January 17, 2012

Via E-Filing

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

Re: Investigation of Pennsylvania’s Retail Electricity Market:

Dear Secretary Chiavetta:

Enclosed for filing please find the Comments of PECO Energy Company on the Commission’s Tentative Order. Copies have been served as indicated on the attached Certificate of Service.

Very truly yours,

[Signature]

Anthony E. Gay
Associate General Counsel

JEG/adz
Enc.

Cc: Parties on the Attached Certificate of Service
BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

COMMENTS OF PECO ENERGY COMPANY
ON THE COMMISSION’S TENTATIVE ORDER

Pursuant to the Pennsylvania Public Utility Commission’s (the “Commission”) December 16, 2011 Tentative Order in the above-referenced docket, PECO Energy Company (“PECO”) hereby submits comments on the Commission’s proposed intermediate work plan (the “Tentative Order”) addressing the following topics: (1) the expansion of consumer education; (2) the acceleration of the switching timeframe when a customer shops for an alternative supplier; (3) the initiation of a customer referral program; (4) the initiation of a retail opt-in auction program; (5) the inclusion of the default service Price-to-Compare (“PTC”) on customer bills; and (6) the increase in coordination between electric distribution companies (“EDCs”) and electric generation suppliers (“EGSs”). PECO appreciates the opportunity to provide input on these important issues.

As part of its investigation into Pennsylvania’s retail electricity market, the Commission directed its Office of Competitive Markets Oversight (“OCMO”) to identify intermediate steps that could be taken to strengthen the retail electricity market in Pennsylvania. In its July 28 Order in this docket, the Commission tasked OCMO with obtaining the input of stakeholders and preparing an intermediate work plan for the Commission’s consideration. The Tentative Order is the result of OCMO’s efforts and work with stakeholders on the issues discussed below.

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1 Investigation of Pennsylvania’s Retail Electricity Market, Docket No. I-2011-2237952, July 28, 2011 (the “July 28 Order”)
A. Consumer Education

PECO supports the efforts of the Commission to engage more customers in the competitive market for energy by, among other things, developing effective and informative consumer education materials. In addition to PECO’s Consumer Education Plan, PECO currently provides customers with information about retail electric choice through the PECO website, articles in newsletters included with PECO bills, and the Company’s “welcome packet” for new and moving residential customers. These materials discuss how customers can shop for electricity from a competitive EGS and provide PA Power Switch website information and the PECO website location for PTC information.

A successful consumer education campaign requires a well thought out plan that provides adequate implementation time and cost recovery and avoids overwhelming customers with too many messages at the same time. Regarding implementation time, PECO generally requires a lead time of eight weeks before written consumer education materials can be finalized for mailing to customers. This lead time includes three to four weeks for a competitive request for proposal process to select a vendor and four weeks for printing. Once PECO has the printed materials, completing mailings to all residential and small business customers (approximately 1.4 million customers) can take an additional eight to ten weeks. Regarding cost recovery, PECO currently recovers expenditures associated with its Consumer Education Plan on a full and current basis through a surcharge mechanism. PECO has already expended most or all of the funds budgeted for its current Consumer Education Plan. Finally, regarding message volume, the Company notes that it has several other customer mailings scheduled for 2012, including

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3 When consumer education materials provide PECO’s contact information, the Company limits the mailing of those materials to approximately 25,000 customers a day in order to spread out customer call volumes associated with the materials.
letters regarding meter replacement, the end of Rate OP (Off-Peak) and Rate RH (Residential Heating) rate discounts, and the end of PECO's Wind program.

In the Tentative Order, the Commission proposes three coordinated mailings in 2012, with the first mailing to be completed by February 29, 2012. In an effort to meet the Commission's proposed schedule for these mailings, the Company filed a petition on December 22, 2011, seeking expedited approval of: (1) its 2012 Consumer Education Plan; (2) the estimated budget for the three mailings (approximately $1.4 million); and (3) recovery of Plan expenditures through the existing surcharge. Specifically, the Company has requested that the Commission approve the Petition no later than the public meeting presently scheduled for January 26, 2012 to allow the cost of the three mailings to be included in its next surcharge calculation which must be filed on February 1, 2012. PECO seeks prompt consideration and approval by the Commission so that the Company can meet the mailing timeframes outlined in the Tentative Order. However, in light of other mailings scheduled for 2012, PECO may require some flexibility regarding the mailing time frame in order avoid overwhelming customers with too many messages.

