

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of PECO Energy Company	:	
For Approval of its Default Service Program	:	Docket No. P-2020-3019290
for the Period from	:	
June 1, 2021 through May 31, 2025	:	

REBUTTAL TESTIMONY

OF

BARBARA R. ALEXANDER

Barbara Alexander Consulting LLC

ON BEHALF OF THE  
PENNSYLVANIA OFFICE OF CONSUMER ADVOCATE

July 9, 2020

1 Q. PLEASE STATE YOUR NAME, ADDRESS AND OCCUPATION.

2 A. My name is Barbara R. Alexander. I am the sole member of Barbara Alexander  
3 Consulting LLC. My address is 83 Wedgewood Dr., Winthrop, ME 04364. I appear in  
4 this case as a witness on behalf of the Office of Consumer Advocate (OCA).

5 Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS PROCEEDING?

6 A. Yes. I filed Direct Testimony with recommendations for PECO Energy's Default Service  
7 Program on behalf of the OCA on June 16, 2020.

8 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

9 A. I am testifying on behalf of the OCA in response to the Direct Testimony filed by Mr.  
10 Travis Kavulla on behalf of a coalition of Electric Generation Suppliers, ESC Statement  
11 No. 1.

12 Q. As a result of your review of the Direct Testimony filed by Mr. Kavulla, do you have an  
13 changes in your recommendations concerning PECO's DSP proposal?

14 A. No.

15 A. WHAT PROPOSALS IN MR. KAVULLA'S TESTIMONY WILL YOU RESPOND  
16 TO?

17 A. In response to Mr. Kavulla's proposals concerning PECO's Standard Offer Program  
18 (SOP) and the proposed CAP Shopping Program, I conclude:

- 19
- 20 ■ PECO should not automatically enroll new customers who are not served by an  
Electric Generation Supplier (EGS) in the SOP;
  - 21 ■ PECO's scripts to present the SOP should not be modified to emphasis "savings";
  - 22 ■ PECO should not expand the presentation of the SOP to customers who contact  
23 PECO for a billing dispute, but it may be appropriate for PECO to allow customers to

- 1 enroll in the SOP on the PECO website if all the proper disclosures are presented;
- 2 ■ Mr. Kavulla's proposal to allow EGSs to charge more than the PTC for CAP
- 3 customers should be rejected;
- 4 ■ Mr. Kavulla's proposal to create a separate web portal that only CAP customers can
- 5 access to see ESG offers should not be adopted, but PECO's proposal that EGSs post
- 6 their CAP shopping rate on the PAPowerSwitch.com website could be implemented
- 7 in the same manner as used by the New York Commission; and
- 8 ■ Mr. Kavulla's rejection of PECO's proposal to implement the CAP Shopping plan
- 9 only if five or more EGSs agree to participate in the program is not reasonable and
- 10 likely to result in higher costs for PECO's ratepayers.

11 Q. DO YOU HAVE OVERALL COMMENTS ON MR. KAVULLA'S TESTIMONY?

12 A. Yes. Mr. Kavulla's testimony does not reflect a consideration of or apparent knowledge

13 of the longstanding statutory and regulatory policies that have been developed in

14 Pennsylvania with respect to default service generally or the SOP in particular. Nor does

15 his testimony reflect any consideration of the current Commission directives and

16 concerns with the high EGS prices charged to CAP customers as documented in

17 numerous proceedings, causing harm to the CAP customer and the other ratepayers who

18 support this essential program. Mr. Kavulla's proposals, many of which reflect the

19 unique market structure of Texas, the headquarters of his employer, are not relevant to

20 the statutory and regulatory environment for restructuring and retail competition in

21 Pennsylvania (or every other state that is implementing retail competition for energy

22 services). The vast majority of his proposals for default service in particular have been

23 rejected in most restructuring states and have been rejected specifically here in the

1 Commonwealth of Pennsylvania. Most importantly, Mr. Kavulla fails to recognize that  
2 default service in Pennsylvania is acquired in the wholesale market, passed through  
3 without additional profit to the EDC, and reflects the economic benefit of restructuring  
4 that removed the EDC from the generation supply business. Furthermore, this  
5 proceeding for PECO's Petition for approval of DSP V is required to reflect current and  
6 long standing statutory and regulatory directives and is not the proper forum for most of  
7 his radical proposals.

