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February 22, 2017

VIA eFILING

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17105-3265

Re: Petition of NRG Energy, Inc. for Implementation of Electric Generation Supplier Consolidated Billing Docket No. P-2016-2579249

Dear Secretary Chiavetta:

Enclosed for filing, on behalf of **Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company**, are their **Reply Comments to the Petition of NRG Energy, Inc. for Implementation of Electric Generation Supplier Consolidated Billing** (the "Reply Comments") in the above-captioned proceeding.

Copies of the Reply Comments are being served upon all parties listed in the attached Certificate of Service.

Very truly yours,

Anthony C. DeCusatis

Anthony C. DeCusatis

ACD/tp
Enclosures

c: Per Certificate of Service (w/encls.)

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PETITION OF NRG ENERGY, INC. FOR	:	**Docket No. P-2016-2579249**
IMPLEMENTATION OF ELECTRIC	:	
GENERATION SUPPLIER	:	
CONSOLIDATED BILLING	:	

CERTIFICATE OF SERVICE

I hereby certify and affirm that I have this day served copies of the **Reply Comments of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company to the Petition of NRG Energy, Inc. for Implementation of Electric Generation Supplier Consolidated Billing** on the following persons, in the manner specified below, in accordance with the requirements of 52 Pa. Code § 1.54:

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Dated: February 22, 2017

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PETITION OF NRG ENERGY, INC. FOR IMPLEMENTATION OF ELECTRIC GENERATION SUPPLIER CONSOLIDATED BILLING	:	**Docket No. P-2016-2579249**

REPLY COMMENTS OF METROPOLITAN EDISON COMPANY, PENNSYLVANIA ELECTRIC COMPANY, PENNSYLVANIA POWER COMPANY AND WEST PENN POWER COMPANY ON THE PETITION OF NRG ENERGY, INC.

I. INTRODUCTION

On January 23, 2017, Metropolitan Edison Company ("Met-Ed"), Pennsylvania Electric Company ("Penelec"), Pennsylvania Power Company ("Penn Power") and West Penn Power Company ("West Penn") (collectively, the "Companies") contemporaneously filed an Answer and Comments opposing the Petition of NRG Energy, Inc. ("NRG") For Implementation Of Electric Generation Supplier Consolidated Billing ("Petition"). In its Petition, NRG proposed that the Pennsylvania Public Utility Commission ("Commission") mandate supplier consolidated billing ("SCB") as an "option," along with utility consolidated billing ("UCB") and dual billing, and to transform the existing framework for customer service functions. Currently, electric distribution companies ("EDCs") are the primary point of contact for billing and customer service. Under NRG's version of SCB, electric generation suppliers ("EGSs") would assume that role for SCB customers with a requirement to purchase EDC accounts receivable.

In their Answer and Comments, the Companies opposed the Petition and explained that the Commission should not adopt NRG's unlawful and unsupported SCB proposal. Answers and/or Comments submitted by eighteen other stakeholders, including EDCs, statutory advocates for residential and small business customers, industrial customer groups, low-income customer representatives, an association of labor unions and a retail marketer also voiced strong opposition to NRG's Petition.[1] The Companies and such other parties urged the Commission to summarily reject NRG's SCB proposal on three principal grounds.

NRG's SCB Proposal is Unlawful. The Commission does not have authority under the Public Utility Code ("Code") to implement NRG's proposal for several reasons. First, if adopted, the NRG proposal would directly contravene key provisions of the Code and the Commission's regulations.[2] In particular, Section 2807(d) of the Code provides that EDCs "shall" continue to provide customer service functions notwithstanding the introduction of competition in the Commonwealth.[3] The legislature affirmed this mandate in 2004 when it imposed a host of statutory duties on "public utilities" under Chapter 14 of the Code, including standards for credit and payment arrangements, termination and restoration of service, and customer complaint handling. The duties imposed on "public utilities" under Section 2807(d) and Chapter 14 of the Code are the same functions that would be taken over by EGSs under NRG's proposal. However, the Commonwealth Court has held that the Commission cannot

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1 The Office of Consumer Advocate ("OCA"), the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania ("CAUSE-PA"), Citizens' Electric Company of Lewisburg, PA ("Citizens") and Wellsboro Electric Company ("Wellsboro") (jointly), Duquesne Light Company ("DLC"), the Energy Association of Pennsylvania ("EAP"), the Met-Ed Industrial Users Group ("MEIUG"), the Penelec Industrial Customer Alliance ("PICA"), the Philadelphia Area Industrial Energy Users Group ("PAIEUG"), the PP&L Industrial Customer Alliance ("PPLICA") and the West Penn Power Industrial Intervenors ("WPPI") (collectively, the "Industrials"), the Office of Small Business Advocate ("OSBA"), PECO Energy Company ("PECO"), Pennsylvania AFL-CIO Utility Caucus ("PA AFL-CIO"), PPL Electric Utilities Corporation ("PPL"), the Tenant Union Representative Network and Action Alliance of Senior Citizens of Greater Philadelphia (collectively, "TURN *et al.*") and UGI Utilities, Inc. ("UGI") generally opposed the implementation of SCB in the manner proposed by NRG. While Calpine Energy Solutions, LLC ("Calpine"), an EGS licensed in Pennsylvania, supports the concept of SCB, it opposes NRG's proposal based on several concerns related to its adverse impact on retail competition and existing customer protections.

2 *See* Companies' Answer, pp. 2-7, 13-15, 19-20, 26-28 & Comments, pp. 2-6; OCA Comments and Answer, pp. 7-9; Calpine Answer and Comments, pp. 6-7; CAUSE-PA Answer, pp. 21-22, 29-34 & Comments, p. 2; Citizens/Wellsboro Comments, pp. 3-4; DLC Answer and Comments, pp. 5-12; EAP Comments, pp. 2-3, 8-11; OSBA Answer and Comments, pp. 6-7; PECO Comments and Answer, pp. 1, 7-8, 41-44; PA AFL-CIO Comments, p. 3; PPL Comments, pp. 5, 23; UGI Comments and Answer, pp. 10-13.

3 66 Pa.C.S. § 2807(d).

"interpret" clear statutory language imposing a duty on a specific entity to delegate those duties to another entity.[4] Furthermore, NRG's proposal to use SCB to market *non-generation* products and services and include those costs in a single "flat" bill would make it difficult, if not impossible, for customers to discern the price for generation service, contrary to Section 2807(c) of the Code and the Commission's bill format regulations.[5]

Second, SCB cannot be implemented as envisioned by NRG without extensive revisions to the Commission's regulations.[6] Existing regulations cannot be changed without adhering to the formal and substantive requirements of the Commonwealth Documents Law[7] and the Regulatory Review Act,[8] including review by the Independent Regulatory Review Commission ("IRRC") and standing committees of the legislature. Nonetheless, NRG improperly seeks to fully implement SCB by the second quarter of 2018 *before* the rulemakings necessary to amend the Commission's regulations could be completed.

