The OCA claimed that the changes set forth in the United Intervenors' Settlement are essential to provide for the development of a competitive market for gas supply service for Equitable's residential customers. The OCA maintained that these revisions are fair to and create no burden on the Company, all the while making it less burdensome for residential and small commercial customers to initially participate in Equitable's Customer Choice Program. (OCA Main Brief, p. 47.)

The ALJ recommended the adoption of Equitable's Rule 11.1 and 11.2, as modified. The ALJ reasoned that only through actual experience will the Commission be able to evaluate and change Equitable's proposed program. The ALJ concedes, however, that the rules proposed by the United Intervenors "read like a wish list formulated to make customer sign-up and transfer as easy as possible." (R.D., p. 69).

CNG filed exceptions to the ALJ's recommendation on this issue. CNG maintains that the United Intervenors' proposed sign-up procedures should be adopted by the Commission.

In its Exceptions, the OCA argues that the United Intervenors' Rule 11.1 and 11.2 proposal streamlines and standardizes the application and sign-up procedures for customers electing delivery service from Equitable. The OCA contends that the United Intervenors' proposal is supported in the record and is designed to make sign-up as easy as possible while protecting the customer from slamming.

We agree with the OCA. The sign-up and service agreement procedures modifications stated in the United Intervenors' proposed Rule 11.1 and 11.2, are in our view reasonable and in the public interest. In particular, Equitable's revised sign-up procedures still require written applications submitted to the Company. In contrast, the

United Intervenors Stipulation would allow for telephonic or electronic sign-up, in addition to written sign-up, as long as consent is provided in a verifiable form which is available to the Company on 24-hours' notice. Equitable's proposal would also continue to allow the Company to deny service for unexplained reasons. Furthermore, Equitable's proposal would not provide essential information regarding their customers' usage once they had signed up the customer. The provision of this information is critical to marketers' ability to plan gas supply for their customers.

Moreover, the procedures and requirements contemplated by the United Intervenors' proposed revisions to Rule 11.1 and 11.2, are not overly burdensome to the Company or inconsistent with the spirit of open access and competition. We are reminded that our authority to review and approve service applications as well as all other matters related to service are proper exercises of our statutory authority under Chapter 56 of the Public Utility Code, 52 Pa. Code §56 et seq.

(b) Rule 11.3 - Natural Gas Supply Storage

Equitable's proposed Rule 11.3 provides that in the event of a natural gas supply shortage that threatens Priority 1 Service, the transportation customer would agree to sell its gas supply to the Company at the Company's weighted average cost of gas, and the customer would be required to provide some evidence of price to Equitable upon request.

Under the United Intervenors' proposed language on Rule 11.3, the customer would not be required to sell its gas to Equitable if the customer was a Priority 1 customer. Those customers that do sell their gas would do so at the higher of the Company's weighted average cost of gas or the transportation customer's actual cost

of gas. If the customer is a Priority 1 customer, this section would apply only in the vent of and to the same extent as curtailment of service to all Priority 1 customers impacted by the gas supply shortage.

In response to the United Intervenors' proposed Rule 11.3, Equitable revised its Rule 11.3 to include a sentence to the effect that if the customer is a Priority 1 customer, the curtailment shall only be in the event of and to the extent of being applied to all Priority 1 customers. The only substantive difference would be the price the Company has to pay if it confiscates the customer's gas.

The ALJ recommended the adoption of the Company's revised Rule 11.3. The ALJ reasoned as follows:

> The only dispute here is over the price to pay a Priority 1 transportation customer for gas diverted to other Priority 1 customers in the event of a gas shortage. The Company's rule requires it to reimburse the customer based on its weighted average, surely set on the basis of ease of administration. OCA argues that the customer should be reimbursed based on its weighted average or actual cost. I doubt the customer would be transporting gas if the price were higher than Equitable's weighted average and therefore decline to recommend OCA's proposal, as logical as it may first appear. I recommend approval of the Company's modified language..(Further Recommended Decision, p. 71).

In its Exceptions, Enron excepts to the ALJ's recommendation, arguing that the ALJ erred in assuming that gas would not be transported at a cost above Equitable's weighed average. Enron contends that the ALJ's' error should be corrected to make Equitable's provisions consistent with the Commission's rules.

The OCA also excepts to the ALJ's recommendation. The OCA takes the position that the ALJ's recommendation is based on the improper assumption that is not supported by the record evidence. The OCA submits that marketers may be expected to purchase gas at different prices throughout the year and the Company's weighted average gas cost may be lower than what a marketer purchases during the middle of the winter. The OCA argues that it is the higher of weighted average cost or actual cost that should be provided where the Company feels compelled to confiscate a transportation customer's supply. The OCA urges the Commission to adopt the United Intervenors' position on this issue.

We will deny the OCA's Exceptions and Enron's Exception on this issue. Equitable's Rule 11.3, as revised is reasonable and consistent with Commission's rules and regulations. There is nothing in the record to suggest that Rule 11.3 should be further modified. Accordingly, we will adopt the ALJ's recommendation on this issue.

(c) Section 11.6 - Obligation to Serve

In Appendix A to its Main Brief, Equitable accepted the United Intervenors' proposed change to Section 11.6 which provides that customers returning to sales service from delivery service should be treated as any other applicant for service. This recommended change was proposed by Enron's witness Schellhammer. The ALJ recommended the adoption of the Company's Rule 11.6 as modified in response to the proposal submitted by the United Intervenors.

In its Exceptions, the OCA submits that the United Intervenors' proposal on Rule 11.6 should be accepted in its entirety. The OCA points out that the Company's revised Rule 11.6 does not incorporate all of the United Intervenors' proposal.

The OCA argues that this provision makes clear the circumstances under which customers may return to Equitable's retail service. The OCA adds that Equitable's revisions adopt the concept of the United Intervenors' Settlement that delivery service customers wishing to return to retail service are to be treated the same as similarly situated customers applying for service for the first time. The only difference between Equitable's revised provision and the United Intervenors' proposal, the OCA maintains, is that the United Intervenors' provision is tailored to deal with customers who hold assigned capacity whereas the Company's provision does not address the situation of customers who do not hold assigned capacity. The OCA argues that it is reasonable to require Equitable to take back customers who hold assigned capacity sufficient to meet their requirements, but to treat customer who do not hold sufficient capacity the same as customers applying for service for the first time. (OCA Exceptions, p. 34.)

We agree with the OCA's contention. In our view, this provision would prevent discriminatory treatment of customers wishing to take sales service and promote the development of a competitive market for gas supply service for Equitable's residential and small commercial customers. The OCA's Exception on this issue is granted.

(d) *Section 11.13 - Operational Flow Order*

In its Rule 11.13, Equitable proposed that all customers be subject to the Company's issuance of Operational Flow Orders (OFO). OFO provisions are used when, due to operating conditions such as extremely cold or extremely warm weather, imbalances become operationally critical, and OFOs are necessary to preserve the systems operational integrity. (OCA Main Brief, p. 52.) If Equitable declared an OFO, suppliers would be required to deliver specified quantities of gas at specified locations

into Equitable's system at specified times. Rule 11.13 also permitted Equitable to direct the flow of gas to and on its system in times of extreme operational stress or, in the case of OFOs, "when undue cost shifting is occurring due to the failure of suppliers to match deliveries to customers' usage." (Equitable St. 1-1 at 25.) In addition to substantial economic penalties for violation, the Company also reserved the right to suspend the customer's or pool administrator's delivery service privileges for up to one year. (Id. at 25-26.)

The United Intervenors proposed to moderate this procedure by providing a hearing and appeal process prior to suspension and by allowing the pool administrator to set forth reasons that would excuse nonperformance. Equitable agreed in Appendix A to its Main Brief to an informal "hearing" process before a responsible Company representative and to an appeal process pursuant to the Commission's complaint procedures. The Company opposed codification in its tariff of any excuses that would imply that nonperformance could be justified. Equitable also opposed any tariff language that would imply that suspension for nonperformance would be stayed during the pendency of a complaint proceeding challenging the suspension. The Company also opposed the United Intervenors' proposal that the Company's action are subject to Commission review pursuant to the complaint procedure of the Public Utility Code, including an opportunity to obtain a stay of any suspension pending final resolution by the Commission.

The ALJ recommended the adoption of the Company's revised Rule 11.13. The OCA excepts to the ALJ's recommendation on this issue. The OCA argues that there are only two differences between Equitable's revised proposal and the United Intervenors position. First, the Settlement would include a provision that provides that the degree of harm and the efforts to comply are to be considered in any

suspension of a marketer for non-compliance with an OFO. Second, the United Intervenors ask that it be made clear that the Commission may stay a suspension of a marketer because of non-compliance with an OFO. (OCA Exceptions, p. 35).

The OCA contends that the United Intervenors' position is reasonable in requiring the Company to consider real life circumstances in its determination to suspend a marketer from the system and in allowing the Commission to stay a suspension. The OCA opines that the suspension of a marketer may be wholly appropriate, given the severe consequences for both the marketer and its customers, it is appropriate that these factors be considered in a suspension and the Commission have the ability to stay the suspension under appropriate circumstances.

We agree. The United Intervenors' proposal is proper and reasonable. We believe that it is in the public interest that Rule 11.13 be revised to incorporate the modifications submitted by the United Intervenors in their Settlement on this issue.