8 Q. TURNING TO MR. KAVULLA'S PROPOSALS FOR THE STANDARD OFFER  
9 PROGRAM, PLEASE RESPOND TO HIS PROPOSAL THAT PECO SHOULD  
10 AUTOMATICALLY ENROLL NEW CUSTOMERS NOT OTHERWISE SERVED BY  
11 AN EGS INTO THE SOP.

12 Q. I oppose this recommendation for several reasons. First and foremost, Pennsylvania law  
13 and regulations require that a customer give affirmative consent to enroll with an EGS.<sup>1</sup>  
14 There is no basis for ignoring that policy with respect to the SOP. I have raised concerns  
15 here and in other DSP proceedings about the role of the Electric Distribution Company  
16 (EDC) in enrolling customers with an EGS in this program. I remain concerned about the  
17 role of the EDC and the nature of the education that customers receive prior to enrolling  
18 with an EGS in the SOP, all of which I addressed in my Direct Testimony. Mr. Kavulla's

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<sup>1</sup> ESC Response to OCA-IV-1. When asked for the appropriate method to automatically enroll a customer in the SOP, Mr. Kavulla references the Commission's Final Order on PECO's Seamless Move and Instant Connect program issued in 2015 that he describes as allowing PECO to inform a new customer that he/she will be enrolled in the SOP unless another EGS or other option is selected. That is not a correct statement of that Order. The Order approves a PECO policy to inform new customers of their ability to choose an EGS and "provide the customer with information about PECO's Standard Offer Program (if still available) or direct the customer to the PaPowerSwitch website." [At 8.] There is nothing in that Order that would allow PECO or any EDC to automatically enroll a customer with an EGS.

1 proposal would eviscerate the concept of “choice” and “shopping” and enroll customers  
2 with an EGS without their consent. This process is correctly called “slamming” in  
3 Pennsylvania. Second, his reasons for enrolling customers with an EGS in this program  
4 without their affirmative consent is based on a misrepresentation of the program.

5 Q. PLEASE DISCUSS HIS CHARACTERIZATION OF THE SOP AS A “SUPPLIER  
6 SAVINGS PROGRAM” AND HIS SUGGESTION THAT CUSTOMERS BE  
7 INFORMED THAT THE PROGRAM “WILL OFFER YOU SAVINGS.”

8 A. Mr. Kavulla rejects PECO’s proposed scripts to present the SOP and he apparently rejects  
9 the Commission’s script language as required in the FirstEnergy DSP Order that I quoted  
10 in my Direct Testimony. He proposes that PECO present this as a “savings” program and  
11 delete the reference to “potential savings opportunity.”<sup>2</sup> His proposals would  
12 misrepresent the program and mislead customers into a contract that does not guarantee  
13 savings. As Mr. Kavulla should know, the initial 7% discount compared to the PTC is  
14 only in effect the month that the 12-month contract is initiated. The customer’s actual  
15 discount compared to the PTC during the 12-month fixed price contract varies with the  
16 change in the PTC. In fact, there is a significant historical record that documents that  
17 customers who enter these contracts have lost the value of their discount within several  
18 months and, as I have documented in prior PECO and other DSP proceedings, ended up  
19 paying more than the PTC during the term of the contract. I have worked with the OCA  
20 to develop a presentation of this program that ensures that customers understand the  
21 nature of the discount over the term of the contract. Mr. Kavulla, on the other hand,  
22 proposes to ignore that history and mislead customers into these contracts on behalf of his

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<sup>2</sup> ESC Statement No. 1, at 57.