Finally, there is no legal authority for the Commission to require an EDC to sell its accounts receivable to an EGS.[9] In addition, an EGS cannot lawfully demand that a customer's service be terminated for non-payment of a receivable owed to an EGS. Indeed, if an EGS were to purchase an EDC's receivable, the entire delinquent account would then be owed to the EGS,

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4 *Dauphin Cty. Indust. Dev. Auth. v. Pa. P.U.C.*, 123 A.3d 1124, 1134-1135 (Pa. Cmwlth. 2015), *appeal denied*, 140 A.3d 14 (Pa. 2016).

5 *See* 66 Pa.C.S. § 2807(c)(1) (requiring that bills "enable customers to determine the basis" for all of their "unbundled" charges); 52 Pa. Code § 54.4 (requiring that every charge to be stated separately and identified as a charge for either "basic" or "nonbasic" service on residential and small business customer bills).

6 *See, e.g.*, 52 Pa. Code Ch. 56 (imposing standards and billing practices for residential utility service on public utilities and EDCs but not EGSs).

7 45 P.S. §§ 1201-1202.

8 71 P.S. §§ 745.1 *et seq.*

9 *Petition of PPL Elec. Util. Corp. Requesting Approval Of A Voluntary Purchase Of Receivables Program And Merchant Function Charge*, Docket No. P-2009-2129502, 2009 WL 4087051 (Pa. P.U.C., Nov. 19, 2009) ("*PPL POR Order*") (affirming that the Commission lacks authority to require an EDC to purchase the accounts receivable of an EGS; accordingly, forcing an EDC to sell its accounts receivable is equally unauthorized).

and the EDC would have no lawful basis to terminate service for non-payment.[10] In fact, RESA itself has acknowledged that a receivable must be owed to an EDC as a condition precedent to the EDC's lawful right to terminate service for non-payment of that receivable.[11]

NRG's Proposal Would Jeopardize Existing Customer Safeguards. As previously explained, in restructuring the electric industry, the legislature specified that EDCs would continue to be responsible for maintaining existing levels of customer service, including complaint resolution, collections and assisting low-income customers. NRG's SCB proposal would introduce unnecessary complexities to customer service functions and, in turn, increase the likelihood of harm to customers associated with, among other things, erroneous terminations or inadvertent disclosure of customer information.[12] In short, NRG's proposal to delegate customer service functions to EGSs offering SCB is unauthorized and raises serious customer protection issues.

SCB is Unnecessary for a Fully Functioning Competitive Retail Market. In the Petition, NRG asserts, in a conclusory fashion, that its SCB proposal is the "next natural and necessary step" in development of the competitive retail market. However, NRG has not explained how SCB would improve retail competition and benefit customers, for example, in terms of shopping statistics, price levels, or customer satisfaction. Likewise, NRG has not demonstrated that SCB is necessary today notwithstanding the retail market enhancement initiatives undertaken by EDCs since the conclusion of the Commission's Retail Market

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10 *See* Companies' Answer, pp. 23, 27-28 & Comments, pp. 5-6; PA AFL-CIO Comments, pp. 3-4.

11 *PPL POR Order*, p. 14 ("RESA's position on the termination issue is that since PPL would be purchasing an EGS's accounts receivable, PPL would own those accounts and should have all of the suspension and termination tools available for those customers as it has for its default service customers.").

12 *See* Companies' Answer, pp. 9-13, 23-26, 32 & Comments, pp. 6-9; OCA Comments and Answer, pp. 15-24; Calpine Answer and Comments, pp. 3-4, 6-7; CAUSE-PA Answer, pp. 15-29, 32-33, 36-37 & Comments, pp. 2-3; DLC Answer and Comments, pp. 17-23; Industrials Comments, pp. 2-5; PECO Comments and Answer, pp. 9-31, 39-41, 47; PPL Comments, pp. 9-18, 21-22; TURN *et al.* Comments, pp. 5-9.

Investigation, including, most recently, a "joint" bill for use in conjunction with UCB.[13] Notably, NRG does not even address the Commission's rationale for *rejecting* SCB in the *End State Final Order*, namely, the cost and complexity of implementing SCB, a lack of EGS interest in light of the availability of UCB under EDCs' purchase of receivables ("POR") programs and customer protection concerns.[14] Moreover, NRG seeks to use SCB to gain a competitive advantage over other EGSs – or perhaps drive them out of the Pennsylvania market. Stated simply, if NRG's unlawful and unsupported SCB proposal were to operate in the manner NRG hypothesizes, it would diminish the price-based competition for *generation* service that the Electric Generation Customer Choice and Competition Act ("Competition Act") was designed to achieve[15] and, therefore, is not in the public interest.[16]

In addition to the foregoing legal defects, the commenters opposing NRG's Petition highlighted several other reasons why the Commission should not adopt the form of SCB that NRG is proposing, including:

13 *See* Companies' Answer, pp. 12-15, 17-23, 29-31, 33; OCA Comments and Answer, pp. 3-5, 9-15; Calpine Answer and Comments, p. 6; CAUSE-PA Answer, pp. 5-14, 19-20 & Comments, p. 3; DLC Answer and Comments, pp. 13-17; EAP Comments, pp. 4-7; OSBA Answer and Comments, pp. 3-5; PECO Comments and Answer, pp. 3-4, 35-38, 45; PPL Comments, pp. 7-9, 19-21; TURN *et al.* Comments, pp. 9-12; UGI Comments and Answer, pp. 15-21.

14 *See Investigation of Pennsylvania's Retail Electricity Market: End State of Default Service*, Docket No. I-2011-2237952 (Final Order entered Feb. 15, 2013) ("*End State Final Order*"), pp. 66-67.

15 *See, e.g.*, 66 Pa.C.S. §§ 2802 (4) and (5), which focus exclusively on the *cost* of electric service, and 66 Pa.C.S. § 2802(6), which articulates the fundamental principle underlying the Competition Act, namely, that "[c]ompetitive market forces are more effective than economic regulation in controlling the cost of generating electricity." This principle is tied directly to the substantive provisions of the Competition Act by 66 Pa.C.S. §§ 2802(12), (13) and (14), which declare that the purpose of the Act is to enable "direct access by retail customers to the competitive market" and, thereby, "to allow competitive suppliers to generate and sell electricity directly to consumers in this Commonwealth."

16 *See* Companies' Answer, p. 17; Calpine Answer and Comments, pp. 7-8; DLC Answer and Comments, p. 20; PPL Comments, p. 19.