B. Acceleration of Supplier Switching Timeframes

PECO supports the Commission's efforts to explore options to accelerate the customer account switching process. The Company submitted detailed comments in response to the Commission's November 14, 2011 Tentative Order which issued proposed interim guidelines regarding the switching process and hereby incorporates those comments by reference. As a general matter, PECO agrees that the existing switching process can be streamlined but suggests

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4 See Tentative Order, pp. 5-7.


that the existing 10-day confirmation period be shortened to four days instead of being eliminated completely.

C. Customer Referral Programs

The Tentative Order outlines two separate customer referral proposals: (1) a “New/Moving Customer” program to be implemented as soon as possible in 2012; and (2) a “Standard Offer” program to be implemented as part of an EDC’s next default service plan.\textsuperscript{7} The New/Moving Customer program entails referring customers to the PA Power Switch website where they can review current EGS offers in their EDC’s service territory. The Standard Offer program entails presenting the customer with standard EGS offers (such as a fixed-price 12-month offer available from an EGS during a particular calendar month) in the EDC’s service territory. Consistent with the Tentative Order, PECO has proposed to implement customer referral programs as part of its January 13, 2012 default service plan filing (“PECO DSP IP”).\textsuperscript{8} In the following sections, the Company provides a brief summary of its proposed programs and then addresses several key referral program issues raised in the Tentative Order.

1. Standard Offer Program

The Company believes that customers would be best served if the Standard Offer program were administered on a statewide basis with a statewide call center. A statewide Standard Offer program and call center would be a natural extension to the successful PA Power Switch program. A customer referral program will require customer service representatives to explain shopping options to customers, some of whom will have in-depth questions about how shopping works and how it will affect their bills. Detailed discussions with EDC call center

\textsuperscript{7} See Tentative Order, pp. 16-21.

\textsuperscript{8} A docket number has not yet been assigned by the Commission for this filing.
representatives have the potential to lengthen call times by up to ten minutes, subjecting all customers to lengthier wait times and leading to decreased customer satisfaction. PECO believes that administration of the program on a statewide basis with a statewide call center is the most effective way to take an integrated approach to further promoting shopping across the state while also avoiding negative impacts on EDC call center performance.

However, in the event that the Commission decides not to implement an integrated statewide program, the Company has proposed a “Supplier of the Month Program” in PECO DSP II to address the Commission’s recommendations in the Tentative Order. PECO believes that having a single featured supplier offer each month will simplify the decision making process for the customer, simplify the enrollment process for the EDC, and minimize impacts to the EDC’s call center. Customers will be presented with the lowest-price offer and the EDC’s call center will not have to address customer questions or confusion that may arise if multiple supplier offers were promoted at the same time. In PECO DSP II, the Company proposes that the Supplier of the Month Program commence in August or September of 2013, or approximately two months after the completion of the enrollment period for the Opt-In Program described in Section D, infra. The Company believes that staggering the implementation of these programs will help avoid customer and call center confusion.

Under the Supplier of the Month Program, each month, participating EGSs will submit binding, fixed-price bids (in cents per kilowatt-hour) to provide electric generation service to residential customers for a twelve-month period beginning approximately six weeks after the bid date. The EGS with the lowest offer will be identified on PECO’s website, which will be updated monthly. The fixed price offered by the winning bidder must be lower than the PECO default service rate in effect at the time of the solicitation, or, if the solicitation occurs after a
default service rate is filed but before it becomes effective, less than the filed default service rate for the next GSA period.

Residential customers may enroll with the winning supplier through the PECO website or by telephone using an interactive voice response ("IVR") system maintained and operated by PECO or through a dedicated call center referral program group provided by PECO. Enrollments received via PECO’s website, the IVR system, or the call center referral program group will be forwarded to the EGS daily. The EGS must then submit to PECO a switching request via the appropriate EDI transaction for each customer in accordance with PECO’s current Electric Generation Supplier Coordination Tariff and EDEWG protocols. The winning EGS will be required to enroll all such customers and comply with other standard terms and conditions. Enrolled customers may switch to a different offer with the winning supplier, to a different supplier or return to default service at any time. In accordance with Commission guidelines and the Supplier of the Month Program rules, before the end of the twelve month offer term, the winning supplier will be required to clearly communicate the change in its rates that will occur following the initial twelve month period and inform the customer that it may cancel its agreement with the EGS without penalty.