(e) Section 11.17 - Maximum Daily Quantity ("MDQ")

Equitable's filing anticipates that Equitable's Gas Management Department will determine each customer's individual MDQ. No party addressed the definition of MDQ or how a customer's MDQ would be determined in testimony. As part of their proposed settlement, the United Intervenors introduced a formula for determining a customer's MDQ. (Equitable Reply Brief, p. 56).

As proposed, the same formula would apply to both residential and commercial customers. The formula is 1.25 Mcf of MDQ per 100 Mcf of annual usage during the last 12-month period ending September 30th each year. Implicit in the formula

approach is the premise that all customers have substantially the same load factor. In other words, that when 1.25 Mcf of capacity is reserved for any residential or commercial customer, the customer will use that capacity to deliver 100 Mcf of gas over the year. There is absolutely no basis in the record for assuming that the residential class and commercial class of customers have the same load factors. In fact, the testimony of Equitable witness Fapohunda indicates that commercial customers' usage is not even uniform within the commercial customer class itself. (Equitable Statement No. 14-1, p. 4). Commercial customers should be excluded from the formula. (Equitable Reply Brief, p. 57).

This section makes the MDQ equal to the customer's estimated usage on a design day. In the very next sentence, however, the formula calculates a customer's MDQ solely on the customer's annual consumption during the last 12-month period ending September 30th. Equitable believes that a formula based on annual usage can provide a reasonable determination of a residential customer's MDQ, but that annual consumption must be normalized to reflect consumption during "normal" weather. If not normalized, the customer's MDQ will go down following a warm winter and up following a cold winter even though neither event is determinative of the customer's estimated usage on a design day. (Equitable Reply Brief, p. 57).

It is also necessary to adjust the design day usage per 100 Mcf of annual consumption from 1.25 to 1.30 Mcf. The figure of 1.25 Mcf does not accurately reflect average residential usage under design day conditions which is approximately 1.5 Dth per day. (Equitable St. No. 1 at 14; Equitable Reply Brief, p.57-58).

Finally, Equitable has added modified formula language to its proposed Rate FPS as reflected in Appendix A of Equitable's Main Brief in contrast to the United

Intervenors inserting the formula into Section 11.17. It is appropriate that this provision is contained in Rate FPS because the formula defines the level of capacity assignment for residential customers and does not have general applicability to all delivery and pooling services, a condition of Rule 11. (Equitable Reply Brief, p. 58).

The ALJ recommended adoption of the Company's formulation of the its rules as modified in response to the United Intervenors' proposal. The OCA excepts to the ALJ's recommendation, arguing that the ALJ's rejection of the United Intervenors' proposal is improper. While the United Intervenors agree with the Company's position that normalized annual consumption should be utilized for estimating the design day usage , the OCA maintains that the 1.25 Mcf per 100 Mcf of normalized consumption is the appropriate design day usage and should be utilized. (OCA Exc., p. 36). The OCA claims that the United Intervenors' revised language allows Equitable to determine a specific MDQ for a customer if it would materially differ from the results of the formula. The OCA contends that the United Intervenors' proposal is reasonable and should be adopted.

Upon review of the record with respect to this issue, we will adopt the ALJ's recommendation. We agree with Equitable that the figure of 1.25 Mcf does not appropriately reflect average residential usage under design day conditions which, the record indicates, is the 1.5 Dth per day. (Equitable St. No. 1 at 14; Equitable Reply Brief, p. 57-58). Accordingly, we will deny the OCA's Exception on this issue.

(f) Section 11.18 - Customers Switching Suppliers

Equitable proposed a $10 administrative fee to be charged when a customers switches gas suppliers. During the proceeding, Enron presented testimony that the fee is inappropriate because it does not apply to customers within the capacity allocation window and, in Enron's view, Equitable has not documented a level of incremental costs which would justify the administrative fee. In their Settlement, the United Intervenors proposed that a $5.00 administrative fee be approved and that it not be applied to customers who initially switch from sales to delivery service. In response to the United Intervenors' proposal, Equitable agreed, in Appendix A to its Main Brief, to exempt a sales customer's initial switch to delivery service from the $10.00 administrative fee.

The ALJ recommended the adoption of Equitable's formulation of Rule 11.8 as modified in response to the proposals of the United Intervenors. The OCA filed exceptions to the ALJ's recommendation and argues that the switching fee should be reduced from $10.00 to $5.00.

We will adopt the ALJ's recommendation on this issue. In our view, an administrative fee of $10 is reasonable and is not excessive. Moreover, we note that the Company has expressed a good faith effort to compromise by exempting first time delivery service switching customers from the administrative fee.. We agree with the Company that an administrative fee should recover administrative costs resulting from switching as well as discourage frivolous switching without unduly hindering competition. We believe that Equitable's proposed $10.00 switching administrative fee would accomplish both goals. We will deny the OCA's Exceptions on this issue.

(g) Section 11.20 - Creditworthiness

Only Enron took exception to the Company's proposed creditworthiness standards in testimony in this case. Enron Statement 1.0, p. 20. Equitable responded that with the exception of Enron's proposal that pool administrators with a B+ or greater credit rating would automatically qualify, Equitable's standards are very similar to Enron's, only more specific. Given the significant credit exposure that the Company will face related to capacity assignment liability to the pipeline for reservation charges not paid by the replacement shipper, and from cash-outs, and liability to gas vendors for gas purchased to cover under deliveries it is reasonable to require prospective pool operators to supply specific data proving creditworthiness and to require that the pool administrator maintain that creditworthiness. (Equitable Statement No. 1-2 at p. 29; Equitable Reply Brief, p. 59).

The United Intervenors' proposed tariff language on this section follows the Enron recommendation but makes three significant changes. First, it would automatically qualify a pool administrator with a credit rating of B+ or higher. Second, it permits a pool administrator's credit rating to fall without notification to Equitable. Third, it permits a non-qualifying pool administrator, as opposed to the Company, to choose the credit enhancement needed to qualify. Again, only the OCA briefed this issue, and the OCA argued that the United Intervenors' provisions are reasonable, do not present a risk or burden to Equitable's operations, and are desirable in the development of a competitive gas marketplace. (Equitable Reply Brief, p. 60).

In Appendix A to Equitable's Main Brief, Equitable agreed in large part to the United Intervenors' proposed provisions, but Equitable rejected their proposal in these three areas. In light of the significant levels of credit to which Equitable will be exposed,

any automatically qualifying pool administrator should have and maintain only the highest, an A, credit rating. A pool administrator who cannot obtain and maintain an A credit rating can still qualify to do business on Equitable's system, it only has to provide financial information showing creditworthiness. Any downgrading of a credit rating should trigger notice to the Company, even if the downgrading is only down to a B+. Finally, it must be the Company (the party at credit risk) and not the pool administrator (the party exposing the Company to risk) who should decide upon the type of credit enhancement necessary to make the pool administrator creditworthy. (Equitable Reply Brief, pp. 60-61).

The ALJ recommended the adoption of the Company's modified Rule 11.20. The OCA objects to the ALJ's recommendation and argues that the United Intervenors' proposal should be adopted. The OCA maintains that the differences between the United Intervenors' position and the Company's revised proposal are two-fold. Equitable's revised proposal requires that a marketer have an A credit rating to qualify as marketer on the Company's system. The United Intervenors take the position that a B+ should be sufficient to qualify as a marketer. Secondly, the United Intervenors take the position that the marketer should be able to pick one of the four specified credit enhancements, while the Company proposes that it should be able to pick the credit enhancement.

The OCA contends that Equitable's minimum A rating is too severe, and that a B+is sufficient to qualify a marketer as creditworthy. The OCA concedes that while Equitable should be able to determine when credit enhancements are required, the marketer should be able to choose which of the specified credit enhancements it will acquire.

We will adopt the United Intervenors' proposal on the issue of credit-worthiness. We believe that the United Intervenors' position on this issue is reasonable and appropriate. Accordingly, we will grant the OCA's Exceptions on the issue of creditworthiness.

(h) Section 11.21 - Standards of Conduct

In its Customer Choice Program, the Company proposed in Rule 11.21 certain standards of conduct to which pool administrators must adhere, addressing such topics such as billing format, customer complaint procedures, notice prior to termination, notice that Equitable is no longer obligated to provide service, and customer cost liability. Equitable's acceptance of some of the United Intervenors' proposed changes are set forth in Appendix A to Equitable's Main Brief.

The United Intervenors also proposed that a new section entitled Marketing Affiliate Standards of Conduct be inserted into Equitable's tariff. This section would require that the Company adhere to the Commission's Policy Statement issued in Docket No. M-00960838. Equitable opposed this insertion of a statement of mandatory compliance with a Commission policy statement as unnecessary, arbitrary, and discriminatory.

The ALJ recommended the adoption of the Company's proposed Rule 11.21 as modified in response to the proposals of the United Intervenors. Enron disagrees with the ALJ's' recommendation, arguing that the ALJ erred to failing to require Equitable to adopt the Commission's Marketing Affiliate Standards of Conduct. Enron maintains that Equitable should compelled to adopt as its tariff language the Standards of Conduct for LDCs and their marketing affiliates set forth in the Policy

Statement Addressing Affiliated Interests of Natural Gas Marketers, Docket No. M-00960838, entered June 9, 1997. Enron adds that Equitable acknowledged on cross examination that it would abide by the Policy Statement. (Tr. 332). Enron opines that the Standards should be included in Equitable's tariff to ensure compliance. . .