- The "innovative" billing products that NRG seeks to introduce in Pennsylvania would reduce bill transparency, diminish a customer's ability to make informed shopping decisions, and lead to customer confusion.[17]

- NRG's proposal raises complex policy and implementation issues related to, for instance, EGS credit requirements, termination and restoration of service, protocol for the exchange of usage data, utility hardship fund donations, regulatory notices, Commission oversight, payment agreements and billing disputes.[18]

- NRG's proposal would compromise the accessibility of universal service and energy conservation programs mandated by the Competition Act and would adversely impact federal Low Income Home Energy Assistance Program ("LIHEAP") grants and subsidies under EDCs' customer assistance programs.[19]

- NRG's proposal to "block" customers from switching to another EGS or returning to default service until their SCB account balance is paid in full would restrain customer choice and endanger existing safeguards that protect customers against unauthorized switching, as well as price increases that may occur while customers are "blocked," including, in particular, increases in "variable" prices that occur under variable-priced contracts.[20]

- NRG's SCB proposal would create billing system redundancies and impose unnecessary costs on customers to accommodate a limited number of EGSs.[21]

In sharp contrast to the overwhelming opposition to NRG's Petition, only three parties – Direct Energy Services, LLC ("Direct Energy"), the Retail Energy Supply Association

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17 *See* Companies' Answer, pp. 7-9, 29-31; Calpine Answer and Comments, p. 6; CAUSE-PA Answer, pp. 22-23, 26-27, 33-35; DLC Answer and Comments, pp. 21-22; Industrials Comments, pp. 2-3; OCA Comments, pp. 18-19; OSBA Answer and Comments, p. 6; PA AFL-CIO Comments, p. 3; PECO Answer and Comments, pp. 17-19; PPL Comments, pp. 1, 17; TURN *et al.* Comments, pp. 11-12.

18 *See* Companies' Answer, pp. 25, 36-37 & Comments App. B, pp. 2-8; CAUSE-PA Answer, pp. 24-30, 32-33, 36-37; DLC Answer and Comments, pp. 17-18, 21-23; OCA Comments, pp. 16, 22-24; OSBA Answer and Comments, pp. 6-7; PECO Answer and Comments, pp. 14-34; PPL Comments, pp. 7-16, 18, 20-22; TURN *et al.* Comments, pp. 5-6; UGI Comments and Answer, pp. 3-4, 6.

19 *See* Companies' Comments App. B, p. 4; CAUSE-PA Answer, pp. 16, 27-28, 32-33 & Comments, p. 2; OCA Comments, p. 19; PECO Comments, pp. 16, 23-24; PPL Comments, pp. 16-17; TURN *et al.* Comments, pp. 6-8.

20 *See* Calpine Answer and Comments, pp. 7-8; CAUSE-PA Comments, pp. 28-29; DLC Answer and Comments, pp. 22-23; Industrials Comments, pp. 4-5; PECO Answer and Comments, pp. 42, 44; PPL Comments, pp. 13-14.

21 *See* Companies' Answer, p. 6; Calpine Answer and Comments, pp. 5-6; CAUSE-PA Answer, pp. 24, 30; DLC Answer and Comments, pp. 19-20; Industrials Comments, p. 5; OCA Comments, pp. 5, 20-21; PA AFL-CIO Comments, pp. 4-5; PECO Comments, pp. 33-34; PPL Comments, pp. 19-20; TURN *et al.* Comments, p. 4.

("RESA")[22] and Washington Gas and Light Company ("WGL") – support NRG's SCB proposal. In their comments, Direct Energy, RESA and WGL (collectively, the "EGS Commenters") assert that NRG's SCB proposal is necessary for customers to realize the benefits of a robust competitive retail market and to facilitate what they characterize as "innovative" products and services.[23]

The Companies now submit these Reply Comments to respond to the issues raised by the EGS Commenters. The Commission should dismiss NRG's Petition for the reasons discussed below and in the Companies' Answer and Comments.

II. REPLY COMMENTS

The EGS Commenters support NRG's SCB proposal based on their view that SCB is allegedly necessary for customers to capture the full value of retail competition. Specifically, they assert that the UCB model does not support "value-added" products and services tailored to customer needs – such as electricity bundled with renewable energy, smart thermostats, loyalty rewards or home protection services – because the EGS does not have a direct relationship with the customer. This argument is flawed for several reasons.

First, the results of a recent Commission survey demonstrate that "value-added" opportunities are not a focus of customer shopping decisions.[24] Rather, customers reported that

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22 Although RESA is a trade association for EGSs, widespread support for NRG's proposal among EGSs cannot be inferred from its participation in this case. RESA's membership is only a relatively small subset of EGSs serving the Pennsylvania market. In any event, RESA candidly admitted that its Comments reflect the view of the "organization" "but may not represent the views of any particular member of the Association." RESA Comments, p. 1 n. 2. In short, RESA cannot even represent that it speaks for the subset of Pennsylvania EGSs that are its members, let alone for the much larger universe of EGSs actually doing business in the Commonwealth.

23 Direct Energy Comments, pp. 3-4; RESA Comments, pp. 3-11; WGL Comments, pp. 1-4.

24 *See* PA PowerSwitch Attitudes and Usage Report (October 2016), p. 13 (only 3% of survey respondents identified "access to new products, like time-of-use options" as a motivating factor for switching electric providers). A copy of the relevant portion of the PA PowerSwitch Attitudes and Usage Report is attached hereto as Appendix A.

their prime motivation for switching is to lower their monthly electric bill. Moreover, RESA's observation that customers enrolled in paperless billing must take additional steps to view EGS messaging[25] underscores that the electric bill may not be a useful marketing tool for the value-added products and services that the EGS Commenters seek to bundle with offers for generation supply. Simply stated, customers' increasing migration to paperless billing and automatic payment shows that they want to simplify and expedite the bill-paying process and do not want to be burdened each month by having to wade through extraneous solicitations and merchandizing material.

Second, the introduction of the UCB model widely used by EGSs in Pennsylvania – not SCB – was the key driver of retail competition for residential and small business customers in Illinois. In fact, the Illinois experience was a highly instructive empirical test of the EGS Commenters' contention in this case that SCB is needed to realize the goal of a "robust" competitive market for generation service in the Commonwealth. The results of that real-world test totally belie the EGS Commenters' unsubstantiated claims for SCB.

As of May 1, 2002, residential and small business customers in Illinois were allowed to choose their own electric supplier. At that time, however, Illinois law authorized two billing options for those customers: dual billing and SCB. Three years later, in the context of a Commonwealth Edison Company ("ComEd") base rate proceeding, a coalition of EGSs,[26] including Direct Energy, requested that the Illinois Commerce Commission mandate UCB with a POR feature to "improve the environment for retail electric competition in the small customer

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25 RESA Comments, p. 7.

