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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

**VIA HAND DELIVERY**

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

Dear Secretary Chiavetta:

Enclosed for filing with the Pennsylvania Public Utility Commission are the original and five (5) copies of the Comments of Citizens' Electric Company of Lewisburg, PA, and Wellsboro Electric Company in the above-referenced proceeding.

As shown by the attached Certificate of Service, all parties to these proceedings are being duly served. Please date stamp an extra copy of this transmittal letter and Comments, and kindly return them for our filing purposes. Thank you.

Very truly yours,

McNEES WALLACE & NURICK LLC

By  
Pamela C. Polacek

Counsel to Citizens' Electric Company of  
Lewisburg, PA, and Wellsboro Electric Company

PCP/sar  
Enclosures

c: Office of Competitive Market Oversight Retail Markets Investigations  
(via E-mail: ra-RMI@state.pa.us)  
Certificate of Service

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**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

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**COMMENTS ON INTERMEDIATE WORK PLAN TENTATIVE ORDER OF  
CITIZENS' ELECTRIC COMPANY OF LEWISBURG, PA,  
AND WELLSBORO ELECTRIC COMPANY**

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## I. INTRODUCTION

The Pennsylvania Public Utility Commission ("PUC" or "Commission") is currently in the midst of its Investigation of Pennsylvania's Retail Electricity Market ("Retail Markets Investigation" or "RMI"). In a Tentative Order issued on December 15, 2011, the Commission proposed an Intermediate Work Plan, which includes the retail enhancements electric distribution companies ("EDCs") will be expected to adopt before the end of their next default service plans ("DSP"), as well as new requirements for electric generation suppliers ("EGSs"). The Commission requested Comments in response to this Intermediate Work Plan, due January 17, 2012, before the Commission adopts a Final Order regarding this Plan. Citizens' Electric Company of Lewisburg, PA ("Citizens") and Wellsboro Electric Company ("Wellsboro") (collectively, the "Companies") hereby provide these Comments.

## II. COMMENTS

Citizens' and Wellsboro appreciate that the Tentative Order provides guidance on items that the PUC would like for EDCs to implement prior to or as part of their upcoming DSP filings. The Commission has exempted Citizens' and Wellsboro from certain aspects of the proposals in the Intermediate Work Plan, most importantly the proposed retail opt-in auction. Because the other aspects of the Intermediate Work Plan contemplate the existence of EGSs serving in the EDC's territory, Citizens' and Wellsboro submit these Comments to highlight additional items that may need to be delayed in their territories until suppliers have entered and are serving these markets. In addition, in fashioning final determinations regarding other proposals, Citizens' and Wellsboro urge the Commission to take into account the unique challenges that may occur in smaller territories either through adopting a flexible approach or through providing a temporary waiver for the smaller EDCs. For convenience, these Comments will mirror the order and presentation of issues in the Tentative Order.

## **A. Consumer Education**

The new consumer education campaign features three rounds of mailings to all residential and small commercial customers. EDCs first must produce and mail a postcard signed by the Commissioners with PaPowerSwitch.com information by February 29, 2012. Subsequently, the Commission's Office of Competitive Market Oversight and other RMI participants will mail out a flyer indicating the specific steps of shopping in May 2012. The third mailing should be sent out by EDCs in the fall of 2012, which will again encourage customers to shop and answer customers' frequently asked questions.

On December 15, 2011, the Commission issued a Secretarial Letter to specified EDCs regarding the initial postcard mailing. Citizens' and Wellsboro were not included in the list of specified EDCs, nor was UGI Electric. Presumably, these EDCs were omitted because currently there are no EGSs serving residential and small commercial customers in these territories. To the extent this situation continues to exist when the second and third mailings occur, Citizens' and Wellsboro seek clarification that the subsequent mailings will also not be necessary in their territories and will be delayed until EGSs are serving the relevant markets.

## **B. Accelerated Customer Switching Timeframes**

The Commission recently issued Interim Guidelines recommending methods for shortening the timeframe between when a customer chooses competitive supply and when the customer begins to receive service from an EGS. In its Interim Guidelines, the Commission suggested eliminating the EDC's initial 10 day waiting period and confirmation letter at the beginning of the switching process. The Intermediate Work Plan did not provide any additional details about switching timeframes; however, the Commission stated that final guidelines and

regulations would be adopted in the near future. Citizens' and Wellsboro look forward to receiving this guidance from the Commission.

### **C. Customer Referral Program**

After considering the proposals of stakeholders as well as the structures of customer referral programs in other states, the Commission determined that Pennsylvania EDCs should provide a voluntary customer referral program for residential and small commercial customers. The Intermediate Work Plan recommends that customer referral programs should take two forms.

First, all Pennsylvania EDCs will be required to refer new customers to shopping options in their initial phone calls to the EDCs, starting in 2012. EDCs should also have the capability of transferring the customer's phone call to the customer's EGS of choice. In addition, customers will be informed about PaPowerSwitch.com if they are not interested in switching immediately.