The OCA also filed Exceptions to the ALJ's recommendation on this issue. The OCA argues that the United Intervenors' proposal is reasonable and should be adopted. The OCA asserts that the Settlement includes, in substantive part, the requirements specified by the Company in its revised Rule 11.21 as well as other reasonable provisions which specify that bills be in compliance with the Commission's plain language guidelines, and provide phone numbers of the marketer, the Company and the Commission's customer hot line. The Settlement would further require marketers to adhere to minimum payment period requirements of the Commission's regulations and require marketers to provide notice of the consequence of failure to pay. (OCA Exceptions, p. 37). The OCA states that the Settlement would also require marketers to serve their customers through the winter period if the customer has insufficient capacity to meet their requirements and Equitable will not take the customer back.

The OCA urges the Commission to adopt the United Intervenors' proposal. The OCA posits that the United Intervenors' proposal provides sound comprehensive, standards of conduct for marketers.

Based on our review of the record proceeding, we believe that it is in the public interest to adopt the United Intervenors' proposal on the issue of affiliate marketer standards of conduct. In our view, the Settlement provides reasonable and appropriate standards of conduct for marketers. We decline to adopt the ALJ's recommendation on this issue.

(i) Section 11.24 - Consumption Information

The United Intervenors proposed this new provision for Equitable's tariff that would require the Company to provide to the pool administrator individual customer consumption data in a timely manner but not later than the date the Company's bill is rendered for that customer. The information is to be in electronic form via Internet or modem. The only testimony connected to this issue was CNG Retail witness Butler's assertions, buried in a three-page list of issues, that Equitable does not intend to share meter readings electronically and that Equitable should be prepared to electronically convey billing information on a daily or by cycle basis. CNG Retail Statement No. 1, p. 11. No party briefed this issue. Equitable Reply Brief, p. 62.

Equitable accepted in Appendix A to its Main Brief a new section stating that Equitable will provide individual customer consumption data, including meter readings, in a timely manner. Equitable rejected the United Intervenors' proposal to restrict the definitions of timely and the acceptable means of providing information.

The ALJ reasoned that the Company's modified provision in response to the United Intervenors' proposal was appropriate and should be adopted. The OCA filed exceptions on this issue. The OCA submits that while Equitable's revisions would provide customer consumption information to the marketer "in a timely manner", the Company has not agreed to provide it by the date the Company renders the bill or provide it in an electronic form. The OCA argues that the United Intervenors' proposal is reasonable and appropriate and should be adopted.

We agree with the OCA's contention. We believe that it is reasonable and in the public interest that the Company be required to provide to the pool marketer customer consumption data by a specified date and in electronic form. We will adopt the United Intervenors' proposal on this issue.

(j) Section 11.26 Through 11.29 - Miscellaneous New Tariff Provisions

The United Intervenors proposed four new tariff sections. In Rule 11.26, the United Intervenors proposed a section stating that the Company agreed to negotiate in good faith with any pool administrator with respect to the development and finalization of any pool administrator agreement. The United Intervenors also proposed a section outlining a dispute resolution procedure which would require Equitable to act in good faith to resolve disputes with pool administrators within ninety (90) days. Disputes not resolved between the Company and pool administrators would be submitted to the Commission for resolution. The United Intervenors proposed that the Company and pool administrators meet quarterly to address sign-up, operating, and customer contract issues. The United Intervenors also suggested that a section regarding a daily balancing exemption for delivery service customers who are currently balancing on a monthly basis.

Equitable accepted, in Appendix A to its Main Brief, substantial portions of the United Intervenors' proposed Section 11.27 regarding dispute resolution which appears in Appendix A as section 11.24.

The ALJ recommended the adoption of the Company's formulation of its rule as modified in response to the proposals of the Settlement. The OCA excepts to the ALJ's recommendation. The OCA contends that the United Intervenors' proposals are reasonable and appropriate and should be adopted.

We will adopt the ALJ's recommendation. We note that the none of the United Intervenors presented any evidence in support of the proposed new tariff sections. In addition, only one party, the OCA briefed the issues, and only in summary form. In our view, the Company has demonstrated a good faith effort to compromise by revising its tariff to include some of the United Intervenors' proposals with respect to dispute resolution. *We will not require the* Company to further revised its tariff to include the United Intervenors' new sections. We will deny the OCA's Exceptions.

9. Rule 12 Rules Applicable to Capacity Release

United Intervenors's proposed Rule 12.1 provided that the Company will make all pipeline capacity not used and which is not otherwise assigned or released available to Pool Administrators and the marketplace in general. Rule 12.1 was proposed for the first time in the United Intervenors' Stipulation document. No party addressed this issue in testimony, and no party mentioned it in its brief. There was, therefore, no indication of the purpose for the rule. (R.D., p. 82).

ALJ Nemec noted that under FERC regulations, Equitable is entitled to utilize its upstream capacity to make off-system sales. The benefits from those sales accrue to both the Company and to its Section 1307(f) ratepayers. Consequently, he observed that the United Intervenors' proposed language appears to preclude such off-system sales and, instead, require that Equitable's unused upstream capacity be made available to Pool Administrators. (Id.).

Equitable opposed the rule as unreasonable that Equitable and its ratepayers would be so disadvantaged to the benefit of Pool Administrators. Moreover, it argued

that it is unreasonable to mandate that all unused capacity be made available. Equitable's utilization of its upstream capacity impacts its gas costs and is always subject to review and, in fact, is reviewed in Equitable's Section 1307(f) proceedings. Therefore, according to the Company, there is no need to mandate in tariff language what is to be done with that capacity when it is not in use. (R.D., at 82 citing Equitable Reply Brief, pp. 65-66).

On consideration of Rule 12.1, ALJ Nemec reasoned as follows:

> Proposed Rule 12.1 is internally inconsistent in that it provides that all capacity releases will be made in accordance with applicable FERC requirements (a provision that is obviously unnecessary as part of a tariff since Equitable has no authority to release capacity other than in accordance with FERC requirements) but then goes on to state in the very next sentence that all prearranged deals must be subject to an open bidding process. FERC requirements provide that pre-arranged deals of less than one calendar month and pre-arranged deals at maximum rates are not subject to an open bidding process. 18 CFR Section 284.243(e) and (h)(2); Equitable Reply Brief, p. 66.
>
> **RECOMMENDATION:**
>
> I recommend the Rule 12 proposals be rejected. As noted by Equitable in its reply brief, the proposals are not supported in the record and have not been briefed by the UI parties.

(R.D., pp. 82-83).

The OCA filed Exceptions to the R.D. on this issue. The OCA acknowledges that this item was not considered in the testimony presented in this matter.

We find no reason to consider Rule 12.1 further in light of the dearth of testimony, its internal inconsistency, and potential conflict with FERC regulations. We shall, therefore, deny the Exceptions of the OCA. The recommendation of ALJ Nemec is adopted.

V. MISCELLANEOUS ISSUES

A. Authority of the Commission to direct Equitable to Involuntarily Offer Unbundled Service

At page 13 of the R.D., ALJ Nemec addresses the question, implicitly raised by Equitable, of whether it could be required, involuntarily to offer an unbundled transportation service. Referencing Docket No. P-00961138 (Recommended Decision in the Nature of a Mediation Report issued August 14, 1997, and the Public Utility Code Sections 501, 1501 and 1504, 66 Pa. C.S. §§501, 1501 and 1504, the presiding ALJ concluded that the short answer was "yes."

Equitable filed Exceptions to the ALJ's conclusion. Equitable reasons that it was unnecessary for the ALJ to conclude that the Commission had such authority and to "single out" Equitable for such unbundling, had not the Company voluntarily proposed its Customer Choice program. (Equitable Exc., p. 4). Equitable submits that the entire matter is academic and theoretical and, accordingly, the Commission need not address the issue.

On consideration of the Exception of the Company we shall grant it only to the extent consistent with our agreement that it is unnecessary, in light of the voluntary proposal by the Company, to address the issue.

B. CNG Retail Exceptions Regarding Transportation Rates

In Exceptions, CNG Retail presses its argument that Equitable has calculated its rates contrary to this Commission's regulations. We conclude that CNG

Retail has failed to convince us that the rates have been calculated contrary to our regulations and shall deny its Exceptions.

VI. ORDER

THEREFORE, IT IS ORDERED THAT:

1. Equitable Gas Company may file a tariff containing the provisions of its revised Tariff No. 21, effective upon one day's notice, containing the revisions and provisions approved in this Opinion and Order, to establish its Customer Choice Program.

2. The Stipulation proposed by United Intervenors is only approved to the limited extent said provisions are expressly adopted in this Opinion and Order for consideration and inclusion in the proposals incorporated into the revised Customer Choice Program.

3. The Stipulation on the Migration Rider to Equitable's Tariff No. 21 is adopted and approved, and the Migration Rider may be filed with the tariff approved above.

4. The provision of Tariff No. 21 that proposed an increase in monthly operating fees for pooling from $0.07/Mcf to $0.10/Mcf is denied.

5. The formal Complaints filed at Docket Nos. R-00963858C0001 through R-00963858C0008 are granted or denied as consistent with this Opinion and Order.

6. Upon acceptance and approval by the Commission of the tariff filed by Equitable Gas Company, consistent with this Order, the record at R-00963858 will be marked closed.