26 In Illinois, the equivalent of an EGS in Pennsylvania is called a Retail Electric Supplier ("RES"). For consistency, RESs are referred to herein as "EGSs."

market segment and help bring the benefits of competition to it."[27] In support of this new billing option, a witness for CES – himself an employee of an EGS – emphasized the benefits of UCB for customers, utilities and EGSs:

> The customer benefits by being able to take advantage of [EGSs] competitive offerings while still maintaining the simplicity of one bill delivered and collected by his familiar utility. *In my company's experience with residential customers, we have learned that our customers strongly prefer to receive one bill for both delivery and commodity charges from the utility.*
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> *UCB imposes no hardship on the utility* in terms of physical delivery of its bills. If the utility does not issue a UCB, it still needs to issue a bill for its delivery charges. Where the [EGS] send the customer a bill for its commodity charges, the utility must still send the customer a bill for its delivery charges. *The [EGS] benefits from UCB by not having to duplicate the costly billing systems that the utility already possesses. In turn, the [EGS'] customers avoid having to pay for the cost of a duplicate billing system by taking [EGS] service.* All ComEd customers paid for the utility's underlying billing system prior to their ability to exercise choice. These customers should not be forced to pay for another billing system under competition.[28]

UCB with POR was not adopted in the ComEd rate case. Thereafter, in November 2007, Public Act 95-0700 was enacted to amend the Retail Electric Competition Act of 2006 and remove certain barriers to retail competition for residential and small business customers in Illinois. Those amendments required EDCs with more than 100,000 customers to implement UCB and POR programs.[29] To that end, Ameren Illinois Company ("Ameren") and ComEd

27 Direct Testimony of Ken Hartwick on Behalf of the Coalition of Energy Suppliers ("CES"), *Commonwealth Edison Company Proposed General Increase in Electric Rates, General Restructuring of Rates, Price Unbundling of Bundled Service Rates, and Revision of Other Terms and Conditions of Service*, Docket No. 05-0597 (submitted on Dec. 23, 2005), p. 2; *see also id.*, p. 8 ("My company has found that UCB with POR helps create a competitive market for residential and small commercial customers."). A copy of Mr. Hartwick's testimony is attached hereto as Appendix B.

28 *Id.*, p. 6 (emphasis added).

29 220 ILCS §§ 5/16-118(c) and (d).

began to offer UCB, in addition to the existing SCB and dual billing options, in 2009 and 2010, respectively. The competitive electricity market in Illinois for residential and small commercial customers was very small prior to the availability of UCB with POR, and that market began to expand rapidly only after Ameren and ComEd began to offer UCB with POR.[30]

In sum, the Illinois experience not only contradicts the EGS Commenters' position that SCB is necessary for customers to realize the benefits of retail competition in Pennsylvania, but it confirms the Commission's concern expressed in the *End State Final Order* that SCB would be of little interest to EGSs in light of the availability of UCB with a POR component that fully insulates them from bad debt risk.

Finally, SCB is not the sole means for an EGS to strengthen its relationship with customers or to communicate directly with their customers regarding potential offers that they feel are important. To the contrary, inclusion of the EGS logo and expanded bill messaging space on utility consolidated bill allows EGSs to gain brand loyalty.[31] The joint bill initiative only began about eighteen months ago, and it has not yet been afforded a fair opportunity for its benefits to be fully realized and its results assessed by the Commission.[32] Of course, EGSs are also free to issue separate bills to their customers or market non-generation products and services consistent with their business models in the same manner that non-EGS vendors market those same products and services.

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30 *See* Final Order, *Northern Illinois Gas. Co. d/b/a NICOR Gas Co. – Proposed Establishment of Rider 17, Purchase of Receivables with Consolidated Billing*, Docket No. 12-0569 (I.C.C. July 29, 2013), p. 11 ("RESA and [Interstate Gas Supply of Illinois, Inc. ("IGS")] also noted that, in Illinois, on the electric side, both ComEd and Ameren have [purchase of receivables with utility consolidated billing ("PORCB")] programs. RESA/IGS assert it is well known that the Illinois residential competitive market has expanded greatly since the implementation of PORCB…RESA/IGS argue that PORCB is part of the fundamental foundation for competition, without which large-scale residential customer switching simply could not have occurred.").

31 *See Joint Elec. Distribution Co.-Elec. Gen. Supplier Bill*, Docket No. M-2014-2401345 (Final Order entered May 23, 2014), pp. 5-7, 35.

32 *See* Companies' Answer, p. 15.

III. CONCLUSION

The Companies appreciate this opportunity to submit Reply Comments for consideration by the Commission and respectfully request that the Commission reject NRG's Petition for the reasons set forth above and in the Companies' Answer and Comments.

Respectfully Submitted

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Dated: February 22, 2017

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APPENDIX A

PA PowerSwitch Attitudes And Usage Report
(Relevant Portion)

PAPowerSwitch

Pennsylvania Public Utility Commission

PA PowerSwitch Attitudes and Usage

October 2016

PAVONE.

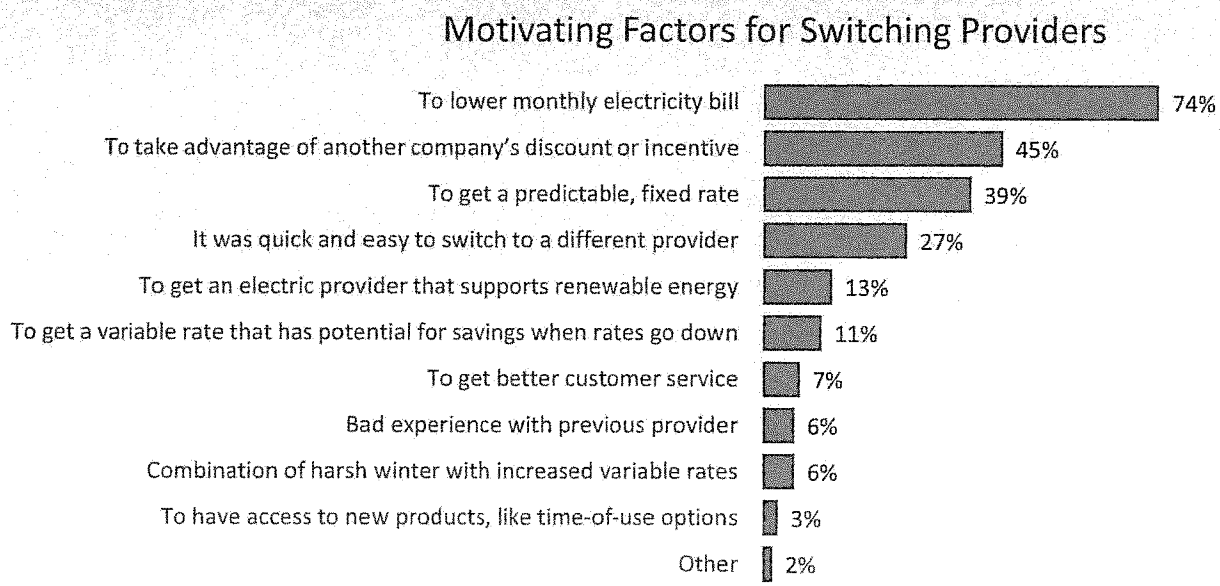
GBH INSIGHTS

Executive Summary

- Almost all respondents (94%) are aware that they have the ability to shop for their own electric provider.
- Of those who know they have the ability to switch electric providers, 4 out of 10 respondents state that they have switched electric providers.
- The largest motivating factor behind switching electric providers is to lower monthly electricity bills, with the 45–64 age group being more likely to say so than the 18–44 and 65+ age groups.
- Over three-quarters of respondents who have switched electric providers state that the process of switching was very/extremely easy.
- Over half of the respondents who have not switched electric providers say this is due to them being happy with their current electric provider, with the 65+ age group more likely to say so than the 18–44 and 45–64 age groups.
- Just over one-quarter of total respondents are aware of the PAPowerSwitch.com website, with awareness most often stated to be from utility bill stuffers.
- Of those who visit PAPowerSwitch.com:
  - Eighty-seven percent are very/extremely satisfied.
  - Sixty-five percent have no suggestions on improvements needed to be made to the website.
  - Seventy percent say that the website is very/extremely easy to navigate.
  - Ninety percent somewhat/strongly agree that the website provides helpful information.
- PAPowerSwitch.com is a trusted resource to which respondents turn for information about electric providers, and it will be an educational and helpful resource in the future when making electric provider decisions.

