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January 17, 2012

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

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

Dear Secretary Chiavetta:

In accordance with the *Tentative Order* entered in this matter on December 15, 2011, enclosed for filing please find the Comments of Washington Gas Energy Services, Inc. on the Commission's Intermediate Work Plan. These Comments were filed electronically through the Pennsylvania Public Utility Commission's e-File system today.

If you have any questions, please do not hesitate to contact me. Thank you.

Best Regards,

STEVENS & LEE

  
Michael A. Gruin

Encl.

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**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

**COMMENTS OF  
WASHINGTON GAS ENERGY SERVICES, INC.  
ON  
INTERMEDIATE WORK PLAN**

**I. Introduction**

In accordance with the *Tentative Order* entered in this matter on December 15, 2011, Washington Gas Energy Services, Inc. ("WGES") hereby files its Comments on the Commission's proposed Intermediate Work Plan.

WGES is a licensed electric generation supplier ("EGS") in the Commonwealth of Pennsylvania and first began serving commercial and residential customers in Pennsylvania at the beginning of 2010. WGES has served electricity supply markets since 2000 in Maryland, 2001 in the District of Columbia and 2006 in Delaware in accordance with the start of electric choice programs in those jurisdictions.

WGES has participated actively in the Commission's Investigation of Pennsylvania's Retail Electricity Markets ("the Investigation"). WGES previously filed comments in response to the Commission's Order initiating the Investigation, attended both En Banc hearings held to date, participated in the technical conferences that have taken place during Phase II of the Investigation, and filed comments at the conclusion of Phase II of the Investigation. WGES has also recently filed comments in the Commission's proceedings regarding Interim Guidelines for

Eligible Customer Lists (Dkt. No. M-2010-2183412) and Net-Metering Policy (Dkt no. M-2011-2249441).

WGES once again appreciates the opportunity to provide comments on this important Investigation, and again commends the Commission for its efforts to bring together stakeholders for the purpose of effecting positive change and robust competition for Pennsylvania's retail electricity markets.

## **II. Comments on Intermediate Work Plan**

WGES offers the following comments on the Intermediate Work Plan:

### **A. Customer Education**

WGES is supportive of the coordinated mailings to residential and small business customers, as outlined in the *Tentative Order*, and believes that this new round of consumer outreach by the EDCs and the Commission will positively impact customer awareness and shopping participation. WGES also agrees with the need for improved outreach to small commercial customers. As discussed in more detail in Sections C and D of these Comments, the issue of EDCs having different definitions of small commercial customers should not be an impediment to coordinated statewide outreach to these customers. Increased participation by small commercial customers is an important goal. The definitional differences between service territories can certainly be overcome, and the 25 kW threshold seems to be a reasonable delineation of small commercial.

### **B. Acceleration of Supplier Switching Timeframes**

As set forth in its Comments filed in response to the Commission's *Tentative Order* on Interim Guidelines for the Transfer of Customer Accounts, (Docket No. M-2011-2270442), WGES supports the Commission's proposals for reducing the time it takes to switch customers'

accounts consistent with EDC meter reading cycles and the need for EDCs to modify their billing processes. In this regard and as stated in those Comments, WGES also believes that the Commission should plan to facilitate mid-cycle switching when smart meters are deployed fully.

C. Customer Referral Programs

While WGES agrees that steps need to be taken to address the “supplier of first resort problem,” WGES has some concerns with both of the Customer Referral Program models proposed in the Work Plan. While WGES believes that new and moving customers should not be automatically enrolled in default service under any circumstances, WGES is concerned about any referral program that would rely on EDC customer service representatives to explain the terms and features of multiple EGS service offerings.

With respect to the New-Moving referral model, the Commission should also recognize that the large majority of customers who call to initiate service or inquire about a bill will likely be completely unprepared to evaluate and choose an EGS during a phone call with an EDC service representative. For such a program to have any chance to be successful, each EDC customer representative would have to be well-versed in the offerings of the various EGSs operating in the service territory, and be able to answer specific questions posed by customers. The representatives should not be tasked with such a daunting responsibility. No amount of scripting could prepare EDC representatives for this interaction with customers. WGES is also concerned about the potential for customer representatives to guide customers, subtly or otherwise, to EDC-affiliated EGSs.

