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January 17, 2012

VIA ELECTRONIC FILING AND HAND DELIVERY
Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, Filing Room
Harrisburg, PA 17120

RE: Investigation of Pennsylvania's Retail Electricity Market; Intermediate Work Plan, Docket No. I-2011-2237952; **COMMENTS OF DOMINION RETAIL, INC. TO TENTATIVE ORDER**

Dear Secretary Chiavetta:

Enclosed for filing with the Commission is the original Comments of Dominion Retail, Inc. to Tentative Order in the above-captioned docket.

Thank you for your attention to this matter. If you have any questions related to this filing, please contact the undersigned.

Very truly yours,

Todd S. Stewart
Counsel for Dominion Retail, Inc.

TSS/alh
Enclosure

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Re: Investigation Of Pennsylvania's Retail Electricity Market; Intermediate Work Plan	: : :	Docket No. I-2011-2237952

**COMMENTS OF DOMINION RETAIL, INC.
TO TENTATIVE ORDER**

NOW COMES Dominion Retail, Inc. ("Dominion Retail") d/b/a Dominion Energy Solutions ("DES"), by and through its counsel, Hawke McKeon & Sniscak LLP, and hereby submits its comments to the above captioned Tentative Order. Out the outset, DES wishes to commend the Commission's staff for the exceptional effort they have expended during this process and in the development and the thoughtfulness of the Intermediate Work Plan. DES believes that the Work Plan presents a balanced and measured approach in moving Pennsylvania's Retail Electricity Markets forward, and DES offers the following comments with a goal of assisting the Commission in designing the most effective and efficient plan for moving the market towards that fully competitive end state.

The Commission's Tentative Order identifies six (6) general issue categories for resolution as part of this Intermediate Work Plan, namely: 1) the expansion of consumer education; 2) the acceleration of switching time frames when customers shop for alternative suppliers; 3) the initiation of a customer referral program; 4) initiation of retail opt-in auction programs; 5) the inclusion of the default service price to compare on customer bills; and 6) an increase in coordination between Electric Distribution Companies ("EDC") and Electric

Generation Suppliers ("EGS"). DES' comments will mirror the order these issues as they are presented in the Commission's Tentative Order.

A. Consumer Education

The Tentative Order describes three separate consumer education modalities that the Commission intends to implement over the next year. One of these, the postcard, has already been fully developed and in its final stages of implementation, and two additional efforts which will be launched in late spring and early fall of this year. DES strongly supports the Commission's consumer education efforts and encourages the Commission to look at consumer education as a long-term endeavor as opposed to a short-term solution. It will take a significant amount of education of consumers over a longer term in order to reach the entire population of actual and potential consumers, and to re-educate them regarding the opportunities and advantages of competitive energy markets. DES supports the work plan as presented.

B. Acceleration of Supplier Switching Timeframes

On November 14, 2011, the Commission issued proposed Interim Guidelines that would eliminate the ten (10) day waiting period that is currently initiated when an EDC sends a letter to a consumer confirming that consumer's change in supplier. The guidelines also would require the substitution of a standardized statewide account transfer letter for the current EDC specific confirmation letters. While DES supports the latter requirement, namely the standardized account transfer letter, it has some concerns about the removal of the ten (10) day waiting period in its entirety. While it appears that consumers will retain the protection of the statutory three (3) day right of rescission, removal of the waiting period in its entirety seems a bit precipitous considering that it will do very little, if anything, to increase shopping, while at the same time, potentially increasing the risk that consumers might incur cancellation fees from their other suppliers. At best, it may improve customer satisfaction for some customers. However, the proposal is just as likely to create a system that increases dissatisfaction with a separate group of customers - those who for whatever reason are switched under circumstances where they may wish to halt the transaction. Elimination of the 10 day waiting period practically guarantees that consumers with such concerns over their switch will not be able to "undo" the switch until after the transaction has been completed, which will require more complex unwinding of the transaction and which at best will produce a seriously dissatisfied consumer and at worst, a customer who was switched without their understanding.

DES believes that a reasonable period of time can be allowed for customers to receive the EDC letter and to act upon it without depriving most customers with the financial benefits of their switch. DES believes that a three (3) day period is sufficient for a consumer to act upon a letter, and believes that an additional three (3) days for mailing - three days is the traditional amount of time for the "mail box rule" - would be sufficient and therefore believes that a six (6) day period would be appropriate. While it may be true that the current ten (10) day period has resulted in some consumers missing the window of opportunity to be switched more quickly, DES believes that on balance the level of dissatisfaction that is likely to occur with consumers who may be switched under questionable circumstances will far outweigh the dissatisfaction of the few customers who may not meet the deadline with a shortened waiting period. While DES does not believe that arbitrary EDC deadlines for switching consumers are appropriate, it does have concerns about switching consumers without adequate notice to the consumer of the fact that they will be switched coupled with an opportunity to act upon that notice. Accordingly, DES continues to recommend a shortening, but not total elimination of, the 10 day waiting period.