Motivating Factors for Switching Providers

Of respondents who have switched electric providers, monetary reasons make up the top three motivating factors to switch electric providers, with a "quick and easy process" as a close fourth.



- Males are more likely than females to state that getting better customer service is a motivating factor to switch providers (9.8% vs. 3.7%) and that having a bad experience with a previous provider is a motivating factor to switch (9.8% vs. 2.5%).
- 45–64-year-olds are more likely than the 18–44 and 65+ age groups to say that lowering their monthly electricity bill is a motivating factor to switch providers (**45–64:** 84.4% vs. **18–44:** 72.0% and **65+:** 58.3%).
- The 18–44 age group is more likely than the 45–64 and 65+ age groups to say that getting better customer service is a motivating factor to switch providers (**18–44:** 11.9% vs. **45–64:** 4.4% and **65+:** 2.8%).

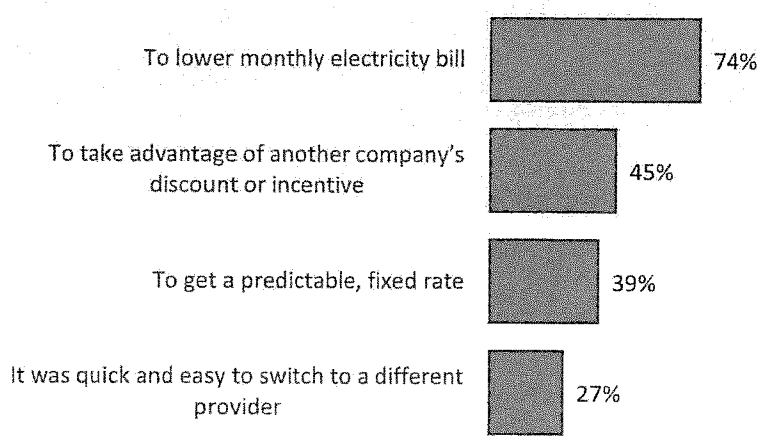
Q11. Which of the following were motivating factors for switching electric providers? (Check all that apply)?

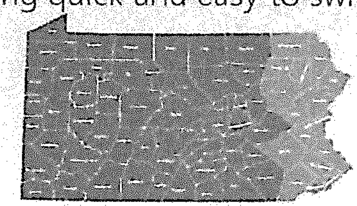
N=325 (Have Switched Electric Providers) **Source:** PUC PA PowerSwitch Attitudes and Usage Report, October 2016

Motivating Factors for Switching Providers

When looking at the four most often mentioned motivating factors for switching providers by PA regions, the western region is more likely than the eastern region to switch providers for a predictable fixed rate. Also, the central region is more likely than the eastern region to switch due to being quick and easy to switch a different provider.

Motivating Factors for Switching Providers





	N=93	N=111	N=121
To lower monthly electricity bill	77%	77%	69%
To take advantage of another company's discount or incentive	43%	48%	45%
To get a predictable, fixed rate	**51% (East)**	37%	32%
It was quick and easy to switch to a different provider	25%	**35% (East)**	20%

Q11. Which of the following were motivating factors for switching electric providers? (Check all that apply)?

N=325 (Have Switched Electric Providers)

Source: PUC PA PowerSwitch Attitudes and Usage Report, October 2016

APPENDIX B

Direct Testimony Of Ken Hartwick On Behalf Of
The Coalition Of Energy Suppliers
Submitted On December 23, 2005 In:
Commonwealth Edison Company Proposed General Increase In Electric Rates, General Restructuring Of Rates, Price Unbundling Of Bundled Service Rates, And Revision Of Other Terms And Conditions Of Service
Docket No. 05-0597

CES Ex. 4.0

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

COMMONWEALTH EDISON COMPANY	)	
	)	
	)	
Proposal general increase in electric rates, general restructuring of rates, price unbundling of bundled service rates, and revision of other terms and conditions of service.	)	**No. 05-0597**
	)	
	)	
	)	

DIRECT TESTIMONY OF

KEN HARTWICK

U.S. ENERGY SAVINGS CORP.

ON BEHALF OF THE COALITION OF ENERGY SUPPLIERS

COMPRISED OF:

CONSTELATION NEWENERGY, INC.
DIRECT ENERGY SERVICES, LLC
MIDAMERICAN ENERGY COMPANY
PEOPLES ENERGY SERVICES CORPORATION
U.S. ENERGY SAVINGS CORP.

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I. INTRODUCTION

Q. Please provide your name, employment, and background relevant to your appearance as a witness in this proceeding.

A. My name is Ken Hartwick and I been serving since April 5, 2004, as Chief Financial Officer of the Energy Savings Income Fund ("ESIF"), a trust established under the laws of Ontario, Canada. U.S. Energy Savings Corp. ("USESC"), an intervening party in this proceeding, is one of ESIF's wholly owned subsidiaries and affiliates. USESC is certificated in Illinois as an alternative retail gas supplier. While USESC has not yet applied to be certificated as an alternative retail electric supplier in Illinois, my company has been marketing five year gas contracts to the state's residential and small commercial customers. USESC has been involved in the formal and informal proceedings regarding the post-2006 structure of the Illinois electric industry as an active member of the Coalition of Energy Suppliers ("CES" or the "Coalition").

Prior to my current position, I served as Senior Vice President, Finance (October 2000 to September 2001) and Chief Financial Officer and Senior Vice President, Finance (October 2001 to April 2004) of Hydro One, an Ontario electric utility. Prior to joining Hydro One, I was Vice President from May to October, 2000, at Cap Gemini Ernst & Young, a utility consulting business and a partner at Ernst & Young LLP (auditors) in the energy practice from July 1994 to 2000.

Q. On whose behalf are you testifying?

A. I am testifying on behalf of the Coalition. The members of CES are Constellation NewEnergy Inc. ("NewEnergy"), Direct Energy Services, LLC ("Direct"), MidAmerican Energy Company ("MidAmerican"), Peoples Energy Corporation ("Peoples") and USESC.