1 EGS clients.

2 Q. DOES MR. KAVULLA OFFER TO CHANGE THE SOP CONTRACTS TO  
3 ACTUALLY PROMISE A SPECIFIC DISCOUNT OFF THE PTC DURING THE 12-  
4 MONTH TERM?

5 A. No.<sup>3</sup> Therefore, his attempt to rewrite the scripts to emphasize savings that are not  
6 guaranteed should be rejected.

7 Q. DOES MR. KAVULLA DISCUSS OR RECOGNIZE THE HIGH PRICES CHARGED  
8 TO SOP CUSTOMERS AS A RESULT OF THE NEGATIVE OPTION RENEWAL  
9 FEATURE AFTER THE 12-MONTH CONTRACT?

10 A. No. As documented by PPL Electric and included in my Direct Testimony, there is  
11 growing evidence that ESGs charge much higher prices to customers who remain with  
12 the EGS after the 12-month SOP contract. In fact, this is a pattern that is not simply  
13 related to the SOP but reflects EGS contract practices in general.

14 Q. DOES MR. KAVULLA DISCUSS OR RECOGNIZE THE STUDIES OF EGS PRICES  
15 IN PENNSYLVANIA AND ELSEWHERE THAT DOCUMENT THAT RETAIL  
16 ENERGY SUPPLIERS ROUTINELY CHARGE HIGHER PRICES THAN THE PTC  
17 OVER ANY REASONABLE STUDY PERIOD?

18 A. No. The analysis presented by Mr. Harry Geller on behalf of CAUSE-PA<sup>4</sup> in this  
19 proceeding confirms the same pattern as documented in other restructuring states. Over  
20 any reasonable period of time (not including the common incentive to charge less than  
21 the PTC for 1-2 months to entice customers into enrolling) retail energy suppliers on

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<sup>3</sup> ESC Response to OCA-IV-6: "I do not agree to a revision to the Standard Offer Program that would require a participating supplier to guarantee savings for the duration of the 12-month contract period."

<sup>4</sup> CAUSE-PA Statement No. 1.

1 average charge more than the PTC and cause higher bills that, under the Purchase of  
2 Receivables programs, the EDC collects under threat of termination of service for  
3 nonpayment.

4 Q. PLEASE DISCUSS MR. KAVULLA’S PROPOSALS FOR PECO TO EXPAND ITS  
5 CUSTOMER COMMUNICATIONS ABOUT THE SOP.

6 A. Mr. Kavulla proposes that PECO promote the SOP when customers call about a billing  
7 dispute, claiming that, “Those calls would seem to be an ideal opportunity to discuss  
8 supplier savings through the SOP.”<sup>5</sup> Putting aside his misleading description of the SOP  
9 as a “savings” (without any of the required caveats), billing disputes are not the proper  
10 forum to promote shopping with an EGS. These calls are typically complicated and  
11 require a review of the customer’s billing history, may require a meter test or field visit,  
12 and often result in a promotion of the efficiency and conservation programs (subsidized  
13 by ratepayers) as well as the potential for eligibility for Universal Service programs. The  
14 notion that a “billing dispute” is related to a “savings opportunity” is not correct.

15 With regard to his proposal that PECO should undertake “periodic  
16 communications, such as quarterly when changes to the PTC occur, promoting SOP to all  
17 customers on default service,”<sup>6</sup> Mr. Kavulla misconstrues the nature of PECO’s  
18 communications about changes in the PTC. Those changes are announced on the  
19 customer’s bill, a location that is not appropriate to discuss or highlight the SOP.  
20 However, PECO’s website prominently informs customers about their right to shop for  
21 generation supply and includes references to the PAPowerSwitch.com.<sup>7</sup>

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<sup>5</sup> Ibid., at 58, lines 4-5.

<sup>6</sup> Ibid. at 58, lines 6-7.