BY THE COMMISSION,

James J. McNulty
Secretary

(SEAL)

ORDER ADOPTED: December 4, 1997

ORDER ENTERED: DEC 04 1997

PENNSYLVANIA PUBLIC UTILITY COMMISSION
HARRISBURG, PA 17105-3265

PENNSYLVANIA PUBLIC UTILITY COMMISSION
V.
EQUITABLE GAS COMPANY

PUBLIC MEETING-
NOVEMBER 21, 1997
NOV-97-OSA-369*
DOCKET NO. R-00963858

STATEMENT OF CHAIRMAN JOHN M. QUAIN

Polling Issue #9 - Agency Service

The Administrative Law Judge has recommended that Equitable Gas Company (Equitable) be permitted to continue operating as an Agent for customers desiring to secure storage and upstream transportation services. The intervenors hold a contrary view.

My position is that Equitable should be permitted to continue to offer agency service, subject to certain conditions. I believe the agency program should be treated as any other pool operator on the Equitable system. As such, the pool and its customers shall be subject to the rates, terms, and conditions placed upon all other pool operators under the proposed tariff. Further, this condition should apply to all new customers of the agency pool and to old customers which renew agency service agreements. In this way, the agency pool will not gain any advantage over other pools.

Lastly, I would not limit the eligibility, nor impose the enhanced reporting requirements recommended by the intervenors.

11-21-97
DATE

JOHN M. QUAIN, CHAIRMAN

PENNSYLVANIA PUBLIC UTILITY COMMISSION
Harrisburg, Pennsylvania 17105-3265

PENNSYLVANIA PUBLIC UTILITY COMMISSION, et al.
V.
EQUITABLE GAS COMPANY

PUBLIC MEETING - NOVEMBER 21, 1997
NOV-97-OSA-369
DOCKET NO: R-00963858

STATEMENT OF VICE CHAIRMAN ROBERT K. BLOOM

Before the Commission for consideration is the nonbinding Polling of the issues raised by the various parties in opposition to the "Further Recommended Decision" of Administrative Law Judge Michael A. Nemec ("ALJ") concerning the Customer Choice Program proposed by the Equitable Gas Company ("Equitable"). Equitable voluntarily proposed this Program in conjunction with its general rate increase request embodied within its Tariff No. 21 filed February 28, 1997. The parties agreed to bifurcate the revenue related issues of the case from the non-revenue related issues concerning the Customer Choice Program and early on in the proceeding submitted a "Stipulation in Settlement of Revenue Requirement Portion of General Base Rate Proceeding". The Commission approved this Stipulation and the stipulated rate increase allowance became effective on October 15, 1997.

The Intervenors in this phase of the proceeding entered into negotiations on the elements of the Customer Choice Program and developed a "settlement" of the issues. Their proposal, entitled "Settlement Between United Intervenors Regarding Retail Choice Issues" was filed on August 15, 1997. This filing was made three weeks after the evidentiary portion of the proceedings concluded (July 25, 1997) and two working days before the original filing deadline for main briefs (August 19, 1997). The "settlement" includes proposed terms and conditions and a proposed revised tariff for Equitable's Customer Choice Program. This "settlement" varies in substantial aspects from the Customer Choice proposal offered by Equitable and in many instances differs from the signatories litigated case. In certain instances, there is no record to support the "settlement" position.

Equitable did not participate in the drafting of the "settlement" and generally opposes its adoption. However, Equitable in response to the "settlement" did revise certain aspects of its Customer Choice Program within Appendix A of its Main Brief dated August 26, 1997.

The ALJ did not consider the Intervenors' "settlement". He recommended approval of the modified Equitable Program with one exception. The Office of Consumer Advocate, CNG Retail Services Corporation, Enron Capital and Trade Resources Corporation, the Office of Trial Staff and Equitable have filed Exceptions to certain aspects of the Recommended Decision. The polling today is for the purpose of addressing these Exceptions on an issue by issue basis.

I believe that the key to the disposition of this case is polling issue number 24, "*Can Equitable Be Required to Involuntarily Offer Unbundled Service?*" In this regard, I agree with Equitable and, as a result, do not support, nor will I participate in the

polling of this case. My Statement should be interpreted as supporting Equitable's position on each polling issue.

Equitable voluntarily proposed an unbundled Customer Choice Program applicable to its entire customer base. This represents the first such full-scale natural gas unbundling proposal to come before the Commission. All of the previously approved gas unbundling programs have been designed on a limited pilot basis and the Commission has approved such programs on an as-filed basis in order to test various utility proposals in real world experiments. The exception to this was Equitable's Pleasant Hills proposal which was handled differently because that pilot proposal applied to both natural gas and electric service, as well as to other utility companies. The instant proceeding is not a pilot. It was filed voluntarily by Equitable prior to the Commission receiving legislative authority to direct natural gas utilities to unbundle their tariffs and to provide transportation service to small commercial and residential customers.

In fact, the General Assembly is currently considering the proposed Natural Gas Choice and Competition Act, House Bill 1068 and Senate Bill 943, that will unbundle natural gas utilities and that may grant the Commission the authority to order such to occur. Currently, our existing gas transportation regulations limit delivery service via a minimum volumetric requirement and via a maximum customer group requirement. A prior Commission initiative to alter its gas transportation regulations to remove these limitations was soundly rejected by the General Assembly in 1996. Until the proposed Act is passed by the Legislature, I believe it would be premature for the Commission to alter certain aspects of the local distribution company's voluntary unbundling proposal, against its will, there-by prejudging the Legislative intent included in the proposed Act. The potential result may be Commission directed precedent in direct conflict with the legislative direction.

Finally, I am concerned that the "settlement" was not submitted in a timely fashion. Rather, the "settlement" was filed after the evidentiary record concluded. Equitable has raised a valid due process argument. It is improper for this Commission to adopt individual aspects of the "settlement".

As a result of these concerns, it is my preference that the Commission approve Equitable's modified unbundling Program. While this Program may not be perfect, Equitable has taken the initiative to put forward this Customer Choice Program and it should be afforded the opportunity to succeed or fail. This decision is preferable to the alternative approach, which would be to reject Equitable's Customer Choice Program.

11-21-97
DATE

Robert K. Bloom
ROBERT K. BLOOM, VICE CHAIRMAN

BEFORE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

R-860351

PETITION FOR PERMISSION TO FILE)
TARIFF SUPPLEMENT ON LESS) Docket No. _____
THAN STATUTORY NOTICE PERIOD)

TO THE PENNSYLVANIA PUBLIC UTILITY COMMISSION:

Columbia Gas of Pennsylvania, Inc. ("Columbia") hereby petitions the Commission, pursuant to 52 Pa. Code §53.62, for permission to file a tariff supplement on less than the sixty day notice period specified in 66 Pa. C.S. §1308(a) and in 52 Pa. Code, §53.61, and, in support hereof, avers the following:

1. Columbia is a public utility operating entirely within the Commonwealth of Pennsylvania and provides natural gas service to the public in portions of the counties of Adams, Allegheny, Armstrong, Beaver, Bedford, Butler, Centre, Chester, Clarion, Clearfield, Elk, Fayette, Franklin, Fulton, Greene, Indiana, Jefferson, Lawrence, McKean, Mercer, Somerset, Venango, Warren, Washington, Westmoreland and York.

2. The names and addresses of Columbia's attorneys are as follows:

Thomas E. Morgan
Andrew J. Sonderman
P. O. Box 117
200 Civic Center Drive
Columbus, Ohio 43216-0117

Michael W. Gang
800 N. Third Street
Harrisburg, Pennsylvania 17102

3. Columbia requests that the Commission grant Columbia permission to file a Tariff Supplement to Columbia Gas

of Pennsylvania, Inc. Tariff Gas - Pa. P.U.C. No. 8, establishing an Experimental Special Agency Service (E.S.A.S.) Rate Schedule, to be effective on one's day notice, for a period of one year, subject to review and possible extension thereafter. The E.S.A.S. Rate Schedule would enable Columbia to acquire gas as agent for its eligible customers, applying an agency charge of $.05 per Mcf and charging its currently effective Rate DS charge of $.50 per Mcf. By virtue of this agency arrangement, Columbia should be able to obtain a higher priority of transportation on the pipeline system of Columbia Gas Transmission Corporation and Columbia Gulf Transmission Company under the first come-first served capacity allocation methodology of FERC Order No. 436.

4. Attached hereto, marked "Exhibit A" and incorporated herein by this reference, is the form of Tariff Supplement Columbia proposes to file to establish the E.S.A.S. Rate Schedule.

5. Permission should be granted as requested herein for the following reasons:

(a) On October 9, 1985, the Federal Energy Regulatory Commission issued Order No. 436 at Docket No. RM85-1-000, concerning "Regulation of Natural Gas Pipelines after Partial Wellhead Decontrol." In pertinent part, Order No. 436 provides for open, non-discriminatory access to transportation service by participating interstate pipelines, either pursuant to blanket certificates issued under §7 of the Natural Gas Act, or pursuant to self-implementing transactions under §311 of the Natural Gas Policy Act of 1978. Order No. 436 provides for the

allocation of transportation capacity among potential shippers on a first-come, first-served basis. FERC has subsequently issued Order Nos. 436-A and 436-B modifying and clarifying Order No. 436.

(b) On December 13, 1985, Columbia Gas Transmission Corporation ("Columbia Transmission") and Columbia Gulf Transmission Company ("Columbia Gulf") filed blanket certificate applications to provide the open, non-discriminatory transportation authorized under Order Nos. 436 and 436-A. During the transitional period from November 1 through the date of acceptance of the blanket certificates thus approved, Columbia Transmission and Columbia Gulf have been providing transportation service under arrangements instituted prior to October 9, 1985, and pursuant to new self-implementing transactions under §311 of the NGPA. On February 28, 1985, the FERC granted the respective applications of Columbia Transmission and Columbia Gulf.