This *ad hoc* coalition has been formed to propose measures to foster the development of a competitive retail electric market in Illinois.[1]

Q. What is the purpose of your testimony in the instant proceeding?

A. I will address one issue: the Coalition's recommendation that the Commonwealth Edison Company ("ComEd") offer Utility Consolidated Billing ("UCB") with a Purchase of Receivables ("POR") feature to Retail Electric Suppliers ("RESs") authorized to provide electric service to customers in its service territory.

If ComEd were to offer UCB with a POR program, this decisive action would improve the environment for retail electric competition in the small customer market segment and help bring the benefits of competition to it.

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[1] The positions set out in this direct testimony represent the positions of the Coalition as a group, but do not necessarily represent the positions of individual companies that are members of the Coalition.

II. PURCHASE OF RECEIVABLES / UTILITY CONSOLIDATED BILLING PROPOSAL OF THE COALITION OF ENERGY SUPPLIERS

Q. What is a POR program?

A. Under a POR program, the utility reimburses the RES for its customer billings regardless of whether the utility received payment from the customer. The utility is made financially whole, however, by recovering the uncollectible amounts and program administration expenses through one of two options: 1) a discount rate equal to the utility's actual uncollectible amount that offsets the payments to the RES and is subject to a periodic reconciliation process; or 2) an element of the utility's base rates.

Q. Please describe the Coalition's POR proposal.

A. The Coalition has developed a POR proposal that would apply to the accounts of ComEd's delivery services customers with a peak demand below 400 kW (proposed CPP-B customers) who receive a consolidated bill from ComEd that includes both the delivery services provided by ComEd and the commodity of electricity provided by the RES. Under the Coalition's POR proposal, ComEd would purchase the RES's electric commodity service accounts receivable and any utility pass-through charges at a discount to the face value of the receivable. Rather than ComEd implementing and maintaining differing billing programs for POR, the most efficient approach suggests that ComEd offer POR through single utility consolidated billing.

Q. Do any other utilities offer a POR program?

A. Yes. Utilities across the country offer POR programs. Most notably, ComEd's sister utility, PECO Energy Distribution Company ("PECO"), and possible sister-to-be, Public Service Enterprise Group ("PSEG"), both offer this feature with their consolidated billing system.

Q. What are the characteristics of the programs offered by PECO and PSEG?

A. Under PECO's UCB, PECO will pay the retailer, known in Pennsylvania as the electric generation supplier ("EGS"), for the *undisputed* EGS charges PECO has billed the customer on behalf of the EGS regardless of whether the customer has paid PECO.[2] PECO or the EGS may request separate billing for accounts 90 days or three billing cycles past due. PECO recovers the uncollectible amounts and program administration expenses through utility base rates. PSEG likewise assumes supplier receivables and makes payment for the full undisputed supplier bill amount 5 days after the due date on the customer bill.

Q. Please describe Utility Consolidated Billing.

A. ComEd does not currently offer UCB. Under UCB, the utility provides a single bill for its own charges as well as the RES' charges. The utility receives the charges that the RES wants to include on the bill through an electronic transaction. The utility does all of the regular billing and payment processing functions that it already does for its bundled customers and then forwards

[2] Any dispute involving competitive energy markets is typically resolved through a dispute resolution process supervised by a state's energy regulatory body.

payment to the RES for its charges. UCB is in place in most deregulated retail energy markets across North America, including at ComEd's sister utility, PECO, and possible sister-to-be, PSEG. UCB is an efficient platform for a utility to operate a POR program.

Q. Is the Coalition proposing that Utility Consolidated Billing be mandatory for all RESs?

A. No. UCB should be a billing option that ComEd makes available toRES serving residential and commercial customers with a demand below 400 kW. Under the Coalition's proposal, RESs still would retain the right to offer the single bill option ("SBO"), in which the RES bills for both the utility and RES charges, to any customer under the provisions of Rider SB07 regardless of the size of the customer.[3] Likewise, if a RES chooses to forego either UCB with POR or the SBO, the RES may continue to issue its own bill for the commodity charges under a "dual-billing" model.

Q. Would this UCB with POR program replace the Single Billing Option ("SBO")?

A. No. It has been well established that customers want and desire the simplicity of a single bill. The Coalition's UCB and POR proposal by no means seeks to do away with the SBO. Again, for RESs serving customers with demand less than 400 kW, ComEd would still be required to offer the following billing: SBO,

[3] The Coalition is requesting through other testimony certain revisions to the SBO tariff in order to provide customers and RESs with greater opportunities to capitalize on the benefits associated with receiving a single bill for electric service.

UCB/POR, and a "dual-billing" model in which the RES may issue its own bill for its commodity charges.

Q. Please describe the benefits of Utility Consolidated Billing?

A. UCB has benefits for the customer, the utility and RESs. The customer benefits by being able to take advantage of RES competitive offerings while still maintaining the simplicity of one bill delivered and collected by his familiar utility. In my company's experience with residential customers, we have learned that our customers strongly prefer to receive one bill for both delivery and commodity charges from the utility. UCB removes one significant hurdle to making a competitive choice.

UCB imposes no hardship on the utility in terms of physical delivery of its bills. If the utility does not issue a UCB, it still needs to issue a bill for its delivery charges. Where the RES sends the customer a bill for its commodity charges, the utility must still send the customer a bill for its delivery charges. The RES benefits from UCB by not having to duplicate the costly billing systems that the utility already possesses. In turn, the RES' customers avoid having to pay for the cost of a duplicate billing system by taking RES service. All ComEd customers paid for the utility's underlying billing system prior to their ability to exercise choice. These customers should not be forced to pay for another billing system under competition.

Q. What effect would the Coalition's POR proposal have upon ComEd's uncollectibles?

A. The problem of dealing with uncollectible expense is not new. Uncollectible expenses refer to the revenues billed by the utility that are never collected from ratepayers. The problem of dealing with uncollectible expense is not new for ComEd. ComEd's delivery rates include an allowance for uncollectible expense that the Company charges to all customers. ComEd proposes in its revised tariff to apply an uncollectibles adjustment factor ("UFA") to its commodity charges for bundled customers. This adjustment will enable ComEd to recover uncollectible costs for commodity service to its bundled customers.

It appears in ComEd's proposed tariffs that customers who take commodity service from a RES will appropriately avoid the UFA. Absent a POR program, RESs offering residential and small customer commercial customers electric will most likely credit screen applicants in order to limit their potential uncollectible exposure. The weaker scoring customers remaining with ComEd for commodity service will force ComEd to increase the UFA for those bundled customers as ComEd can no longer spread the costs across all electric commodity customers in its territory. Many customers with poor credit scores may have received those scores due to financial hardship. As a result of the increase in the UFA for customers with poor credit scores, the group of customers least likely to afford the rate increases will receive the rate increase. A POR program allows ComEd to avoid this result. A POR program also saves ComEd the problem of trying to predict more volatile uncollectible rates while enabling all customers, not just those with the best credit histories, the ability to make an electric supply choice that best meets their needs.