WGES certainly believes that each new and moving customer should be read a carefully scripted explanation regarding the customer’s ability to choose his or her electricity supplier, and be encouraged to visit PAPowerSwitch to shop for competitive options. But with respect to an

actual referral program, rather than having an EDC representative explain particular EGS offerings, it seems that a program has a better chance of being successful if the customer is provided with a simple and easy way to understand the menu of available EGS choices that include actual price terms. For this reason, WGES believes that the Standard Offer model is preferable. Under this model, customers will be informed about specific EGS service offerings that are available, with a guaranteed savings off of the PTC for a short term such as one to three months. Ideally, the EDC customer service scripts will be drafted in a way to clearly encourage the choice of EGS standard offers rather than EDC Default Service, and to address any potential misconceptions or misunderstandings that customers may have about receiving electricity from a company other than the EDC.

WGES sees no reason why a referral program should be limited to residential customers. The lack of a uniform statewide definition of “small commercial” should not in any way hinder small business participation in a referral program. Obviously, each EDC knows what its own definition of small commercial customer is, and will therefore be able to identify its own small commercial customers.

If structured properly, a Standard Offer Referral Program could go a long way towards addressing the supplier of first resort problem, and WGES supports a requirement for all EDCs to incorporate a Standard Offer Referral Program in their respective Default Service Plans.

D. Retail Opt-In Auction

WGES supports a requirement for EDCs to utilize opt-in auctions, and believes that the auctions could be effective in overcoming the inertia of non-shopping customers and prompting more customers to participate in the competitive marketplace. While WGES believes that EDCs

should have some flexibility in designing their auctions, clear guidelines on major features must be adopted in order for the auctions to be successful and competitively balanced.

### 1. Customer Eligibility

WGES believes that auctions should be limited to non-shopping customers. The purpose of an auction is to encourage non-shopping customers to enter the marketplace, so there is no reason for customers who have already shopped to be eligible to participate in an auction. Excluding shopping customers is not discriminatory, and in all likelihood few customers who have already chosen an alternative supplier will mind not being eligible to participate in an auction that would result in them being placed with another EGS.

WGES sees no reason why auctions should not include small commercial customers. Again, the lack of a uniform statewide definition of "small commercial" should not in any way hinder small business participation in a program such as an auction. Each EDC knows what its own definition of small commercial customer is, and will therefore be able to identify its own small commercial customers who are eligible for the auction.

WGES takes no position at this time on whether CAP and TOU customers should be permitted to participate in auctions, and will read the views of other parties on this topic with interest.

### 2. EGS and EDC Participation

WGES agrees that EGS participation should be voluntary and that all EGSs should be permitted to participate in auctions.

### 3. Pilot Programs

WGES agrees that a pilot auction is not necessary but would be amenable to a pilot auction if the Commission determines that auction processes should be tested and refined before being rolled out statewide.

#### 4. Program Length/Term

WGES agrees that auction program contracts should last no less than six months, with a one-year minimum also acceptable. WGES disagrees with the *Tentative Order* that customers who participate should be permitted to exit program participation at any time. WGES submits that participating customers should be required to remain with the auction supplier for at least 6 months. WGES agrees that if customers leave a supplier during the program term, that customer should not be permitted to participate in a future auction.

#### 5. Timing

WGES feels strongly that customer enrollment must be completed before the auction takes place. It will be difficult for EGSs to submit informed bids before knowing the number of customers participating in the auction, especially for “percentage-off PTC” products. The auction products can be structured in such a way that participation in the auction is still enticing to customers even if they do not know the exact price until after their enrollment. Customers can exit the program at the beginning if the price does not meet their expectations to choose another supplier or return to default service. But if EGSs have a better understanding of the size of the auction pool, it is more likely that lower prices will be bid, thereby lessening the probability that customers will be disappointed in the result of the auction.

