

RMI Technical Conference– August 10, 2011

Action items highlighted in yellow

Submit all deliverables to ra-rmi@pa.gov

Introductions – OCMO, Law Bureau, FirstEnergy, Reliant Energy, Washington Gas Energy Svcs (Stevens & Lee), NEMA, Spark Energy, Dominion, PEMC, FirstEnergy Solutions, PULP, Industrial Energy Consumers of PA, Direct Energy, RESA, Energy Plus, ConEd, Just Energy, PPL Energy Plus, Hess Corp, UGI, Exelon, Blue Star, Champion Energy Svcs, PECO, PPL, EAP, OCA, Columbia Gas, Pa REA, Duquesne Light, Brighton Energy, PCADV, IGS Energy, Morgan Lewis, Citizens & Wellsboro, Ridge Policy Group, PennFuture, DEP, Bucks County Consumer Protection, PJM, AARP, Chairman’s Office, Vice Chairman’s Office, TTS

Opening Remarks – Chairman Powelson

Organizational Issues – Karen Moury

1. *Timeframe for Investigation*

- Intermediate work plan due to Comm. by 12/2011
- Long range plan due Q1 2012
- First set of deliverables due 8/26/11
- En Banc hearing regarding intermediate work plan on 10/27/11

2. *Objectives of Investigation*

- Staff – gather information to make recommendations to Commission
- Only reach consensus if possible, not overriding objective

3. *In-Person Meetings vs. Conference Calls*

- Beginning 8/31/11 have weekly conference calls through 9/28/11
 - 2 hours each
 - Rotate between 10 am and 1:30 pm start times
- In-person meeting 10/6/11 to wrap up intermediate issues for en banc on 10/27/11
- Suggestion made that dates for in-person meetings (such as monthly) beyond 10/6/11 be announced soon

4. *Future Dates of Technical Conferences*

- 8/31/11: 10 AM – 12 PM
- 9/7/11: 1:30 PM – 3:30 PM
- 9/14/11: 10 AM – 12 PM
- 9/21/11: 1:30 PM – 3:30 PM

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- 9/28/11: 10 AM – 12 PM
- 10/6/11: In-person meeting
- 10/27/11: En Banc Hearing on intermediate work plan
- Future dates to be determined

Default Service (DS) Plans – Karen Moury

1. Timeframe for Filing/Effect of Regulatory Changes

- Moury: EDC Plan filings will be effective 6/1/13. Incorporation of RMI changes in coordination with DS Plan filings – Extend current filings? Have 1 or 2 year bridge plans? Don't want to avoid delaying implementation of RMI changes.
- EDCs: Have overhang issues re: procurement contracts. Not sure if 1-year extension or 1-yr bridge plan is worthwhile due to costly litigation involved. Can't automatically extend current plans. Would need PUC Orders by late summer/early fall of 2012.
- EGSs: Agree extension of current DS plans is difficult. Have bridge plan which include short-term procurements. Have match current plans as much as possible to reduce litigation times.
- OCA: Current plans meet Act 129 requirements. Bridge plans might not. Extend current DS plans.

Each EDC will provide procurement schedules by 8/26/11

Consumer Education – Tom Charles & Dave Hixson

1. Call Center (CC) Scripts

- Hixson: Call centers need to have better communication with consumers → provides opportunity to educate customers re: competition. Build language into CC scripts.
- Most in agreement that more education is needed
- Most in agreement that not *all* CC inquiries should have discussion of competition included (e.g. termination or outage calls). CC scripts should be applied to specific situations – new customers, moving customers, billing questions, etc.

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- Moury: Scripts need to be developed for new/moving customers in short-term.
- ConEd: 1. Generic consumer ed on choice; 2. Inject consumer ed on choice into new/moving customer process → include information in welcome packets; 3. address longer term consumer ed objectives once determine any changes to enrollment timing

RESA and PECO will develop draft call center script for 8/26/11

2. *Annual Chairman Letter*

- Hixson: Should an annual letter be sent out? If so, when during the year?
- Most support distribution of letter
- EDCs: Stay away from end of termination/"no cut" season
- EGSs: Seems to be more shopping in summer. Have EDC president sign as well?