C. Customer Referral Programs

The Commission has proposed that EDC default service plans include consumer referral programs and has outlined two distinct types of programs that it believes would inform consumers about the opportunities of the competitive market and assist them in taking advantage of those opportunities. The two programs discussed are a new/moving consumer referral program and a standard offer consumer referral program. While DES appreciates the efforts to create two programs, DES does not believe that these programs are as distinct as they might first appear and believes that it may be more effective to merge them into a single effort.

The Tentative Order includes the requirement for a "hot transfer" capability for the new/moving customer program, while at the same time proposing that EDC's not provide consumers with information about suppliers or their offers. These two requirements appear to be inconsistent. That is, it would be difficult to imagine a scenario where a consumer would seek to be transferred to a supplier when the customer had no information about that supplier or the offers that the supplier, or other suppliers for that matter, are making in the competitive marketplace. A hot transfer under such circumstances would be a "shot in the dark" at best.

DES believes that a streamlined approach of a single referral program is the better approach. In such a program, the educational dialogue with the customer would begin by asking the consumer whether they have chosen a supplier and would be interested in information about choice. If a consumer evidences an interest, the representative could ask the consumer if they would be interested in a program where they could receive guaranteed savings immediately. If the consumer were interested in such a program, (the standard offer consumer referral program) the representative could then hot transfer the consumer to the next participating supplier in the queue. If the customer states that she would like more information first, the EDC representative could then refer the consumer to the PA Power Switch website. DES understands the pressure on EDC call centers and believes that an efficient dialogue could be developed that would accomplish the referral program with the minimum amount of burden on the call center staff.

With regard to the structure of the standard offer program, DES believes that it should be a fixed discount administratively set at a level to provide for significant supplier participation. DES does not believe that it would be inappropriate to have a standard offer referral program with a single supplier participating. DES believes that the "standard offer" should be a three (3) month fixed price offer with no cancellation fees. Moreover, DES believes that it would be appropriate to require supplier's participating in this program to offer a one year fixed price as one of the renewal options to consumers after the expiration of the initial three (3) month offer. Other products could be offered to the consumer as well, but the consumer should at least have a one year fixed price option as an alternative to the monthly variable price at the expiration of the initial three (3) month term.

DES further suggests that the Commission's current process of requiring two (2) notices to the consumer if the price term is to be changed at the expiration of the initial offer, is adequate and that an additional affirmative consent should not be required from the consumer unless the supplier proposes to change terms other than the price or duration of the contract. For example, if a supplier were to seek to impose a cancellation fee at the expiration of the initial term, affirmative consent should be required. This view is consistent with the current methods employed by the Commission. DES proposes that one of these two notices should be sent along with the welcome packet to consumers when they initially become a part of the referral program, the second notice could follow in a timeframe so as to provide ample time for the consumer to research other offers available in the market place and be prepared to make a decision prior to the expiration of the initial term.

D. Retail Opt-In Auction Programs

The Commission's proposal on retail opt-in auctions includes a number of subcategories, the first of which is consumer eligibility. DES will address these in order.

1. Customer Eligibility.

As a threshold matter, DES agrees that the retail opt-in auctions should be limited to residential consumers. If the residential consumer auctions prove successful, it may be prudent to consider such auctions for the small commercial classes, but at the present, DES believes that it may be sufficient to move a significant number of residential consumers out of the default service realm.

2. EGS and EDC participation.

DES has no opinion on the participation of the smallest EDCs but believes that EGS participation should be voluntary.

3. Pilot Programs.

DES does not believe that Pilot Programs are practical when one considers the amount of effort that would be required to develop and engage these programs. Rather than committing effort to create pilot programs, DES would recommend developing the full scale programs only.

4. Program Length/Term.

DES believes that the appropriate length is one (1) year for the initial contract term. A longer offer under the circumstances injects too much uncertainty which will be reflected in higher prices to consumers than they otherwise might enjoy with a shorter term offering. Accordingly, DES believes that the one (1) year time period is appropriate.

5. Timing.

DES believes that the opt-in auctions should be structured so that the one (1) year contract period would begin on or about June 1, 2013. DES believes that consumers should be solicited for participation in the program as far in advance of the auction as practicable. The auction should then be held and then participating consumers should be notified of the prices produced by the auction and their assigned supplier and should be given some reasonable period, i.e. six (6) days, to opt-out of the auction at that point--understanding that the customer has previously consented to being included in the auction.

These steps are necessary because requesting that suppliers bid without some idea of customer participation levels will cause significant upward pressure on the prices that can be offered. That is, the resulting uncertainty will undoubtedly cause prices to be higher. Put another way, customers benefit if suppliers have as much information as possible. Proceeding in this way also provides information for wholesale bidders who may be bidding in default supply auctions for EDCs during the same time period, which would provide them greater certainty about the relative number of customers that could be expected to leave default service at the conclusion of the current default service plans.

DES does not believe that it is appropriate to have consumer participation caps for opt-in auctions, but is not adverse to providing consumers with some sort of expectation of the type of discount they may see in this type of an auction beforehand. In short, however, DES submits that consumers will fare better in the ultimate price if the suppliers that are expected to bid on these auctions know the approximate size of the consumer pool at the outset.