2. New/Moving Customer Referral Program

In PECO DSP II, the Company also proposes to implement a New/Moving Customer Referral Program that includes revised and enhanced call center scripts for residential and small commercial customers promoting shopping and the PA Power Switch website. In addition, PECO is proposing to update the “welcome kit” for new and moving residential customers by providing an enhanced description of customer choice and including the list of current supplier offers and contact information, which is to be provided by the Commission. PECO expects that it will be able to begin implementation of the New/Moving Customer Referral Program in 2012
and anticipates that this program ultimately will be coordinated with the Supplier of the Month Program for efficiency and to avoid creating customer confusion.

3. Customer Eligibility

PECO agrees with the Commission that residential customers should be eligible to participate in an EDC’s Standard Offer Program, but also has proposed that customers enrolled in PECO’s Customer Assistance Program (“CAP”) be excluded from referral programs. PECO’s CAP customers would lose their eligibility to participate in CAP (and to receive the associated discounted electric service) if they decide to participate in the Company’s Supplier of the Month Program or otherwise take service from an alternative supplier.

4. Types of Customer Calls That Should Trigger Customer Referral Efforts

The Commission recommends that customer referral options be presented during all customer calls to the EDC, other than calls for emergencies, such as service outages or termination of service issues. PECO believes that, at the commencement of the program, customer referral options should only be triggered if a customer calls for one the following reasons: (1) to initiate new service; (2) to transfer existing service; or (3) to learn more about customer shopping. Certain types of customer calls, such as those related to collections or complaints, are not appropriate circumstances in which to engage the customer in a discussion of shopping and EGS offers. In addition, in light of the significant anticipated customer service impacts described in the following section, the Company believes it is prudent to target these three types of calls initially and then evaluate whether the program should be expanded.

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5. **Call Center**

In the Tentative Order, the Commission requests comments on whether customer referral programs should be managed by existing EDC call centers, a contracted call center, a statewide call center, or a combination of the foregoing.\textsuperscript{10} As discussed in Section C.1, *supra*, PECO believes that customers would be best served by a dedicated statewide call center whose operations are integrated with the PA Power Switch program. However, in the event that a statewide call center is not established, the Company would carve out call center responsibilities related to customer referral and establish a dedicated customer referral call center group that would be specifically trained to handle the relatively complex questions that may arise in this context. Absent the implementation of a dedicated customer referral group, PECO’s call center could not manage the referral program without significant, negative impacts to customer service, including an increase in average call handling time of up to ten minutes and service impacts related to increased call center staffing and training.

6. **Hot Transfers**

In the Tentative Order, the Commission requests comments on the use of “hot transfers” as part of customer referral programs. The Commission defines a “hot transfer” as the capability of an EDC call center representative to immediately transfer a customer’s call to the selected EGS “without any delay or other action required of the customer.”\textsuperscript{11} PECO cannot support the incorporation of “hot transfers” into its customer referral programs at this time because the process depends on a variety of factors that have not been explored, that are outside of PECO’s control and that have the potential to create additional negative impacts to call center handling times. For example, in order to successfully transfer a customer to an EGS representative: (1)

\textsuperscript{10} See Tentative Order, p. 18.

\textsuperscript{11} See Tentative Order, pp. 18-19
the EGS must maintain a full time call center to receive calls; (2) the EGS’s call center must keep the same hours as PECO’s call center\textsuperscript{12}; and (3) the EGS must adequately staff its call center to maintain a reasonable response time for transferred calls. In addition, PECO call center representatives would require current information about the capabilities of each and every EGS call center in PECO’s service territory\textsuperscript{13} and could spend a significant amount of time on the transfer process if a transferred customer call is not answered promptly by the EGS.

7. Costs and Cost Recovery

PECO estimates that development of a customer referral program would cost approximately $1.3 million, including IT development costs, IVR, and additional call center infrastructure. Annual ongoing costs would be approximately $900,000 for program call center support and program support. The Company believes that it is appropriate to recover these costs directly from EGSs and, in PECO DSP II, has proposed to use a discount on its existing Purchase of Receivables mechanism to do so.\textsuperscript{14}

D. Retail Opt-In Auction Programs

PECO supports the Commission’s proposal to implement an Opt-In EGS Offer Program and has filed such a program as part of PECO DSP II consistent with the Commission’s recommendations in the Tentative Order. Under this program, PECO will conduct a one-time RFP to select EGSs to provide competitive retail offers to fifty percent (50\%) of PECO non-shopping, residential default service customers, which will be randomly selected by PECO. Participating EGSs will submit a binding, fixed-price bid (in cents per kilowatt-hour) to provide

\textsuperscript{12} For example, PECO does not know whether all EGS call centers in its service territory are located in the Eastern time zone.