(c) Because Columbia Transmission and Columbia Gulf are the only major interstate pipeline system serving the northeastern United States to have made application for blanket certification to perform open, non-discriminatory transportation service pursuant to the federal orders above referenced, and because of the cessation of transportation service previously being carried out by other interstate pipeline systems presently unwilling to accept the open, non-discriminatory access requirements, the pipeline systems of Columbia Transmission and Columbia Gulf have been operating at full capacity.

(d) Because of the unwillingness of other interstate pipeline systems to offer open, non-discriminatory transportation pursuant to Order Nos. 436, 436-A and 436-B, end users currently eligible for transportation service under Columbia's Rate DS (Delivery Service) may not be able to obtain interstate transportation of volumes of gas purchased by end users directly from producers through the systems of Columbia Transmission and Columbia Gulf. The inability to obtain such transportation service by such end users is producing, and will continue to produce, economic hardship for such customers, potential plant closings and resulting loss of jobs with attendant adverse impact on the local economy in Columbia's service areas. Moreover, Columbia's remaining customers will be detrimentally affected by Columbia's loss of transportation revenues no longer collected by Columbia under Rate Schedule DS. Under a settlement proposal submitted at FERC Docket No. RP86-14, et al, Columbia is likely to have a more favorable transportation priority than some of its end users may have. As explained later, until March 31, 1987, Columbia will be in a position to share a portion of its transportation priority on the systems of Columbia Transmission and Columbia Gulf with its end users, to avoid the detrimental effects on all its customers just described.

(e) The capacity limitations on interstate pipeline transportation facing Rate Schedule DS customers as a consequence of the first come-first served capacity allocation methodology, as well as the refusal to date of additional

interstate pipeline systems to adopt open, non-discriminatory transporter status under FERC Order No. 436, have unexpectedly and severely curtailed the ability of such end users to arrange for the redelivery of volumes purchased direct from suppliers in the interstate market for transportation and redelivery by Columbia. By virtue of the Experimental Special Agency Service Rate Schedule filed herewith, Columbia can use its more favorable access to interstate transportation capacity to deal with these extraordinary circumstances on an experimental basis. In so doing, Columbia will retain transportation revenues which will otherwise be lost to alternate fuels by maintaining existing transportation throughput.

(f) Within the last six weeks, there has been a precipitous decline of prices in the world crude oil market, with various grades of unrefined crudes declining by fifty percent or more. This rapidly changing world crude oil market has already been reflected in substantial reductions in the burner tip price of #6 residual fuel oil and #2 fuel oil. Columbia's ability to successfully compete with these sources of alternate fuels has been, and will continue to be, seriously jeopardized in the absence of expeditious approval of the E.S.A.S. Rate Schedule proposed herein. To the extent that existing customers under Rate DS leave Columbia's system to avail themselves of economic opportunities in the fuel oil spot market, Columbia's remaining customers lose the benefit of the transportation revenues which Columbia will no longer collect under Rate Schedule DS.

(g) Columbia proposes to implement Rate E.S.A.S.

on one day notice to avoid these undesirable results in the public interest. Rate E.S.A.S. is intended to serve customers who are currently unable to obtain transportation volumes at a delivered cost which is competitive with alternate fuels.

(h) Columbia proposes to arrange for the acquisition of gas as agent for such Rate DS customers. Each month, Columbia will determine, using its bid procedure, the sources of spot purchases and delivered prices of such supplies. Columbia will first purchase the lowest cost supplies for system supply up to level of volumes which Columbia's requirements will permit, after satisfying Columbia's seasonal commitment, pursuant to the settlement of Columbia Transmission's consolidated PGA cases at FERC Docket No. TA82-1-21, et al., to purchase volumes from Columbia Transmission. The settlement period runs through March 31, 1987. When additional higher cost spot supplies are available, Columbia will acquire such volumes as agent for end users and arrange for transportation. Columbia will charge, under Rate Schedule E.S.A.S., each end user the average amount paid to obtain delivery of all such higher cost additional spot purchases to Columbia's city gate, plus $.50/Mcf under Rate DS to transport the gas from the city gate to the customer. Columbia proposes to charge, under Rate Schedule E.S.A.S., such customers an additional agency fee of five cents ($.05) per Mcf for its services in arranging for all higher cost spot volumes acquired on behalf of the customer under Rate Schedule E.S.A.S. The agency fee net of any applicable taxes will be credited to the Gas Cost Recovery Component of Columbia's

rate for service to all retail customers. This will be accomplished by an adjustment to the "E" factor calculation of over/undercollections. Therefore, the proposed program will have no adverse impact upon jurisdictional customers, and will provide a benefit through the credit of the agency fees, net of taxes.

(i) Columbia proposes to execute an Agency Agreement (Appendix "B") with each Rate DS customer who seeks agency services under Rate E.S.A.S. Columbia emphasizes that service under Rate E.S.A.S. will be available only to existing Rate DS customers.

WHEREFORE, Columbia Gas of Pennsylvania, Inc. respectfully requests that the Commission grant it permission to file, on one day's notice, the Tariff Supplement attached hereto as Appendix A, instituting an Experimental Special Agency Service for all the reasons set forth herein.

COLUMBIA GAS OF PENNSYLVANIA, INC.

By: Alan P. Bowman

Alan P. Bowman
Vice President-Rates

Thomas E. Morgan
Andrew J. Sonderman
P. O. Box 117
200 Civic Center Drive
Columbus, Ohio 43216-0117

Michael W. Gang
800 North Third Street
Harrisburg, Pennsylvania 17102

Counsel for
Columbia Gas of Pennsylvania, Inc.

Dated: March 10, 1986

PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA. 17120

Public Meeting held February 1, 1990

Commissioners Present:

Bill Shane, Chairman
William H. Smith, Vice Chairman
Joseph Rhodes, Jr.
Frank Fischl
David W. Rolka, dissenting

The Columbia Gas of Pennsylvania, Inc.'s Establishment of the Special Agency Service Rate Schedule

R-891536

OPINION AND ORDER

BY THE COMMISSION:

On November 28, 1989, Columbia Gas of Pennsylvania, Inc. ("Columbia") filed a petition requesting permission to file a tariff supplement, on one day's notice, establishing its presently effective Rate Experimental Special Agency Service ("Rate ESAS") as a permanent rate schedule, Rate Special Agency Service ("Rate SAS").

On May 30, 1986, Docket No. R-860351, the Commission granted Columbia permission to file, on one day's notice, a tariff supplement to Tariff Gas-Pa. P.U.C. No. 8 offering, on an experimental basis (June 3, 1986 - June 3, 1987), Rate ESAS. Rate ESAS would allow Columbia to purchase gas for its eligible customers as an agent, and charge a 5¢/MCF agency fee in addition to the currently effective Rate DS - Delivery Service.

The one-year terms for Rate ESAS were then extended until June 1, 1988 and June 1, 1989, at the Commission Public Meetings of May 22, 1987, Docket No. R-870694 and May 26, 1988, Docket No. R-881002, respectively.

The last term approved for Rate ESAS, therefore, has expired. Meanwhile, Columbia has experienced sustained demand for this service and is expecting a continuing need to obtain transportation gas for end users on interstate pipelines. Columbia, therefore, is proposing making the Experimental Special Agency Service a permanent service.

With the exception of some language omissions for it to become permanent, the proposed Rate SAS is basically identical with the experimental Rate ESAS.

In support of its petition, Columbia has also made the following statements:

Columbia's SAS schedule was designed to permit Columbia to obtain interruptible transportation on long-line interstate pipelines as agent for end-users. Such interruptible transportation is made available to end-users only after Columbia has obtained transportation of volumes needed for system-supply purposes.

Columbia charges its customers 5¢ for each Mcf transported as a fee for the service of obtaining transportation of the gas. This agency fee is credited as a reduction to Columbia's purchased gas costs, thus reducing costs to all other customers.

The SAS customer must pay all transportation charges by interstate pipeline companies and must pay for transportation on Columbia's system.

From its inception in 1986, Columbia's customers have used the Special Agency Service to obtain transportation of gas on interstate pipeline companies. From May, 1988 to September, 1989 the total volume of gas transported pursuant to this service is 3,272,465 Dths.

Upon review of the petition, it does not appear that the tariff changes contained in the proposed Supplement to be filed are unreasonable, unlawful, unjust, or contrary to the public interest. This does not constitute a determination of the lawfulness, justness, and reasonableness of rates and service proposed. Rather, this is a determination that suspension or further investigation of the petition is not warranted at this time; THEREFORE,

IT IS ORDERED:

1. That Columbia Gas of Pennsylvania, Inc.'s petition requesting permission to file a tariff supplement, on one day's notice, to establish the Special Agency Rate Schedule is hereby granted.

2. That this Opinion and Order is without prejudice to any formal complaints timely filed against Columbia's proposed tariff revisions.

BY THE COMMISSION,

Jerry Rich
Secretary

(SEAL)

ORDER ADOPTED: February 1, 1990

ORDER ENTERED: February 2, 1990

PENNSYLVANIA PUBLIC UTILITY COMMISSION
Harrisburg, PA 17105-3265

Public Meeting held July 10, 1997

Commissioners Present:
John M. Quain, Chairman
Robert K. Bloom, Vice-Chairman
John Hanger
David W. Rolka
Nora Mead Brownell

Final Order Re: Guidelines for Maintaining Customer Services at the Same Level of Quality Pursuant to 66 Pa. C.S. §2807(D), and Assuring Conformance with 52 Pa. Code Chapter 56 Pursuant to 66 Pa. C.S. §2809(E) and (F).