6. Consumer Participation Caps.

As stated above, DES does not believe the consumer participation caps are appropriate.

7. Supplier Participation Load Caps.

DES submits that supplier participation load caps should be imposed to prevent any one supplier from gaining too much market share in any given EDC service territory. DES believes that the appropriate load cap should be in the twenty-five (25) to thirty-three (33) percent range. The flexibility would be necessary to address variations in the number of bidders/tranches in a particular EDC service territory, however, if less than three (3) suppliers participate in an auction, it may not be appropriate to hold an auction in the first instance.

8. Composition of Consumer Offer-Product

DES believes that the appropriate product is a one year offering. However, DES could accept either a no discount/bonus product, or a discount off the default service rate with no bonus product. In either event, however, DES suggests that as part of the renewal the supplier should be required to offer, at least as an option, a one (1) year fixed priced contract. As with all of the other proposals, DES does not believe that exit fees are appropriate for these types of programs.

9. Consumer Options Upon Program Expiration

DES believes that the consumer should have the option of a one (1) year fixed price offer from their supplier at the expiration of the one (1) year opt-in auction offer, and should have the ability to move to another competitive supplier or return to default services if the consumer affirmatively choses that result. DES believes that the consequence of a consumer engaging the "do nothing" response should be that the consumer stays with the EGS under the terms and conditions proposed by the EGS in accordance with the Commission's current requirement that provides two (2) notices for a proposal to increase the price, and a single notice if the price is to remain the same or will be reduced. Since the consumer initially affirmatively opted-in, and would be given the later opportunity to opt-out under DES' proposed methodology, DES believes that it is entirely appropriate to allow the consumer to be treated as any other consumer of an EGS - except for the opportunity for that consumer to receive a one (1) year fixed price offer after the completion of the initial term. This provides consumers with an additional period of price certainty if they so choose. It would be inappropriate to return such consumer to default service at the expiration of that contract because the consumer has affirmatively chosen to participate in the program and because it would add risk for the default service supplier - and increased risk usually means increased price.

10. Opt-in Auction Structure.

Of the two processes proposed by the Commission's Tentative Order, DES believes that a sealed bid process will produces the best results for consumers and will encourage a broader participation in the market by EGS' and therefore supports that alternative.

11. Credit Worthiness and Security.

DES believes that there is a substantial basis to require additional incremental financial security from EGS' participating in these auctions. DES suggests basing the incremental amount on the number of additional consumers that supplier wins in the auction process. Such additional security should be posted before consumers are transferred to that supplier, and should be calculated using the Commission's current criteria for reviewing supplier credit-worthiness and calculating security based upon numbers of customers served.

E. Default Service Price to Compare on Bills

DES consistently has opposed placing the price to compare on consumer bills because it believes that consumers tend to believe that the price to compare is a fixed price when in fact it is a quarterly variable price. As such, the PTC has limited comparability to most EGS offers and is likely to result in consumer confusion. If the Commission insists on putting the price to compare on the bills, which seems to be the current view, DES would strongly suggest that the price to compare be labeled as a quarterly variable price and that consumers be told plainly that the price will change quarterly. This is the best hope for consumers to understand that the price is not readily comparable to the offers made by EGS' which are more often than not one (1) year fixed priced offers.

F. Coordination Between EDCs and EGS'

1. EDCs Supplier Charges

While the immediate issue of EDC's charging suppliers miscellaneous fees appears to be considered a non-issue by most parties, DES simply wishes to point out what should otherwise be obvious - that any charge an EDC seeks to impose upon an EGS must be cost-based and must be reasonably related to the specific incremental cost caused by that supplier for the requested action. Moreover, fees should not be punitive and should be imposed only when the supplier imposes specific identifiable incremental cost on the EDC.

2. Sample Bills

DES has had no issues with regard to sample bills that would necessitate any intervention by the Commission.

3. Credit Worthiness Standards

i. Credit Instruments

DES believes that the broadest array of standard credit instruments should be available for suppliers' use to satisfy credit requirements.

ii. Nature of the Risk

DES does not believe that it is appropriate for EDCs to impose credit worthiness standards on EGS' that are in excess of the reasonable risks that could be expected to be incurred by the EDC upon EGS default. DES agrees that the risk assessment methodology provided by First Energy appears to be problematic in a few areas and includes as part of the calculus, costs which would not reasonably be expected to be borne by the EDC upon EGS default. DES suggests that if EDCs have reason to believe that additional security (other than security required by the Commission) should be required for EGS' operating on their system, they should petition the Commission and seek to convene a rule making process to examine this issue more thoroughly. DES does not believe that it is necessary, as part of this proceeding, to authorize additional EDC security requirements upon EGS'. DES does support suppliers providing adequate security, but believes that all such fees must be based upon actual identifiable and incremental costs, and that such security should not be used to exclude or punish.

G. Conclusion

DES wishes to thank the Commission for this opportunity to provide input on these important subjects and stands ready to assist the Commission at any future point and throughout this process as the RMI proceedings continue.

Respectfully submitted,

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