\textsuperscript{13} Currently, sixty-six (66) EGSs have been certified for operations in PECO’s service territory.

\textsuperscript{14} See Petition of PECO Energy Company for Approval of its Revised Electric Purchase of Receivables Program, Docket No. P-2009-2143607 (Order entered June 18, 2010) (approving use of discount on purchased EGS receivables to recover the implementation costs of the purchase of receivables program).
electric generation service for a residential customer for a 12-month period beginning after June 1, 2013. EGSs can submit multiple bids, but each bid must be at least five percent less than PECO’s price-to-compare at the time of the RFP process (as projected for June 1, 2013). Further, EGSs must be willing to offer this price to at least 25,000 customers. In order to determine which EGSs are successful bidders, the bids will be tabulated in ascending order, with the price associated with the bid that results in the cumulative number of potential customers equaling or exceeding the 50% cap establishing a common clearing price for offers.

If the Commission approves the RFP results, each EGS (an “Opt-in EGS”) who offered the clearing price (or a lower price) will be assigned a portion of the 50% of customers corresponding to its winning bid. The EGS will then send an offer letter to its assigned customers. All offers by Opt-In EGSs will have the same standard terms and conditions. If a customer wishes to accept the offer, the customer will be given instructions in the offer letter about how to contact the Opt-in EGS via its website and phone number. The EGS will then submit an EDI enrollment request for the customer in accordance with PECO’s current Electric Generation Supplier Coordination Tariff and EDEWG protocols.

A customer participating in the Opt-In EGS Offer Program may convert to another product offered by the Opt-In EGS, switch to another EGS, or return to default service without incurring any switching fees or other penalties. The Opt-In EGS will be required to provide notice to the customers about any price change applicable at the end of the term of service, as required by Commission regulations and PECO’s Electric Generation Supplier Coordination Tariff. A customer may then choose to continue with the Opt-In EGS, but the obligations of the Opt-In EGS to offer the clearing price and comply with other terms and conditions of the program will no longer apply.
While PECO’s Opt-In EGS Offer Program is consistent with the recommendations in the Tentative Order, the Company has some limited comments regarding customer eligibility, the need for EGS security, and the nature of EDC obligations regarding an opt-in program.

1. **Customer Eligibility**

PECO agrees with the Commission that an opt-in program should be limited to the residential customer class (excluding CAP customers) and that opt-in offers should be targeted to non-shopping default service customers.\textsuperscript{15} PECO further believes that customers who have elected “Release No Information” as their Eligible Customer List preference should not be the target of opt-in offers.

2. **Security**

In the Tentative Order, the Commission asked for comment regarding the need for security to cover any EDC obligations incurred due to non-performance by a participating EGS.\textsuperscript{16} PECO believes that security would only be necessary to the extent that an EGS offered incentive/bonus payments as part of its retail opt-in auction product. Security for energy is not necessary because in the event that an opt-in supplier defaults, the customers receiving service from that supplier would be transferred back to default service at the applicable default service rate. PECO does not believe that an incentive/bonus payment is desirable for the Opt-In EGS Offer Program as it will increase EGS’s fixed-price offers and may not lead to the most savings for customers. In addition, the upfront cash requirements associated with incentive/bonus payments may disadvantage smaller EGSs compared to larger EGSs.

\textsuperscript{15} See Tentative Order, p. 26.

\textsuperscript{16} See Tentative Order, pp. 41-42.
3. **EDC Obligations**

PECO agrees with the Commission that EDCs should be obligated to conduct a single retail opt-in auction in accordance with the rules and procedures that are approved by the Commission. Once the retail opt-in auction has been held, the EDC should have no obligation to repeat the process, even in the event that there is no winning bidder for the auction or the winning bidder defaults.

**E. Default Service Price To Compare On Bills**

In the Tentative Order, the Commission proposes that EDCs display the following information on monthly customer bills: (1) the current PTC; (2) a statement about when the PTC will be in effect and how often it will be adjusted; and (3) a reference to PAPowerSwitch.com. It also requests that EDCs provide cost data related to the implementation of this proposal.\(^{17}\)

PECO currently provides PTC information on monthly customer bills. Default service customers receive their actual PTC, while shopping customers receive the average PTC for their rate class.\(^{18}\) The Company would be able to fit the Commission’s proposed new language in the message center of each bill and estimates that the proposed bill modifications would cost approximately $125,000. PECO notes, however, that the cost and complexity of the modifications would be reduced if EDCs are not required to provide the exact end date of the PTC (e.g., “through __/__/”\(^{\text{nd}}\)). The Company believes that a statement on the bill that the PTC can change quarterly provides customers with the information they need to make informed shopping decisions and that inclusion of the exact end date is not necessary.