Docket No. M-00960890 F. 0011

ORDER

BY THE COMMISSION:

On April 25, 1997, the Commission issued a Tentative Order which proposed guidelines for maintaining customer services at the same level of quality under retail competition, and for assuring conformance with the standards and billing practices for residential service at 52 Pa. Code, Chapter 56. The Tentative Order established a comment period ending May 14, 1997, and solicited public comment in regard to the proposed guidelines. At the request of the Pennsylvania Electric Association (PEA) the comment period was extended to May 29, 1997. Thirteen parties provided comments to these proposed guidelines. A list of the names of those submitting comments is attached to this order as Appendix A.

The Commission appreciates the response it received and thanks all parties who submitted comments. The instant order presents a guideline-by-guideline summary of the comments. The proposed guidelines from the Tentative Order, edited to make the language more directive, are used as headings. Any substantive changes to a guideline as a result of consideration of the comments are discussed immediately following the summary of comments for that guideline. The final guidelines as revised pursuant to the discussion in the instant order appear in Appendix B to this order. Comments responding to questions and issues raised by individual Commissioners in their Statements are presented and discussed under the appropriate guideline.

Proposed Guidelines for Maintaining Customer Services at the Same Level of Quality Pursuant to 66 Pa. C.S. §2807(D), and Assuring Conformance with 52 Pa. Code Chapter 56 Pursuant to 66 Pa. C.S. §2809(E) and (F).

Summary of Comments:

Several parties made general comments about the guidelines. ***Enron Power Marketing, Inc. (Enron)*** believes that, as Commissioner Robert K. Bloom specifically requested in his separate statement, the policy "guidelines" produced by the Commission as part of this document, should be made specific directives to which the EDCs are required to comply before the first phase of direct access begins in January 1999. ***Pennsylvania Power Company (Penn Power)*** supports the comments of the ***Pennsylvania Electric Association (PEA)*** in this docket. Penn Power believes that many of the provisions of the Tentative Order presuppose the finding in other pending dockets, e.g., metering, quality of service benchmarks, etc. In addition, the duplication of effort and potential inconsistencies with these other proceedings will inevitably lead to confusion by utilities, suppliers and customers. Before final adoption of an order in this docket, the Commission should carefully review whether it needs to create each specific guideline rather than allow the appropriate working group to resolve the issues in a more deliberate and complete manner. ***The Office of Consumer Advocate (OCA)*** states that the Commission's current approach is a practical response to the deadline associated with utility-specific restructuring filings that have already been initiated. The ***OCA*** supports this approach and endorses the reliance on Chapter 56 as the definition of those consumer rights and protections applicable to residential customers in a competitive market. ***Pennsylvania Utility Law Project*** *(PULP)* expresses support for the product as a whole and its goals.

Discussion of Comments:

Regarding comments by Enron and Penn Power, we wish to reiterate our view of these guidelines. As stated in the Tentative Order, the guidelines are intended to assist

the parties in the preparation, litigation and resolution of the Restructuring Filings of each utility by setting forth the Commission's current views regarding how certain issues should be addressed in the restructuring process. It is our intention that the guidelines in this order will be consistent with guidelines resulting from other proceedings. Where appropriate the guidelines contain a cross-reference to other orders, rulemakings, etc. The guidelines are intended to enable the parties to more efficiently focus on the relevant factual determinations necessary to comply with the Electricity Generation Customer Choice and Competition Act (Act). Therefore, we will retain the "guideline" approach for use by parties in discussions of these issues in the context of each company's case.

I. Statutory Requirement

The following general statutory requirements of the Act apply to the types of utility/supplier/customer interactions that will occur under retail competition:

A. Electric Distribution Companies (EDC), Generation Suppliers, Brokers, Marketers and Aggregators must abide by the Standards and Billing Practices for Residential Utility Service at 52 Pa. Code, Chapter 56. 66 Pa. C.S. §2807(D) for Electric Distribution Companies; 66 Pa. C.S. §2809(B) and (E) for Electric Generation Suppliers, and 66 Pa. C.S. §2809(F) for Brokers, Marketers or Aggregators. As retail competition unfolds, some waivers of specific sections of the Chapter 56 regulations may be necessary. Absent a Commission waiver, all parties are required by the Act to apply the Chapter 56 standards when they engage in an activity covered by these standards. Therefore, all practices, procedures, policies, and written material developed for the purpose of engaging in an activity covered by the Chapter 56 standards must comply with these residential service regulations.

Summary of Comments:

The ***OCA, PULP, Pennsylvania Electric Company and Metropolitan Edison Company (GPU), PECO Energy Company (PECO), and Pennsylvania Power & Light Company (PP&L)*** generally agree that some waivers of Chapter 56 may be necessary. However, these parties recommend the Commission use caution, to maintain the necessary consumer protections. ***PULP*** also states that it would be beneficial for the Commission to emphasize that any party who requests a waiver has the burden of demonstrating its necessity by clear and convincing evidence; and that the waivers would be granted only under the most extraordinary of circumstances. The ***OCA*** has a concern that the waiver process not be used as a substitute for generic rulemaking. The

Commission should not do in individual proceedings what it cannot do without public notice and compliance with the procedural requirements applicable to change in the current rules. The ***OCA*** supports Commissioner Hanger's observation, "Interested parties should note that non-compliance or waivers from compliance with Chapter 56 will only be considered to the extent that the protection is inapplicable to the service in question." ***PP&L*** states that any waiver must be applied to all parties to ensure fairness and to ensure that customer treatment is consistent.

Enron on the other hand argues that the Commission's application of customer service standards established in Chapter 56 or otherwise must be applied flexibly. ***Enron*** believes that the Commission should establish specific and expedited "waiver" procedures to permit the implementation of alternative customer service rules when necessary to respond to the special circumstances presented by the competitive market. ***Enron*** states that the same provision in the statutory language which establishes a Commission requirement that Chapter 56 standards "be maintained," also provides the Commission with the authority to "forebear from applying requirements of this part which the Commission determines are unnecessary due to competition of electric generation suppliers." ***Enron*** recommends the Commission clarify that waivers of Chapter 56 will be entertained to accommodate the dynamic competitive market and that an expedited waiver or forbearance process will be utilized.

Discussion of Comments:

With regard to the concerns expressed by parties about waivers of Chapter 56 standards, we are satisfied that the current procedures for application for waivers adequately balance these concerns. See 52 Pa. Code §5.43. Therefore, we will not initiate any action at this time to alter these procedures. Concerning Enron's point that the Commission's application of customer service standards must be applied "flexibly," we believe this concern is adequately addressed by the requirement at 52 Pa. Code §56.1 that Chapter 56 ". . . be liberally construed to fulfill its purpose and policy and to insure justice for all concerned." Accordingly, except for minor editing, no substantive changes to the proposed guideline have been made.

B. Customer services must, at a minimum, be maintained at the same level of quality under retail competition. 66 Pa. C.S. §2807(D) and 2809(E). If the Commission waives a provision of Chapter 56, and then alters it through the appropriate process, the new standards or procedures resulting from such action will maintain the same level of quality of customer services.

Summary of Comments:

GPU, UGI Utilities, Inc.- Electric Division (UGI Electric), and PP&L generally agree that current service levels must be maintained. ***Enron*** states that the Commission has obvious and legitimate interest in establishing procedures to assure that current levels of customer service are not diminished by the advent of competition. ***UGI Utilities, Inc.- Gas Division (UGI Gas)*** asks how the "same level of quality" has been quantified and monitored in the past. Without benchmarks, what is used to determine a "level of quality?" ***UGI Gas*** further states that, although there is a Tentative Order relating to quality of service [Docket No. M-00960890 F. 0007], certain data may be unattainable given the timeline established by the Act. Since "level of quality" has been largely a subjective measure, ***UGI Gas*** believes standards should not be promulgated but the marketplace should be allowed to determine what standards are necessary.

Discussion of Comments:

This guideline will remain substantially the same in final form as proposed in the Tentative Order. While we recognize there may be some merit in the concerns expressed by UGI Gas about determining level of quality of service, we disagree with UGI's characterization that level of quality is largely a subjective measure. We believe the data on selected service elements that come from the proceeding relative to quality of service benchmarks will enable the Commission to establish, with a reasonable degree of accuracy, the level of quality of service prior to competition. Regarding the specific Chapter 56 residential service standards, the history of application by fixed utilities since 1978 of the detailed Chapter 56 standards reflects a level of quality of customer service functions that the Act both recognizes and mandates be maintained. The guidelines in the instant order are intended to maintain customer services at the same level of quality by aiding all parties in the development of policies and procedures which comply with Chapter 56. If all parties implement practices which conform with Chapter 56 when they engage in an activity covered by these residential service standards, then customer services under retail competition will be maintained, at a minimum, at the same level of quality. We also disagree with UGI's suggestion that the marketplace, rather than this regulatory agency, determine the necessary quality of service standards. The Commission intends to fulfill its oversight responsibilities by developing interim quality of service standards at Docket No. M-00960890 f. 0007, and then initiating a rulemaking to set permanent quality of service standards.