Q. Under the Coalition's proposal, which customers would be eligible to participate in the POR program?

A. My company has found that UCB with POR helps create a competitive market for residential and small commercial customers. The Coalition's proposal would limit the POR program to ComEd's residential customers and commercial customers with demand below 400 kW who upon switching to a RES elect to receive a consolidated bill from ComEd that includes both delivery services and RES commodity charges.

For the same reasons that large commercial customers and industrial customers prefer to receive a single supplier bill for their electric service, we want to bring those same benefits to residential customers and smaller commercial customers. Therefore, we are proposing to limit the applicability of the UCB with POR program to customers with a peak demand below 400 kW. A RES account that is not served under ComEd's consolidated billing service would not be eligible for participation in the POR program.

Q. What are the benefits of a UCB and a POR program to customers?

A. With a POR program, customers benefit directly economically and indirectly through access to competitive choices. Under a POR program, economies of scale would be achieved by designating one party to handle all credit and collections and several consumer protection functions. Duplicating credit and collections functions at the utility and at each RES needlessly creates costs ultimately borne by customers. A POR program frees residential and small commercial customers from possibly having to post two separate security deposits. For customers returning to service after having been terminated due to non-payment, they will avoid having to contend with two payment plans.

By encouraging RES to accept residential and smaller commercial customers, not only those with good credit scores, POR programs will facilitate migration of customers who might be overlooked by RESs due to poor credit scores or past financial troubles. In fact, by allowing low income and poor credit scoring customers to participate, POR programs open up competitive choices to the very customers who might most need it. In addition, elimination of credit checks through a POR program will ensure that customers wishing to switch commodity service to a RES will not fear a lowering of their credit scores by the performance of a credit check. If a potential creditor performs a comprehensive credit check on a consumer, this check may lower that consumer's credit score.[4] Consumers with lower credit scores face higher costs of credit or may be altogether denied credit.

[4] *See*, e.g., the Equifax definition of "hard inquiry", at <https://www.econsumer.equifax.com/consumer/sitepage.ehtml?forward=elearning_glossary>.

Q. What are the benefits of a UCB and a POR program to ComEd?

A. In addition to helping promote a robust competitive market for all of its customers, ComEd has an economic reason to implement a POR program. Utilities that implement POR programs avoid the problem of RESs serving the good credit customers, leaving the poor credit customers on utility service where they will escalate costs to all remaining bundled customers. Thus, a POR program would save ComEd the problem of trying to predict more volatile uncollectible rates while enabling all customers, not just those with the best credit histories, the ability to make the choice for electric supply that best meets their needs.

Q. What are the benefits of a UCB and a POR program to RESs?

A. A POR program in ComEd also would provide a level playing field for RESs to compete with ComEd. Currently, RESs in Illinois, unlike the utilities, do not have the ability to terminate the physical delivery of electric or gas service to customers who do not pay the RES portion of their energy bill. While no RES controls the delivery of electricity to the consumer, if one of ComEd's bundled customers does not pay his bills, ComEd may disconnect the customer for both delivery and commodity. By contrast, a RES may only return the customer to bundled service and seek collection of the customer's arrears. As a consequence, all else being equal, ComEd's ability under the current structure to encourage payment through physical termination will always provide it with a lower uncollectibles rate compared to RESs.

POR programs significantly reduce the RESs' credit risk associated with serving residential and small commercial customers. They also reduce RESs' acquisition costs by allowing RESs to enroll residential and small business customers without conducting credit checks or requiring security deposits.

Q. Please explain what costs associated with credit checks RESs would incur absent a POR program.

A. Bad debt can impose high costs upon RESs. As a result, RESs typically screen customers to determine the customer's creditworthiness. As it is not feasible for customers to be credit screened during their first contact with the RES, the credit check adds extra time to complete a customer enrollment. RESs must hire additional personnel to perform the credit check and pay a credit agency such as Equifax for credit reports. In short, uncollectibles are a significant cost of doing business. Where the utility and the RES each operate credit and collections systems, the customers pays twice for these costs.

Q. Please explain the likely impact upon customer choice if RESs are required to perform credit checks and bear the risk of uncollectibles.

A. Data on credit scores from Equifax (*see* CES Ex. 4.1; CES Ex. 4.2), one of the three national credit bureaus, reveal that a RES would be justified in denying the applications of up to 31 percent of residential and 20 percent of small business customers due to their credit scores. RESs, without the right to terminate the delivery of service to customers for non-payment, will err on the side of caution when reviewing customer credit worthiness and demand a high credit score for acceptance. These rejections would prevent higher-risk customers, who are likely to be more financially constrained, from taking advantage of RES products that meet their individual consumption and/or financial needs, including long term price stability, savings, or both.

Even though RESs will credit screen customers, the RESs' charges still must include a risk premium for uncollectibles (albeit a smaller one than if no customer were screened), as credit screening is not foolproof. Regardless, any unnecessary risk premium makes the RES' product less attractive to consumers.

Q. What are costs to ComEd associated with a purchase of receivables program?

A. ComEd will incur some implementation and administration costs as a result of implementing a POR program. Under the Coalition's POR proposal, ComEd would recover all of the costs of running the program through a discount rate. However, the Commission and ComEd should realize that without a POR program, ComEd's bad debt percentage would increase as the higher risk customers remain with ComEd because RESs would not accept them due to their low credit score. A POR program provides ComEd with a less risky approach to manage its uncollectibles. Under our POR proposal, ComEd would recover all of the costs of running the program through a discount rate.

Q. Does ComEd have the same risk associated with bad debt expense as a RES?

A. No. All else being equal, in the absence of a credit check, the inability of RESs to terminate the delivery of electric service would result in RESs having a higher level of bad debt expense relative to ComEd. Physical termination of service provides a powerful incentive for customers to pay their electric bills. A POR program, by contrast, eliminates this unfair advantage held by ComEd over the RESs.

Q. Do you have any data to support your conclusion that, in the absence of a POR program, RESs would have higher levels of bad debt than ComEd?

A. Yes. Employing data from Equifax, if a RES accepted all customers for competitive supply without credit checks, one would expect the RES to experience a cumulative bad debt rate of about 7.1 percent for residential customers and 9.2 percent for small business customers. (*See* CES Ex. 4.3; CES Ex. 4.4). By contrast, the bad debt rate for ComEd is 1.43 percent for residential customers and 0.29 percent for small commercial customers. (*See* ComEd Ex. 10.7). Thus, the RES would likely only compete in ComEd's territory if market supply prices are sufficiently below ComEd's commodity rate to cover the higher risk premium relative to ComEd the RES must charge its customers due to its higher uncollectibles rate.

Q. What are the characteristics of an effective POR program?

A. The Coalition believes the following are characteristics of an effective POR program:

- The rules should allow as many customers as possible to participate in choice programs by not giving customers with better credit histories preferential treatment to make an electric supply choice. Restricting access to competitive supply options because of customer payment or credit histories defeats the purpose of empowering them to consider choices that best meet their energy needs.

- The utility should be allowed to recover all of the costs of running the program through a discount rate or through rate base. Shareholders should not be exposed to any incremental risk as a result of instituting a POR program.