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\(^{17}\) See Tentative Order, pp. 44-45.

\(^{18}\) CAP customers do not have PTC information provided on their bill, and the Company does not believe that adding the PTC to CAP customer bills is appropriate.
F. Coordination Between EDCs and EGSs

1. Sample Bills

Currently, the Company posts two sample bills on its SUCCESS website for suppliers: (1) a bill for a residential customer on default service; and (2) a consolidated bill for a small commercial customer receiving service from an EGS. However, PECO is willing to provide the three types of sample bills identified in the Tentative Order.\(^{19}\)

2. Specific Customer Bills

In the Tentative Order, the Commission seeks comment regarding whether EDCs are able to provide copies of specific customer bills to EGSs and whether the existing Letters of Authorization ("LOA") are sufficient to provide customer consent for such bill requests.\(^{20}\) As a general matter, PECO encourages EGSs to contact customers directly for copies of customer bills. Customers may request a duplicate bill from PECO and in turn provide that duplicate bill to the EGS at their discretion. In addition, upon request, PECO will provide partial copies of specific customer bills to the EGS actively serving the customer’s account for the requested bill period. PECO only furnishes those portions of the bill relevant to EGS charges and EGS-provided bill messages and does not provide customer information that is unrelated to the customer-EGS relationship, such as payment arrangements and late fees.

PECO does not require the EGS of record to submit a LOA or other documentation in order to obtain a partial bill because the Company believes that the EGS is entitled to the information that the Company provides. The Company’s existing LOA addresses the release of customer usage and load profile information but not the release of customer bills. PECO believes that its existing process for providing partial bills is sufficient to allow EGSs to

\(^{19}\) See Tentative Order, p. 47

troubleshoot billing issues with customers. If an EGS believes that it must access a customer’s entire bill, it may request the bill from the customer directly.

The Company notes, however, that the number of bill requests from EGSs is small at this time and can therefore be accommodated by the manual process described above. Should the volume of bill requests from EGSs increase significantly, the Company would need to reevaluate its process for handling these requests.

3. **Creditworthiness Standards**

In the Tentative Order, the Commission seeks comment on: (1) using Metropolitan Edison Company’s creditworthiness standard involving long-term bond-rating criteria on a statewide basis; (2) an expanded list of credit instruments for use by EGSs that do not meet long-term bond-rating criteria; and (3) the nature of the risk that should be used to establish EGS credit requirements.²¹

Under PECO’s Electric Generation Supplier Coordination Tariff, an EGS is creditworthy if it pays the Company’s charges as and when due and otherwise complies with the Rules and Regulations of the Tariff or the Commission.²² The Company may require an EGS that has “Bad Credit”²³ to provide a cash deposit, letter of credit, surety bond or other guarantee satisfactory to the Company. In addition, the Company may require an EGS to post a deposit at any time if the Company determines that the EGS is no longer creditworthy or has Bad Credit.²⁴ PECO believes that its existing credit provisions provide appropriate coverage for the Company’s risks. PECO does not believe that additional credit standards or obligations are necessary because the

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²¹ See Tentative Order, pp. 48-52.
²² See PECO Tariff Electric Pa. P.U.C. No. 1S, Supplement No. 8, Second Revised Page No. 5.
²³ An EGS has Bad Credit if it is insolvent or has failed to pay Company invoices when they became due on two or more occasions within the last twelve billing cycles. See PECO Tariff Electric Pa. P.U.C. No. 1S, Supplement No. 8, First Revised Page No. 4.
Company does not assume any EGS contractual obligations if an EGS providing service defaults on those obligations.

CONCLUSION

PECO appreciates the opportunity to comment on these important matters and respectfully asks that the Commission consider its comments.

Respectfully Submitted,

[Signature]
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January 17, 2012  Counsel for PECO Energy Company
BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION


CERTIFICATE OF SERVICE

I hereby certify and affirm that I have this day served a copy of the Comments of

PECO Energy Company on the Commission’s Tentative Order on the following persons in the matter specified in accordance with the requirements of 52 Pa. Code § 1.54:

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Dated: January 17, 2012

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