C. The Electric Distribution Companies currently have the "Obligation to Serve." 66 Pa. C.S. §2807(E). For residential customers, this means that during the "transition" or "phase-in" period at §2807(E)(2), they can obtain supply from the EDC or Commission-approved alternative supplier

if they are unable to purchase, or choose to not purchase, supply from a competitive supplier. See also 66 Pa. C.S. §2807(E)(3) and (4). Therefore, until the Commission promulgates regulations pursuant to §2807(E)(2), the EDC shall continue to physically connect and disconnect service.

Summary of Comments:

GPU believes the Commission's interpretation of Section 2807(E) in the Tentative Order is somewhat ambiguous, and can be interpreted as stating that during the transition period, suppliers can perform distribution functions. Such an interpretation is contrary to the terms of the Act. ***GPU*** believes the Act mandates that the EDC continue to have the full obligation to serve both during and after the transition period to competition. Suppliers cannot perform distribution functions, but can only offer competitive generation. ***PP&L*** states that as long as the EDCs have an obligation to serve and are the supplier of last resort, they must continue to physically connect and disconnect service.

Discussion of Comments:

We do not agree with GPU's view that the Act mandates that the EDC continue to have the full obligation to serve after the transition period to competition. Section 2807(E)(2) explicitly directs the Commission to promulgate regulations to define the EDCs' obligation to connect and deliver and acquire electricity that will exist at the end of the phase-in period. However, the instant order need not resolve this interpretational issue since the sole intent of the guideline in question is to clarify that the EDCs currently have this responsibility to serve and, therefore, must continue to physically connect and disconnect service. Accordingly, we have retained this guideline as proposed.

II. Options For Determining Which Entity Performs Customer Service Functions

The restructuring process shall consider the following two options for determining the level of interaction that each entity may engage in under retail competition relative to specific residential service activities. These options are potentially inclusive in the sense that a restructured EDC be able to implement either, possibly both, with suppliers. The options are summarized as follows:

A. Utility restructuring plans shall demonstrate the Electric Distribution Company's ability to continue to provide customer service functions or activities requiring application of the Chapter 56 residential service standards. The primary basis for this option is 66 Pa. C.S. §2807(D) which

provides that the EDC, ". . . shall continue to provide customer service functions consistent with the regulations of the Commission, including meter reading, complaint resolution and collections." Section 2807(D) further states, "Customer services shall, at a minimum, be maintained at the same level of quality under retail competition."

Summary of Comments:

PULP believes that the Commission should specifically charge the Commission's Bureau of Consumer Services (BCS) with the responsibility to monitor all customer service protocols developed between suppliers and EDCs and to monitor future customer interactions to ensure conformity to Chapter 56. In ***PULP's*** view, consistency of policy may also be achieved by the establishment of a statewide advisory committee, appointed by the Commission and made up of consumers, suppliers, and EDC representatives, to review the actual implementation of all procedures in assuring that the quality of service is maintained pursuant to Chapter 56. ***PEA*** and its member companies submit that option II. A. above, is the only option authorized by the Act. They argue that Section 2807(D) is clear that the EDC shall continue to provide customer service functions consistent with the regulations of the Commission, including meter reading, complaint resolution and collection. This section ensures that customer service functions shall remain with the EDCs.

Discussion of Comments:

Concerning PULP's suggestion that the Commission specifically charge the BCS to monitor customer service protocols and interactions, we believe the statute at 66 Pa. C.S.A. §308(d) provides appropriate monitoring and reporting by the BCS of matters brought to its attention by consumer complaints. Nor do we see the need to establish a statewide advisory committee. If, in the future, the Commission determines there is a need for parties to get together to review implementation of customer services procedures, we will address this need as deemed appropriate, perhaps through the creation of a working group made up of all interested parties. Accordingly, we will retain this guideline as proposed.

B. Utility restructuring plans should provide for the contingency of allowing suppliers to (1) render, at the customer's request a consolidated bill that includes both EDC and supplier charges, and (2) engage in complaint handling. Provision of these customer service functions by a supplier is dependent on the supplier's ability to conform with Commission regulations and guidelines applicable to these customer service functions. The Commission intends that the supplier's performance will, at a

minimum, maintain the same level of quality of customer services. The statutory bases for this option are 66 Pa. C.S. §2803 (which defines Electric Generation Supplier to include brokers, marketers, and aggregators and recognizes that suppliers may engage in "related services"), 66 Pa. C.S. §2804(3) (relating to authority of Commission to unbundle other services), and 66 Pa. C.S. §2809(E) (relating to form of regulation of electric generation suppliers).

Summary of Comments:

Extensive comments were made regarding this guideline. ***Columbia Gas of Pennsylvania, Inc. (Columbia), Duquesne Light (Duquesne), PEA, UGI Gas, UGI Electric, PECO,*** and ***PP&L*** believe the Act specifically provides two billing options and does not provide for a third billing option. ***PEA*** and ***PECO*** do not believe that the reference in the legislation that the Commission may unbundle other services is sufficient to override the directive in the Act that the customer service functions are to remain with the EDCs and that the EDCs must continue to maintain its existing level of customer service. ***PEA*** further states that the reference in the Act that the Commission may unbundle other services is not specific enough to alter the clear language of the Act about the available billing options. ***UGI Gas*** finds it peculiar that through the entire Tentative Order, limited discussion or consideration has been given to the one key item which makes the provision of quality of customer services possible, the utility customer information system. ***UGI Gas*** notes that each year EDCs spend tens of millions of dollars in the development, support and maintenance of these systems. Customer information systems are the critical backbone to providing the one-to-one interface between a utility and its customers. Changes to these systems, such as those which will be required to implement the new paradigm of customer supplier choice, will, in ***UGI Gas***' view, require significant time and investment and, for certain utilities, may require the purchase of entirely new systems.

UGI Gas further notes that there are several areas of concern contained within this order which, if adopted, will require the expenditure of millions of dollars in additional information system costs, and potentially, make it impossible for some utilities to meet the customer choice deadlines established by the Act. Of most serious concern are: 1) coordinated communications between EDCs, multiple suppliers, and several hundred thousand customers, 2) allowing a supplier to provide a consolidated bill, and 3) application of Chapter 56 to receivables purchased from suppliers. ***UGI Gas*** believes that options beyond those stated in the Act are best addressed and offered by each EDC as these options can accurately be evaluated for cost and implementation timeline impacts. Investments of $20/50 million dollars and implementation timelines averaging three years are not uncommon for the development of information systems.

PP&L also points out that EDCs have made substantial investments to develop their billing systems; the cost to develop and maintain these systems still exists. ***PP&L*** argues that allowing competitive firms to provide consolidated billing could make it impossible for EDCs to recover these investments. Such a result could drive up the costs for consumers and create redundant billing capabilities for the EDCs and the suppliers. ***PP&L*** further comments that permitting suppliers to render consolidated bills would require that the EDC develop and maintain interfaces to computer systems of many suppliers.

PULP supports the thrust of these guidelines. However, ***PULP*** believes that flexibility and variations in contractual relationships may lead to consumer confusion, inconsistency of treatment, and ultimately unchecked abusive consumer treatment. ***PULP*** states that in no event should the use of separate bills be employed as a method to prorate the residential consumer payment thus causing greater levels of service termination.

GPU strongly disagrees that customer service functions such as processing applications for service and customer billing should be opened to competition. ***GPU*** states that opening customer service functions to competition at this time would undoubtedly result in a reduction of customer service levels, which is strictly prohibited by the Act and would not be in the best interests of customers. ***GPU*** believes that to assure that customer service levels are maintained, all customer service functions should remain the responsibility of the EDC. Moreover, ***GPU*** believes the Act places responsibility for the provision of customer service functions solely on the EDC. Section 2807(D) provides that the EDC "shall continue to provide customer service functions consistent with the regulations of the Commission." Nowhere does the Act grant similar authority to suppliers for the performance of customer service functions. ***GPU*** further states that neither courts nor administrative agencies can add provisions to a statute through interpretation that the legislature did not see fit to include. Also, practical considerations also mandate that the EDC continue to provide customer service functions, including meter reading, billing, complaint resolution and collections. ***GPU*** believes its knowledge and experience puts them in the best position to respond to customer service issues quickly, efficiently and cost-effective. Also, a customer may have multiple suppliers over time, and may have more than one supplier at the same time, but the EDC, performing all distribution functions, will always have a relationship with the customer. EDCs will also have working relationships with all suppliers. Consequently, ***GPU*** believes from a legal and practical standpoint, EDCs should continue to provide all customer service functions.

The ***OCA*** recommends that the Commission continue to explore whether to permit consumers to have the option of receiving a consolidated bill from their supplier. There

are numerous issues that need to be addressed before this option is approved. One issue is the collection of intangible transition charges (ITC) by the EDC (§2812(G)). In addition, a consolidated bill, issued by the supplier will carry with it the obligation to receive, investigate and respond to customer complaints about that bill.