- The utility must provide timely payment of billed amounts to the RESs.

- If a customer is disconnected for non-payment and subsequently pays his bill, this customer should be returned to service with the RES.

- The rules for resetting the discount rate should be clear and predictable to all market participants, e.g., once each year on a specific effective date.

Q. Can you please describe the characteristics of a particular POR program?

A. One example is the POR program offered by Northern Indiana Public Service Company ("NISPCO"). NIPSCO is the only utility in Indiana with a retail natural gas Choice program. It bills its Choice program customers though a consolidated utility bill and makes payment to the retailer.

- NIPSCO makes payment to the Supplier for the Accounts Receivable being purchased within 20 days after the last unit billed in the final billing cycle of each month. The Company makes the monthly payment to the Supplier regardless of whether any particular Customer in the Supplier's Customer Base pays its bill.
- Currently the Account Receivable discount is 1 percent. NIPSCO agrees to give a six month notification before any change is made to the accounts receivable discount percentage.
- NIPSCO retains the right, to evaluate the financial risk associated with this offering. Based upon the risk analysis, NIPSCO may change the percentage of the accounts receivable discount. Retailer contracts with customers must contain a provision that states that if the Customer receives an arrears notice and does not pay the arrearage balance prior to the Customer's next cycle billing date, then effective as of that next billing date, the Customer will be removed from the NIPSCO Choice program and returned to bundled utility service.

Q. Are there any attributes of the NIPSCO POR program that you recommend against adopting in ComEd?

A. Yes. The NIPSCO program contains a provision that returns customers to bundled service if those customers are in arrears for more than two billing periods. We recommend against adoption of this provision. Returning the delinquent Choice customer to bundled service does not lower the utility's collections and bad debt costs. It potentially raises the costs to consumers as returning a customer to utility service may force the customer to pay penalties to the retailer for early contract termination. This will compound a customer's financial predicament. As the customer continues to increase his arrears as a bundled customer, NIPSCO achieves no more savings than if the customer had remained in the Choice program. The only time service to a Choice customer should be severed from the Supplier is when the utility ultimately disconnects the customer for non-payment and, in that case, the customer should be returned to the Supplier when his account becomes current.

Q. What is the next market you wish to describe?

A. In New York, every utility regulated by the New York Public Service Commission ("PSC"), except Keyspan, has adopted a POR program. All New York utilities offer UCB in addition to a dual bill option. The PSC "strongly encourages" New York utilities to adopt POR programs.[5] The PSC's Uniform

[5] Case 00-M-0504, *Proceeding on the Motion of the Commission Regarding Provider of Last Resort Responsibilities, the Role of the Utilities in Competitive Energy Markets, and Fostering the Development of Retail Competitive Opportunities*, Statement of Policy on Further Steps Toward Competition in Retail Energy Markets, (issued August 25, 2005) at 16.

Business Practices regulate, among other matters, the operations of retailers and utilities pertaining to customer billing, enrollment and termination. New York State Electric and Gas ("NYSEG") recently adopted a program scheduled to launch in early 2006. It is similar to other POR programs in the state. Here is a detailed description of the program:

- New York's retail marketers ("Energy Service Companies or ESCOs") that elect the NYSEG UCB option for all or a portion of their customers will be required to sell their accounts receivable for these customers to NYSEG. ESCOs will be precluded from participating in the POR for customers receiving dual billing.
- Electric and gas accounts receivable for electricity and gas commodity sales will be purchased at a discount off face value of the ESCO receivable as ESCO customers do not pay NYSEG's charge for recovering the utility's commodity-related uncollectible costs. The discount rate is intended to compensate NYSEG for its financial risk in purchasing electric and/or gas receivables, including, but not limited to, the level of NYSEG's uncollectibles. NYSEG will purchase ESCO accounts without recourse.
- The electric discount will be set on January 1, 2006 at a rate of 1.01 percent. The 1.01 percent electric discount rate is the sum of: 0.71 percent, reflecting NYSEG's actual historical electric uncollectibles experience for the period October 2004 through September 2005; a 0.15 percent adder, which is designed to compensate NYSEG for its financial risk that the electric uncollectible rate for the purchased receivables may be higher than 0.71%;

and a 0.15 percent adder, which is designed to compensate NYSEG for on-going incremental and administrative costs, including credit and collection costs.

- Revised annual discount rates will become effective January 1st of each respective year. NYSEG will publish the revised discount rate 60 days before the effective date.
- Each accepted Invoice receivable amount would be itemized to include the gross amount, discount amount, and the net accounts payable amount. 20 days after the receipt of the invoice, NYSEG Accounts Payable will release the discounted payment by wire transfer (ACH).

Q. Do you recommend ComEd should purchase receivables at a discount?

A. Yes, provided ComEd separates its uncollectible expenses into accounts for "delivery services"-related uncollectible expenses and "energy"-related uncollectible expenses. ComEd has proposed adjusting upwards its bundled customer supply charges to recover uncollectible commodity related costs. If, as proposed under ComEd's BES tariff sheets customers who leave bundled service by taking commodity service from a RES no longer pay for the UAF, then ComEd should use a discount rate model for its POR program. This way, by purchasing receivables at a discount under UCB, ComEd's bundled customers do not pay for RES customers' bad debt.

Q. **Please explain how the discount rate would be developed?**

A. The discount rate should reflect ComEd's actual uncollectible experience during a recent specific historical period. To avoid distortions occurring in any one year, the discount rate might, for example, reflect a multi-year rolling average adjusted each year the program is in effect.

Q. **Should any other components be incorporated in the discount rate?**

A. ComEd will incur some costs to administer and implement this new program. Recovery of such costs through the discount rate is appropriate. It is relevant to underscore that only net incremental administrative charges should be assessed to RESs.

Q. **What types of costs would ComEd incur to implement a POR program?**

A. ComEd will need to enhance its billing system to provide for UCB and POR. Rather than ComEd implementing and maintaining differing billing programs for POR, the most efficient approach suggests that ComEd offer POR under a single utility consolidated billing option. ComEd would not be required to offer any RES additional UCB options apart from the one having the POR program. The Coalition recommends that ComEd in the near term will need to upgrade its billing and enrollment systems to eliminate manual transactions in favor of electronic automation. (*See* CES Ex. 2.0 at lines 368-768.) The UCB-POR feature could be added cost-effectively if ComEd performs this enhancement at the time it performs these other billing and enrollment upgrades.

III. CONCLUSION

Q. Please summarize your testimony.

A. The Commission and ComEd must realize that systems will need to change in order to allow for the development of competition for small business and residential customers. One of the most important elements of this transformation involves the utility embracing POR and UCB in order to lower transaction costs, increase efficiency and minimize customer confusion. The Commission and ComEd have a great opportunity with this proceeding to develop a system that accomplishes those goals. The Coalition's proposal sets forth the structure for a pro-consumer, pro-competitive POR and UCB program. We look forward to working with the Commission and ComEd to make this a reality.

Q. Does this conclude your testimony?

A. Yes, it does.