

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Investigation of Pennsylvania's : Docket No. I-2011-2237952
Retail Electricity Market :

**WASHINGTON GAS ENERGY SERVICES
DELIVERABLE: END-STATE DEFAULT MARKET MODEL
JANUARY 24, 2012**

In accordance with the guidance provided by Commission Staff, Washington Gas Energy Services ("WGES") submits its views regarding the ideal end state for default service in Pennsylvania.

Default Service Role: WGES believes that the ideal state for the default service role in each electric distribution company's ("EDC") service territory is one which is fulfilled by multiple electric generation suppliers ("EGSs"), where EGSs would provide default service in each territory with load caps of 10-20%. Each EGS serving in the default service role would also serve as a Provider of Last Resort ("POLR") or backstop service provider to customers in emergency circumstances (i.e. when a customer is faced by a sudden departure or failure by their supplier). The Default Service Provider ("DSP") and POLR service provider should be the same entity with rules in place requiring each EGS serving DSP customers (customers who do not shop) to provide POLR service to customers in emergency situations.

Billing: Ideally, EGSs serving as Default Service Providers would be permitted to perform a consolidated billing function (i.e., issue bills to customers for all electricity components, including utility distribution service). This will create the greatest customer connection with the EGS and will break the customer's inherent bias toward remaining with the EDC. EGSs would be responsible for billing and for the associated customer care. In this role, the EGSs would be required to comply with all relevant customer service protection laws and regulations. Alternatively, if consolidated billing would still be performed by the EDC, Purchase of Receivables Programs and other similar tools should be available to minimize customer default risk for EGSs, including the ability to terminate customers for non-payment. The Commission should also consider the option of unbundling the billing function from distribution service.

Implementation Date: The Commission should establish a date certain for the implementation of the new default service model, and conduct a robust education campaign to inform consumers about the upcoming change, encouraging them to choose alternative suppliers. The implementation date should be no later than June 1, 2015.

Customer Assignments to EGSs: Customers could be assigned to EGS default service suppliers in a variety of ways. Under one model, a set default service price could be established based on a formula, and customers could be assigned randomly to participating and qualifying EGSs. Another approach would utilize an auction mechanism, where EGSs bid prices for tranches of non-shopping customers periodically to reflect current market conditions. Under either approach, EGS default service providers would be required to provide default service for pre-set periods (such as 1 or 2 years). Customers may be moving in or out of the Default Service program; therefore, the Default Service price should be market sensitive and adjusted monthly to reflect current market costs.

Prepared by: Melanie Santiago-Mosier and Phillip Woodyard, Washington Gas Energy Services, Inc.