#### 6. Customer Participation Cap

The 50% customer participation cap recommended by the *Tentative Order* seems reasonable, although it seems unlikely that this level of participation will occur. WGES would

encourage the Commission to withhold judgment on the number of auction pools, because the experience with the initial auction may warrant further auction pools, depending on participation levels and customer satisfaction.

#### 7. Load Caps

WGES shares the Commission's concern that one or two suppliers might dominate the auction. WGES does not believe that a 50% load cap adequately addresses this concern. Instead, WGES would support a 25% or 33% load cap.

#### 8. Composition of Customer Offer- Product

The Commission should enable EGSs to offer either a fixed rate or a percentage-off product. However, given the uncertainty with bidding a percentage-off of an unknown default rate for an unknown pool of participants, WGES clearly would prefer a fixed rate customer product without a bonus. A fixed rate product would be much simpler for customers to understand and much simpler for EGSs to bid. EDCs would likely see much higher EGS participation in auctions that involved fixed rate products for these reasons. Bonuses should not be required. WGES believes that the use of bonuses can encourage serial switching, and can detract from the goal of increasing customer awareness and understanding of electricity supply pricing. In any event, customers must be required to stay with the winning supplier for the program term.

#### 9. Customer Options on Program Expiration

Clearly, customers who participate in the auction should not automatically return to default service when the program expires. This would defeat the entire purpose of the auction program, which is to provide incentives for default service customers to move into the shopping marketplace. Certainly, customers should be permitted to shop for other suppliers at the end of

the program, and EGSs should be permitted not to offer further service to customers (while complying with all applicable notice provisions). WGES agrees with the Commission's recommendation that EGSs should be permitted to renew the customer's contract, possibly with new terms and conditions, if the proper notice procedures are followed.

#### 10. Auction Structure

WGES believes that a properly designed and operated descending clock structure will result in more robust and aggressive bidding activity with the lowest prices for participating customers. A descending clock structure with multiple rounds continuing until a single supplier is willing to bid the final price would be ideal.

#### 11. Creditworthiness and Security

See WGES's comments below, in section F, for its views on creditworthiness and security.

#### E. Default Service Price to Compare on Bills

Ideally, WGES would prefer that EDC bills contain no price to compare. The way PTC is displayed often does not provide customers with sufficient information to make informed shopping choices. If a PTC is to be displayed, it must be clearly indicated that the price is temporary, and is subject to change on a date certain. This way, customers will be made aware of the default service price fluctuations that will occur, and be cognizant of the fact of market price changes and the stability of supplier offers.

#### F. Coordination between EDCs and EGSs.

In the experience of WGES in other states, one of the most critical EDC-EGS coordination issues is the ability to view customer bills to resolve billing inquiries. WGES has found it to be essential to be able to view the same billing details a customer is viewing when

billing questions arise regarding supplier charges on consolidated bills in order to resolve and otherwise minimize billing inquiries. WGES is encouraged that the Commission recognizes the importance of allowing an EGS to view a customer's bill. In the experience of WGES, customer authorizations are not an issue for bill viewing, and in fact, most customers expect that their supplier can view their bill at any time. Rather, most of the difficulties are caused by EDC billing processes that do not provide the EGSs with the ability to view the customer bills. EDCs should be required to establish simple and efficient procedures for enabling bill views.

On the issue of credit standards, WGES submits that EDC credit requirements must be reasonable and commensurate with the services that EDCs are providing EGSs and with the actual financial risks associated with such services. EDC credit requirements should not be imposed to cover risks that are already accounted for through the Commission's financial integrity licensing requirements or through PJM credit requirements and obligations. In this regard WGES is concerned that the creditworthiness standards suggested by some EDCs in the working group involve "perfect storm" peak load and peak price calculations with multipliers that would result in excessive and unnecessary credit postings and could severely hamper the ability of EGSs to participate. EGSs should be able to provide a wide variety of eligible credit vehicles, such as bonds, letters of credit, and parent guarantees to cover EGS payments for EDC services in order to provide EGSs with flexibility to meet the EDC credit requirements.

#### **IV. Conclusion**

WGES thanks the Commission for the opportunity to present these comments and would be pleased to address any questions the Commission may have.

Respectfully Submitted,

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