Second, EDCs must adopt a Standard Offer Customer Referral Program, which permits EGSs to provide a discounted standard offer rate to participating customers for at least three months. If the customer chooses to sign up for this Referral Program, the customer will receive the offer until the end of the discount period, and will not face an early termination penalty. If the customer does not affirmatively cease participation in the program at the program's end, the customer will continue to receive service from the EGS on a month-to-month basis.

Once EGSs begin serving residential and small commercial customers in their territories, Citizens' and Wellsboro believe that a new customer referral program can be structured for their territories that takes into account the needs of customers and the size of the Companies. Unlike larger EDCs, the Companies do not have extensive call centers to handle inquiries during business hours; rather, these calls are answered by staff at their offices. These same employees

have other duties for customer service, payment processing, billing and other items. As a result, the Companies suggest that the referral program be limited to directing the customer to PAMPSwitch. If the customer desires to be connected to a specific EGS, the Companies' customer service representatives will transfer the call to the EGS's call center. Mandating that the EDC's customer service representatives engage in more extended interaction with the new customer to discuss shopping or specific competitive options may increase waiting times for other calls or in person transactions at the Citizens' and Wellsboro offices, and thereby decrease customer service levels.

Finally, Citizens' and Wellsboro whole-heartedly agree with the Commission's reluctance to put EDCs in the position of explaining EGS product offerings. *Tentative Order*, p. 19. Extensive training would be required to ensure that the EDC's customer service representatives are fully-versed in the details of each EGS offering. In addition to the time this would take, EDCs should not be in a situation where they are interpreting the EGSs offers. The EGS customer service representatives are much better equipped and trained to provide this information to customers.

The Standard Offer Customer Referral Program is also troubling for many of the same reasons. As an additional comment, Citizens' and Wellsboro are very concerned that customers may perceive the "introductory" offer as a "bait and switch" unless this is clearly explained by the EGS. EDC representatives should not be explaining this type of program to the customers except in the broadest terms. There may also be billing and program complications for the Companies' related to this type of program. Because the role that the EDC will take in these types of programs remains unclear, Citizens' and Wellsboro respectfully request to be excused from implementing the Standard Offer Customer Referral Program in their territories.

#### **D. Retail Opt-In Auction**

In the Intermediate Work Plan, the Commission proposed the format for retail opt-in auctions, which allow EGSs to bid to provide competitive service to a group of residential customers.<sup>1</sup> Smaller EDCs, including Citizens', Wellsboro, and Pike County Light and Power Company, will be excluded from implementing opt-in auctions. For larger EDCs, the Commission recommended that opt-in auction service begin on June 1, 2013, or reasonably soon thereafter, and continue for participating customers for a period of six to 12 months. In addition, the enrollment period for the opt-in auction should occur shortly before the start of service date; however, the Commission requested Comments on the appropriate length of an enrollment period. 50% of all participating EDC customer bases may join opt-in auction programs, and EGSs can bid to participate through a tranche structure. If the customer does not affirmatively cease participation in the program at the program's end, the customer will continue to receive service from the EGS on a month-to-month basis.

Citizens' and Wellsboro appreciate the recognition by the stakeholders and the Commission that an opt-in auction may not be in the best interests of customers in the smaller territories. Citizens' and Wellsboro are willing to examine other methods to ensure that the customers in their territories are best served by the restructuring of the electric industry.

#### **E. Price to Compare ("PTC") on Customer Bills**

Although stakeholders expressed a host of concerns on the subject, the Commission ultimately determined that EDCs must begin to include the default service PTC on customer bills, in order for customers to readily compare their EDC's PTC with EGSs' PTCs. The

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<sup>1</sup> Although the Commission chose to limit opt-in auctions to residential customers, the Commission requested Comments from stakeholders interested in including small commercial customers in their opt-in auctions, and how they would define "small commercial customer" to distinguish such a customer from larger customers.

customer bill should additionally include whether the PTC varies within the customer's rate class, and how frequently the PTC can be adjusted. EDCs have flexibility to determine the wording of this PTC section of the bill. EDCs also must include a reference to PaPowerSwitch.com, if space permits, on the bill.

Citizens' and Wellsboro have consulted with their billing contractor, and can accommodate the proposed requirements.

#### **F. Increased EDC/EGS Coordination**

The Commission indicates that its Final Order implementing the Intermediate Work Plan will include a directive for EDCs to begin providing sample bills to EGSs. These bills must be posted on the EGS portion of the EDC's website. In addition, in response to the requests of many EGSs to access their customers' bills from EDCs, the Commission asked for Comments regarding the difficulty of providing customer bills to EGSs, and whether customers authorized the release of their bills in their Letters of Authorization to EGSs.