3. *Bi-Annual EDC Letters*

- Hixson: Supplier perspectives on this? If sending out bi-annually, include as bill stuffers or separately?
- EGSs: Not as bill stuffers. Coordinate with Chairman Letter so not at same time. Disperse via alternative media, as well. Allow EGSs to deliver messages, too (e.g. via website). Possibly include specific info about EGS offers? Include enrollment cards for easy enrollment.
- OCA: Coordinate 2 letters as becomes expensive for utilities → ratepayers. Need to determine funding/cost recovery.

4. *Small Business Customers*

- Charles: Need for more small business (SB) outreach. Possible for flat rate or base price to list for SB customers on PaPowerSwitch.com (PAPS)? Leave room for negotiation on customer-by-customer basis?
- EGSs: Can be hard to do one-size-fits all pricing due to load profiles. Would need capability to change pricing on PAPS quickly. Perhaps making inclusion of pricing on PAPS optional for EGSs. Aid education research by using focus groups or outreach to learn ways to reach SB customers

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5. Possible Statewide Campaign

- Charles: Do we, after 2012 and mandate for EDCs to do outreach expires, extend that mandate? Do we pull EDCs, EGSs, PUC, etc. together for 1 single targeted message? If so, what would it look like?
- PEMC & Energy Plus: Agree with statewide campaign. Coordination is good idea. Perhaps have spokesperson?
- PECO: Letters with other education methods from EDCs would be good.
- OCA: Cost recovery issue. Education has to be shared process, including financially.
- Direct: Hopefully new mover, referral and auction programs will help to coordinate education and be more cost effective. Has to be coordinated efforts by all parties.
- Washington Gas & Electric Svcs: DOE had funding available for consumer literacy.

Washington G&E Svcs will look into DOE funding for 8/26/11

6. Surveys/Awareness

- Charles: Asked EDCs to report back on surveys. Alpha Buyer did survey as to why consumers aren't switching. Are there any other surveys in PA re: shopping? Comments/suggestions on possible surveys?
- Direct: DE did survey for AP-FE merger and expanded to other EDC territories. Measures customer awareness and understanding and looks at why some don't switch. Possible do focus groups for customer feedback.
- Charles: All things equal, what is measure used to determine shopping success? Percentage?
- OCA: # or % not only measures for success. Are rates just and reasonable? Is there customer access that meets Act 129 requirements? Is there a # of products/offering? Can't pick one measure.
- EAP: Specific requirements in Act 129. Must meet those obligations. Might not mean every customer shops.
- PULP: Broader view of success. Access to info to make informed decisions. Don't disparage those who choose to stay with EDC. 100% shopping shouldn't be goal.
- ConEd: Look at if we have properly functioning market or is market one in which one or more participants has more advantages than another.

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- McCarthy: Look at false-selection bias (nudge). Going to get certain percentage who don't shop. How do you get them to shop?

Direct will re-submit information re: surveys used in AP-FE merger record for 8/26/11.

EDCs and any other EGSs with surveys to submit for 8/26/11.

Prohibition of Marketing of Default Service – Kirk House & Megan Good

1. *New Customers (addressed above in Consumer Education)*
2. *Customers Moving within Territory (addressed above in Consumer Education)*
3. *EDC Promotion of Default Service*
 - House: Comments at this docket stated EDCs have been promoting DS. What is promotion of DS and how does it hamper choice? What does Commission do about it?
 - EGSs: Not alleging misconduct. One EDC has option on voice system to choose DS. EDC affiliate relationships are an issue. EDC infrastructure should allow for EGS enrollment for first bill and seamless account attribute changes. PPL has short-term manual fix. Misalignment of data incorrectly results in dropping customers to DS. Utility offerings encourage customers to remain on DS. Format of PAPS gives PTC different status than other offerings. Move EDC Price to Compare (PTC) down with EGS PTCs.
 - PPL: Account # drives system ops. Needs to be EGS associated w/meter before it's turned on. How do you engage customer to select someone before they move?
 - House: Possible for group to analyze processes that result in EDC DS advantage issues?

