

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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Retail Markets Working Group : Docket No. M-0072009  
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**Comments of Metropolitan Edison Company, Pennsylvania  
Electric Company and Pennsylvania Power Company  
to Proposed Guidelines for EGS Referral Programs  
January 26, 2010**

**I. Introduction**

Metropolitan Edison Company (“Met-Ed”), Pennsylvania Electric Company (“Penelec”) and Pennsylvania Power Company (“Penn Power”) (“FirstEnergy” or “the Companies”) submit the following comments in response to the Retail Markets Working Group draft proposed guidelines for EGS Customer Referral Programs (“EGS Referral Program”) dated January 5, 2010.

FirstEnergy is committed to fostering increased competition within the Companies’ service territories in the Commonwealth and appreciates the efforts by the Commission’s Retail Markets Working Group in identifying potential opportunities to provide retail customers with options in the development of competitive retail energy markets in Pennsylvania. FirstEnergy believes that it is important that electric distribution companies (“EDCs”) provide their customers with educational tools necessary for an easy transition to free and competitive retail choice. While EDCs can assist in educating customers about retail choice, they should not be required to be a marketing agent for specific electric generation suppliers (“EGSs”) or their specific services.

FirstEnergy believes that while the proposed EGS Referral Program may provide a vehicle for customers to save on their electricity costs in the near term, there also exist valid concerns regarding the effectiveness of the proposed program. FirstEnergy appreciates the opportunity to participate in the Retail Markets Working Group and offers the following comments pertaining to the proposed EGS Referral Program.

**A. Customer Service Issues**

FirstEnergy is concerned that this program may likely detract from the primary role of the Companies' Contact Center representatives, which is to address customer complaints and issues surrounding the safe and reliable delivery of electric distribution service to customers. FirstEnergy offers the following specific concerns:

- FirstEnergy's Contact Center representatives are not trained to be marketers. Significant training and new hiring qualifications may be needed. Contact Center representatives would have to be well-versed in what was being offered by the EGSs and also be aware of any changes to the alternatives offered by EGSs;
- The average handle time for calls to the Contact Center will probably increase. This could negatively affect the "Average Speed of Answer" or limit resources that could be used in addressing other customer concerns; and
- FirstEnergy believes that customer complaints will increase to both the utility and the Commission. For example, post-introductory rates will vary between EGSs. If FirstEnergy would assign a customer to a supplier who offered a

higher post-introductory rate, they may ultimately blame the EDC or contact the Commission.

**B. Cost and Website Maintenance**

The proposed EGS Referral Program will shift the cost of maintaining such a program from the EGS to the EDC. FirstEnergy has significant cost and program maintenance concerns that would likely increase the cost to its customers. The following are specific concerns related to website maintenance and cost issues for the EGS Referral Program:

- The EDC would be required to maintain a website listing all of the approved EGSs' introductory rates and post-introductory rates. This would require the EDC to maintain all rates on the website which would be cumbersome and beyond the EDC's primary responsibility. With this additional responsibility, the potential will exist for communication of changes to programs to lapse, causing inaccurate data to be portrayed on the EDC's website;
- Every time a new EGS enters or exits the market, the EDC will be required to reprogram the rotation of the random assignment of EGSs to customers as prescribed by the EGS Referral Program; and
- The EDC will incur increased administrative costs including, but not limited to, record retention<sup>1</sup>, maintenance of the website and creation and maintenance of required program promotional materials.

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<sup>1</sup> The EDC would be required to retain recordings of customer calls for six months. Currently, if calls are recorded, the retention requirement is for a shorter time period.

While the administrative costs would be recoverable, any start-up costs associated with such a program appear not to be recoverable. These incremental costs could be significant and recovery of these start-up costs simply cannot be disallowed. This would include such costs as enrollment of customers with an EGS through the EDC-maintained website, training of Contact Center representatives and programming of computer software in order to have the ability to randomly assign an EGS to customers who do not select an EGS.

### **C. Competitive Issues**

FirstEnergy believes that the competitive issues are of utmost importance and will have the greatest impact on a customer's ability to freely choose an EGS. First, there is evidence to suggest that such a program may not be necessary based on the shopping statistics that are prevalent with EDCs that currently have transitioned to market-based rates. For example, Penn Power currently has about 21,000, or approximately 17%, of its residential customers shopping with an EGS as of January 2010. This closely approximates the level of shopping experienced by Orange and Rockland counties in New York whose customers were assigned via a similar EGS Referral Program.

Secondly, if the referred rates that are offered to customers are negotiated and collaborated with EGSs, then FirstEnergy believes that this in itself may not allow for free markets to work the way the Electric Generation Customer Choice and Competition Act ("Competition Act") was intended to work. The Competition Act is designed to allow EGSs to freely market their programs and offers to customers without influence from the EDC. Random selection of EGSs would actually provide advantages to

undercapitalized EGSs over those that have the adequate capital to market their own programs.

Third, another concern of FirstEnergy with the EGS Referral Program is that the initial 2-month offer to customers appears to represent a “teaser rate”. The EGS could later modify its rate structure so that customers would no longer realize the benefit of shopping with an alternative supplier. This “teaser rate” could result in a “bait and switch” type of marketing campaign. If the change is not properly communicated to the customer, a customer may see their bills increase, causing an increase in call volume at the EDC Contact Center, and taking away from the other essential roles that an EDC Contact Center should be addressing.

Finally, there could be complaints about fairness and equality from EGSs themselves. Because many EDCs have an affiliate acting as an unregulated entity that regularly competes for the business of shopping customers’, there is the potential that EDCs could be accused of Code of Conduct violations if the random selection process would produce the selection of the EDC’s unregulated affiliate for a significant share of the EGS referral. In fact, the Commission’s Code of Conduct regulations may need to be revised in order to implement an EGS Referral Program.

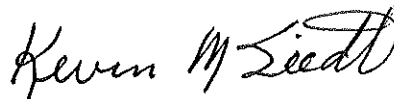
### **III. Conclusion**

FirstEnergy is committed to providing the Companies’ retail customers with the best tools available to allow them to make intelligent decisions regarding their electricity supplier. While FirstEnergy is supportive of considering alternatives to stimulate the retail market for electricity, the Companies have significant concerns about whether the

EGS Referral Program would produce the results that are intended by the Commission's Retail Markets Working Group and question whether an EGS Referral Program is a viable option to foster retail electric choice.

FirstEnergy appreciates the opportunity to provide comments to the draft proposed guidelines for EGS Customer Referral Programs on behalf of Met-Ed, Penelec and Penn Power. The Companies look forward to their continued participation in the Commission's Retail Markets Working Group.

Respectfully submitted,



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On behalf of:  
Metropolitan Edison Company  
Pennsylvania Electric Company  
Pennsylvania Power Company