<sup>7</sup> <https://www.peco.com/MyAccount/MyService/Pages/CustomerChoice.aspx>

1 I do not object to his suggestion that PECO's website should include an option to  
2 participate in the SOP, but my agreement depends on ensuring that all the required  
3 disclosures are presented prior to the customer's agreement to enroll with an EGS.

4 Q. TURNING TO THE CAP SHOPPING PROGRAM, PLEASE EXPLAIN WHY YOU  
5 OPPOSE MR. KAVULLA'S PROPOSAL TO ALLOW A PARTICIPATING  
6 SUPPLIER TO CHARGE MORE THAN THE PTC.

7 A. Without proposing any specific terms and conditions, Mr. Kavulla objects to the  
8 Commission's policy to require CAP Shopping programs to provide an EGS contract that  
9 would charge at or below the PTC during the entire contract term. He does not propose  
10 how often or by what amount the EGS could charge more than the PTC.<sup>8</sup> Rather, he  
11 recommends that EGSs should be able to "on their own adjust their prices during the  
12 program year to reflect the market conditions they are facing."<sup>9</sup> As such, his proposal is  
13 without specificity. More importantly, his proposal would eliminate the overall intent of  
14 the Commission's purpose in developing a CAP Shopping program to ensure that CAP  
15 customers receive affordable bills and non-CAP customers do not pay for higher prices  
16 and bills that are caused by EGS contract and pricing terms that exceed what would be  
17 paid for the PTC.

18 Q. WHY DOES MR. KAVULLA OBJECT TO POSTING THE EGS OFFERS FOR CAP  
19 CUSTOMERS ON THE PAPOWERSWITCH.COM WEBSITE?

20 A. Mr. Kavulla doesn't really provide a reason. I presume he does not want the public to  
21 know that EGSs charge lower prices for some customers. The New York Public Service

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<sup>8</sup> ESC Response to OCA-IV-11. When asked to provide sample terms and conditions for the type of CAP contract he recommends, Mr. Kavulla declined to do so.

<sup>9</sup> ESC Statement No. 1, at 60, lines 20-21.



1 Commission has required suppliers to charge less than default service to low income  
2 customers. Their website allows a “low income customer” to check a box and be directed  
3 to a separate page to allow approved suppliers to make such offers.<sup>10</sup> A similar approach  
4 could be used in Pennsylvania. It is not necessary to create a separate portal that only  
5 CAP customers could access.

6 Q. MR. KAVULLA OBJECTS TO PECO’S REQUIREMENT THAT AT LEAST FIVE  
7 SUPPLIERS AGREE TO PARTICIPATE IN THE CAP SHOPPING PROGRAM  
8 PRIOR TO INCURRING THE EXPENSES TO IMPLEMENT THAT PROGRAM. DO  
9 YOU AGREE?

10 A. No. PECO’s proposal is reasonable in order to prevent the expenditure of ratepayer  
11 funds for a program that does not solicit sufficient EGS interest. If sufficient number of  
12 ESGs cannot come forward to comply with the proposed criteria, CAP customers should  
13 remain with default service. Furthermore, the notion of a “competitive” market requires  
14 a sufficient number of suppliers to allow customer choice to be done based on comparing  
15 offers. Of course, an alternative approach would be to charge the participating EGSs for  
16 at least a portion of the costs to provide a mechanism to incent their continued  
17 participation.

18  
19  
20 Q. DOES THIS COMPLETE YOUR TESTIMONY AT THIS TIME?

21 A. Yes.

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<sup>10</sup> <http://documents.dps.ny.gov/PTC/home>

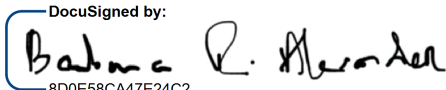
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VERIFICATION

I, Barbara R. Alexander, hereby state that the facts set forth in my Rebuttal Testimony, OCA Statement 2-R, are true and correct to the best of my knowledge, information and belief and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

DATED: July 9, 2020  
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DocuSigned by:  
  
Signature: 8D0E58CA47E24C2...  
Barbara R. Alexander

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