FirstEnergy, Direct & FE Solutions will provide deliverable within 2 meetings time

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Acceleration of Switching Process – Dan Mumford & Pat Burket

1. *Timing of EGS Enrollment Process*

2. *Shortening Confirmation Period*

- Mumford: See discussion document. Heart of issue is 16-day rule. Shorten 10-day window? Slamming as a result? TPV? See proposal at end of document. Short-term: Shorten 10-day window. Consumer ed involved? Waiver of 10-day notification regulation? Long-term: Mid-cycle switches facilitated by smart metering.
- EGSs: Would like lag time in switching to be addressed – 16-day confirmation period and limitation due to meter read dates. Eliminate confirmation period. Make strong punitive measures for slamming incidents. Implement mid-cycle switches sooner (without smart meters) using pro-rated billing. Confirmation letters can be confusing to customers. Adding additional layer of TPV (for EGSs already implementing TPV) can be confusing. EDC systems shouldn't be affected by changes.
- OCA: Enrollment letter important in providing consumer confidence in shopping. Agree process could be shortened – 5 days. Would have to look at confirmation letters for adjustments. TPV does not change opinion that letters should remain.
- EDCs: Determine how many customers utilize 10-day window. Mid-meter reading is costly and impacts systems. Smart meters *may* help. Settlements may require some of the info relayed to consumers in 10-day letters. Send plain vanilla confirm letter/emails. Would want cost recovery for any changes.

Any other proposals for enrollment processes to be submitted by 8/26/11.

EDCs will provide, as available, information regarding confirmation timing, usage of 10-day confirmation window, etc. by 8/26/11.

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EGS/EDC Coordination Platform – Kirk House & Matt Wurst

1. *Uniformity*

- House: Want as much uniformity as possible. PPL supplier tariff separate from this proceeding.

2. *Credit Standards*

- House: What are the concerns? Too much leeway for EDCs to develop own standards? Should standards vary between service territories? Duplicative of PJM standards?
- EDCs: Consensus not reached on issue during PPL supplier tariff meetings. Concern with energy charges against EDC as Load Serving Entity (LSE) if EGS defaulted. Some EDCs want credit to protect against that exposure. Period of time between consumer being with EGS that defaulted and new supplier – charges to EDC.
- EGSs: What financial risks are standards intended to mitigate? Different than requirements from state licensing process and PJM? Believes costs related to lag time between defaulted EGS and new EGS would be recoverable via rates.
- OCA: Coordinate credit standards

ConEd will look into credit requirement differences (PUC vs. PJM, EDC vs. EDC, etc.) for

8/26/11

3. *EDC Supplier Charges*

- House: Concerns? Is it not only uniformity, but level of charges and how they're set?
- EGSs: AP supplier tariff proceeding, RESA worked with AP re: supplier charges. Laid out types of services that bring about charges.
- EDCs: In circumstances where someone needs to be assisted through EDI queue, costs is someone else is waiting for the spot in the queue. Which EGS goes through the queue. Have a supplier charge in fairness to other entities looking to go through process.

ConEd will submit information from AP supplier tariff meetings for 8/26/11.

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Price to Compare – Dan Mumford & Matt Hrivnak

1. *Displayed on Bills*

- Mumford: See discussion document. Concerns about impression given by PTC being on bills – implies fixed price; puts in strong comparison to EGSs; issue with declining block rates
- EGSs: Makes PTC appear as standard or first option. Doesn't provide enough explanation of what it represents. Provides advantage to that offer. Puts focus solely on price and not other aspects (e.g. alternative energy offerings). Only a snapshot in time so should include historical info for trending. If PTC on bill, models 3 & 4 from discussion document preferable.
- OCA: Inclusion of historic information should be accompanied by current and projected future pricing to give complete picture.
- EDCs: Settlements may have created requirement for PTCs on bills. Limitation on spacing in bills. Reluctant to include future forecasts as future market is unknown – don't want customers making decisions on such information. Include language in CC scripts to explain PTC. Have quarterly bill messages that state price for next 3 months.

2. *Quarterly Changes*

- Mumford: Is more consumer ed needed on this? Should frequency of changes be changed – Biannually? Annually?
- EGSs: If maintain DS, make as market responsive as possible. DS is single biggest competitor for EGSs but operates in a different manner (cash flow, revenue mismatch, etc), includes wild quarterly PTC changes and reconciliation process. Changing frequency of PTC changes doesn't make it more market reflective. DS must fundamentally change. Redefine DS.
- EDCs: Believe there could be some easy mechanics that could take some of issues out of quarterly changes while maintaining market responsiveness
- OCA: Quarterly changes make customer choice difficult. Mechanics in reconciliation process could be fixed. Seasonal adjustments?

