to state that no improvements need to be made to the website (**65+**: 84.6% vs. **18-44**: 63.1% and **45-64**: 58.5%).



**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of NRG Energy, Inc. for Implementation of Electric Generation Supplier Consolidated Billing	: : :	Docket No. P-2016-2579249
En Banc Hearing for Supplier Consolidated Billing	: :	Docket No. M-2018-2645254

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).

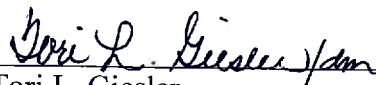
Service by first class mail, as follows:

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