Citizens' and Wellsboro can place sample bills for each rate schedule on their websites for the EGSs to access. The availability of customer-specific bills is more problematic. Both Citizens' and Wellsboro have the ability to reprint a specific bill; however, the process of reprinting the bill and forwarding it to the EGS is manual. Essentially, the customer service representative will reprint the bill and then it will be forwarded to the EGS via either e-mail or fax. The Companies understand that the primary anticipated reason to request a copy of the bill would be for the EGS to address a customer's question about the specific bill. As long as the EGSs act in good faith and do not make excessive requests for copies of prior bills, Citizens' and Wellsboro believe that this aspect of the Commission's Tentative Order can be addressed;

however, the EDC must have the ability to charge the EGS for this service if the requests become excessive or this service is being abused.

### **G. EGS Creditworthiness**

The Commission expressed concern within its Intermediate Work Plan about the current risk assessments used by EDCs to determine the credit requirements of EGSs. As a result, the Commission requested Comments with respect to whether larger EDCs could establish a uniform risk assessment formula to apply to EGSs, and the elements or risks that should be taken into account in establishing the amount of any performance assurance. In addition, the Commission asked for Comments on appropriate creditworthiness standards and credit instruments for EGSs to operate in Pennsylvania.

Citizens' and Wellsboro recognize that the Commission's discussion in the Tentative Order appears to be targeted at the larger EDCs, and may not be strictly applicable to smaller EDCs. The Companies support maintaining flexibility in credit instruments and the elements that should be taken into account in establishing the amount of any EGS performance assurance. This flexibility is needed based on the size of the entity and on the specific purchasing strategy that the EDC pursues under Chapter 28.

The PJM RTO credit requirements do not adequately address the risk or costs of EGS default for a smaller EDC using a portfolio procurement approach that relies on block and spot purchases rather than full-requirements contracts. PJM closely monitors the credit situation for all Load Serving Entities ("LSEs") that participate in the PJM markets, both EGSs and EDCs (acting as default service providers). The amount of performance assurance that a market participant provides to PJM is based on ensuring that the LSE pays its bills to PJM; it does not take into account the costs that would be incurred by an EDC to obtain replacement supply for

the EGS's customers upon default. In fact, if an LSE defaults and the performance assurance on hand does not cover the PJM bills, then all other LSEs must pay for their allocated portion of the uncovered amounts.

Once an EGS goes bankrupt or stops serving its customers, those customers are transferred back to the EDC and the responsibility to pay PJM for the obligations of those customers returns to the EDC. In some situations, those obligations can be addressed through an existing bi-lateral block purchase that is not being fully utilized or a full requirements contract. If the new load cannot be addressed through these methods, then the EDC will rely on the spot market for the additional supply. For a block-purchase portfolio, the block purchasing targets will be reduced to reflect shopping. If those customers unexpectedly return to default service intramonth due to an EGS default, the EDC must rely on spot purchases. If the spot market is higher than the established default service price, then, all else being equal, the EDC will experience an undercollection of default service costs. The EDC can either socialize that cost among all other default service customers (either in a subsequent reconciliation or through an interim filing to increase the default service rate) or the EDC can attempt to protect other default service customers against the higher costs by establishing performance assurances for the EGSs that address this contingency.

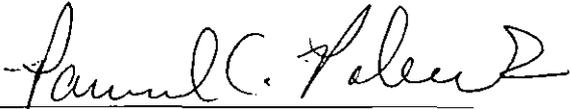
Admittedly, a similar risk exists due to normal switching activity that can occur on customers' meter read dates; however, in that instance the EDC has more notice that the account is returning to default service. In addition, as opposed to "normal" migration, it may be possible to mitigate the impact of EGS default on the default service customers through a properly structured performance assurance. If the Commission decides, however, that this risk should not be reflected in the amount of the performance assurance provided by the EGSs, then Citizens'

and Wellsboro urge the Commission to acknowledge: (a) that swift action may be necessary on less than thirty (30) days notice to adjust default service pricing to address the higher costs due an EGS default, including both the costs of absorbing unexpected customers into the portfolio and any default allocation received from PJM of the EGSs' uncovered bills; and (b) that this amount can be socialized among all default service customers. Alternatively, the Commission could authorize the Companies to explore options to charge the returning customers a different rate than the other default service customers.

**WHEREFORE**, the Citizens' Electric Company of Lewisburg, PA, and Wellsboro Electric Company respectfully request that the Pennsylvania Public Utility Commission consider and adopt, as appropriate, the foregoing Comments.

Respectfully submitted,

McNEES WALLACE & NURICK LLC

By 

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Dated: January 17, 2012

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## CERTIFICATE OF SERVICE

I hereby certify that I am this day serving a true copy of the foregoing document upon the participants listed below in accordance with the requirements of 52 Pa. Code Section 1.54 (relating to service by a participant).

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