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Default Service Model – Identification of Key Issues – Karen Moury & Matt Wurst

1. *Definition of Default Service*

- Wurst: Should DS be DS or Provider of Last Resort (POLR)? DS = viable option. POLR = last option. Any way to move more towards POLR with current legislation?
- EGSs: Statute doesn't require DS to be first resort, just least-cost. Doesn't believe legislative changes necessary to establish more robust competitive market. Is PUC required to maintain DS as a "free" option – something customers can always fall back on? Should it be constantly available to play off against competitive supply?
- OCA: Not "free." Customers pay for it.

2. *Cost Allocation*

- Wurst: Cost allocation of DS compared to EGS offerings? Non-apples-to-apples comparison?
- EGSs: Don't support migration rider. Need cost unbundling by EDCs for DS. Change nature of DS. Not currently a profit margin embedded in DS. EGSs have to embed certain cost components in their offers – unlevel playing field.
- EDCs: Differences in costs provided in comments to Order. Generally don't agree with migration riders. Unbundling would be complicated and litigious. Most POR programs use billing and CC systems. Not much volatility in procurement portfolios.

3. *EDC as Default Service Provider*

- Wurst: Positives of having EGS as DSP? Detriments of such scenario?
- EGSs: Statute permits use of EGS as DSP. No legislative changes. Benefits: eliminates cost misallocation; more efficient; breaks link between utility and provision of service; sends signal that utility is wires/poles and supplier is generation. Once dissociation between utility and supply is created, more shopping occurs.
- Wurst: How would an EGS as DSP be built to mitigate situation where EGS might go bankrupt? EDCs have financial security
- EGSs: Strict credit and financial requirements. Assign opportunities to other suppliers as back-ups. Or have auction for suppliers to have right to fill role. Price for service will reflect risk and not include reconciliations/true-ups.
- OCA: What entity can fulfill Act 129 requirements in most efficient manner?
- EAP: What can you do within current statute? What can you do with legislative changes? Statute allows EGS to be DSP but Comm regs make it clear that's only if

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EDC has financial difficulty. Require Comm to change those regs. Not good fit with Act 129 as emphasis is on DS product that requires thought and look at market conditions – least cost based.

- EGSs: Disagree with EAP. Regs say Comm should *consider* EDC financial stability. Least cost DS is going to look very different.
- PULP: Issues with universal service. Look at Pike County.
- EGSs: Issue is legal determination. Can't have legal determination that's alternative to law. Pike County was unique situation.

4. *Pricing of Default Service*

- FE: Add profit margin adder → for future discussions

5. *Option Default Supply Auction Group*

- Wurst: Options – EGS bid on opt-in customers?
- FES: Should be opt-out. Occur after DS model changes.
- Direct: Support opt-in auction. Surveyed customers in service territories and support auction model proposed by DE. Most interested in up-front benefits. Could launch in Q1 2012. Dedicated consumer ed launched in Q2 2012 so customers aware of opt-in availability. Recommend reaching out to NERA and other auction experts.
- OCA: Would it be different from opt-in aggregation group? Possibly interested in opt-in program.

Direct, OCA, ConEd, Dominion & FES will submit auction proposal(s) for 9/7/11 call (submit by 9/2/11).

6. *Procurement Schedules*

- Wurst: EDCs filing plans late 2011/early 2012. Legal flexibility with planning?
- EDCs: Timing isn't set by law – experience-based.
- Wurst: More market-reflective? Uniformity?
- EGSs: Changing nature of DS provides most market reflective pricing. Currently, ensure procurement is close as possible to commencement of energy delivery. Shorter-term procurement instruments instead of longer-term fixed price contracts. Quarterly fixed price contracts? If ultimate portfolio is market-response, uniformity is great. Shorter terms with greater uniformity.
- OCA: May not get uniformity in procurement. Discuss Time of Use (TOU) rates.

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- IECPA: Important to have some fixed economic development rate. Hourly price for DS – really wide variations throughout Commonwealth. Standardize.
- EGSs: Not supportive of optional fixed price service for large C&I customers. Further entrenches EDC as DSP.

7. *Enhanced DS Products – TOU, wind, etc.*

8. *Alternative Energy Portfolio Standards (AEPS) Obligations*

Future Issues and Process for Issue Identification – Karen Moury

1. *Customer Referral Programs*
2. *Universal Service*
3. *Energy Conservation Programs*
4. *Access to Customer Information*
5. *Choice for Customers at Small EDCs*

ALL: Identify any other issues by 8/26/11 for inclusion in intermediate work plan. Include information as to whether that issue fits under headings above or not; give indication as to whether issue is short or long-term.

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