Enron believes that the Commission's actions should use several seminal principles as guides. First, every aspect of the implementation should open the markets for electricity and associated products as fully and as quickly as possible. In this regard, the Commission's tentative decision to direct that three billing options be available from each EDC, including the option that a customer could receive one bill and all associated services from a supplier via a "supplier single bill option," is consistent with this requirement and absolutely essential if the benefits of competition will be realized to the fullest extent possible. Second, wherever possible, the Commission should look to the competitive markets to provide "market solutions" to customer service and billing issues, rather than imposing regulatory solutions. ***Enron***'s suggestion that EDCs and suppliers be directed to implement "interconnection agreements" that would set forth the specific procedure by which the two entities would interact, deal with mutual customer issues and implement the Commission's "three option" billing proposal would advance this goal. ***Enron*** cannot emphasize enough the critical nature of allowing customers to choose to receive a single bill from the supplier. Permitting a single bill is one of the primary means of adding value to generation supply services, and will be a valuable and necessary stimulant to marketplace development. Of all the many issues encountered by the Commission in implementing the Act, none is more important to meaningful market development than permitting customer choice for a single bill option.

Discussion of Comments:

Regarding the legal interpretational issues raised in comments about this guideline, we simply disagree with the conclusions reached that only EDCs can provide these customer service functions. We submit that there is nothing in the Act that would prohibit the supplier single bill option and supplier complaint handling. Although §2807(C) recognizes that the EDC "may be" responsible for the billing of all electric services, there is nothing in this passive provision or anywhere else in the Act that makes the EDCs the exclusive providers of these customer service functions.

We believe that the Act's reference to the EDC's responsibility to provide customer service functions under §2807(D) is intended to maintain the status quo and is merely a reflection that the EDC must stand ready to provide these customer service functions. However, concerning the two specific customer service functions at issue; namely, billing and complaint resolution, we do not read this provision or any other provision of the Act as excluding suppliers from providing these functions. In fact, we believe this

interpretation is consistent with the declared policy of the Act to create a competitive market for the generation of electricity.

Concerning the practical concerns and considerations raised by parties about this guideline, we are not indifferent to any of these concerns. While several parties correctly note that there are costs associated with developing information systems which allow for the contingency of the supplier single bill option and supplier complaint handling, we agree with ***OCA*** that such costs should be addressed in the Restructuring Filing of each utility, just as other issues pertaining to this option can be addressed. Clearly, with or without the third billing option, changes to information systems are necessary to accommodate the requirements of the Act. We do not believe the obstacles involved are insurmountable. We note, for example, that the water industry has for years exchanged usage and billing information with sewer authorities. In at least one case, a major water utility has over a hundred sewer billing agreements. We also recognize that questions of both costs and timelines for adapting information systems differ for each utility. However, we take exception to UGI Gas' speculation that the imposition of these guidelines has the potential to render many of today's information systems obsolete. As recently as our Public Meeting of June 12, 1997, we approved National Fuel Gas' (NFG) Tariff Supplement [R-00973974] which will enable NFG to implement a pilot program, known as Energy Select, for approximately 19,000 residential and small commercial retail customers. Beginning September 1997, these customers will not only receive supply from someone other than NFG, but will also receive a single bill from the supplier that contains NFG and supplier charges. NFG, however, will continue to perform the meter reading function. In other terms, NFG will alter its billing practices in three months time to accommodate exchange of usage and billing data with multiple suppliers. We question whether NFG's information system differs that significantly from other utilities' systems in its ability to adapt to multiple billing and data sharing arrangements. As stated previously, however, the intent of this guideline is to aid parties in framing the discussion of the issue in the Restructuring Filing of each utility.

We believe the central question relating to this guideline is: Will small consumers be more likely to benefit sooner from competitive markets for the provision of electric services by retaining the option in this guideline? It is our view that market development to this set of consumers is more likely if, as stated by the OCA, we continue to explore this option. While this deliberate approach may not be satisfactory to the parties who believe this option should be available immediately to customers, we believe an approach that initially focuses on implementation of the two billing options explicitly set forth at §2807(C) is necessary to maintain customer services functions at current levels of quality as required at §2807(D). Accordingly, we have retained this guideline in the final order so that all parties may continue to explore, in the context the Restructuring Filing of each utility, the contingency set forth in this guideline.

III. List of Types of Utility/Supplier/Residential Customer Interactions

The following list constitutes the types of interactions that involve residential customers and relate to the Chapter 56 service standards:

A. Consumer Information
B. Consumer Education
C. Application for Initiation or Connection of Service (New Connects)
D. Credit Determinations
E. Selecting a Supplier
F. Deposits
G. Metering/Meter Reading
H. Billing (Rendering Bills/Payment of Bills)
I. Complaint Resolution
J. Service Interruptions and Outages
K. Requests to Discontinue Service
L. Termination/Payment Agreements
M. Provider of Last Resort
N. Restoration or Reconnection of Service

A. Consumer Information

The interim customer information requirements relating to implementation of Sections 2807(C) and (D)(2) that result from the order at Docket No. M-00960890 F. 0008 should be reflected in the operations of the EDC and/or suppliers at the end of the restructuring process, according to the specific type of interaction, the need to provide customer information, and whether the EDC or Supplier, or both, provides the information.

Summary of Comments:

PULP believes that the use of flexibility as a result of differing contractual relationships must also lead to increased review by the Commission of the disclosures and explanations provided to the consumer. ***GPU*** advocates the application of the Commission's plain language policy to all material produced by EDCs and suppliers. The plain language guidelines should be applied to all contracts for service and marketing activities. ***GPU*** also advocates that the customer's bill contain a standard pricing unit (such as kwh), as well as listing transmission charges, distribution charges and generation charges on the first page of the customer's bill. ***Duquesne*** notes that there are numerous operational complexities surrounding the billing format, information and data sharing

issues covered in the Tentative Order on Customer Information [M-00960890 f. 0008]. ***Duquesne*** recommends that consideration for these complexities should be given to both utilities and suppliers by providing adequate time to implement system enhancements. ***PECO*** comments that the customer interaction processes developed between the EDC and suppliers are extremely important and will be vital to the smooth transition to customer choice. They believe that it is difficult at this time to provide details about every step of the interactions because many of the details require negotiation between the various suppliers and EDCs. ***PECO*** believes that it is appropriate to set guidelines for interactions to ensure that compliance with the Commission's regulations is achieved. It is not possible to set guidelines or rules on the details of each interaction. ***PECO*** agrees with the Commission's objective to allow for "flexibility in the restructured environment so that relationships among the EDCs and suppliers and their respective communication among customers can be developed in a manner that best responds to the needs of residential customers. . .."

Discussion of Comments:

We will retain the broad guideline relating to Customer Information in the instant order. This broad guideline instructs parties to develop operations which reflect adherence to the Interim Requirements contained in the Customer Information Order at Docket No. M-00960890 F. 0008. Regarding the general concerns noted in the above summary of comments about plain language, standard terms, system enhancements for data sharing, and EDC/suppler interactions, we believe these will be appropriately considered and addressed in the Interim Requirements contained in the previously noted Customer Information Order.

B. Consumer Education

The Commission's Bureau of Public Liaison (BPL) is the lead bureau for the Consumer Education Working Group. That Group is developing recommendations on the implementation of Section 2807(D)(3) relating to consumer education. The work product of that group is intended to be implemented by the EDC prior to implementation of any restructuring plan. Additionally, since the need for consumer education relates to all types of interactions between residential consumers and the other entities, BPL staff have been reviewing the work product of other Work Groups to provide recommendations relating to consumer education.

Summary of Comments:

PP&L supports assignments of the Commission's Bureau of Public Liaison as the lead bureau for consumer education on customer choice.

Discussion of Comments:

We believe consumer education is extremely important during the period of change to electric competition. In the context of the instant order, the intent of the guideline relating to consumer education, while stated in very general terms, is that efforts of the EDCs in educating consumers be consistent with the work product of the Consumer Education Working Group. We will retain the guideline and encourage continued participation by EDCs and other interested parties in the Consumer Education Working Group.

C. Application for Initiation or Connection of Residential Service

The utility restructuring process should include procedures for the EDC to continue to handle applications for new residential service, including the actual physical connection of service as required at §2807(E)(1). The procedures should guarantee that all suppliers receive uniform treatment by the EDC relative to the applicant's selection of a supplier. The procedures should conform to applicable guidelines or requirements that result from the work product of the Competitive Safeguards Working Group. Some applicants will know their choice of supplier at the time of application. Other applicants may require a list that contains an objective, unbiased presentation of available suppliers. The EDC will need to provide all suppliers simultaneously with a list of customers for telephone solicitation, unless the customer indicates they do not want to be contacted in this manner. The EDC restructuring plans should contain procedures to handle these likely scenarios. The procedures should also include a method for providing an applicant, if necessary, with default supply for a short time until they choose a long-term supplier.

We recognize that a policy may be needed which contains the specific requirements that need to be met if a supplier is allowed to handle applications for new service, including (1) compliance with Chapter 56, (2) maintaining, at a minimum, the level of quality of service an applicant receives from the EDC, and (3) the technical issues that must be addressed such as timely information exchange and coordination of scheduling. The need for timely information exchange and coordination of scheduling is

important since, pursuant to §2807(E)(1), the EDC will still perform the physical connection.

Summary of Comments:

Columbia, GPU, Peoples Natural Gas Company (Peoples), Duquesne, PEA, PECO, PP&L believe the responsibility for processing applications for service should remain with the EDC. ***GPU*** further states that from both legal and customer service perspectives, the EDCs should retain responsibility for the processing of applications for new service and establishing service since they are customer service functions performed as part of an EDC's obligation to serve. Customer service levels would most likely decline by adding a third party into a streamlined process. ***GPU***, through the application process, ensures that the customer understand the requirements necessary for new service (Act 222, inspections and right-of-way information). The potential for erroneous information, miscommunications and customer dissatisfaction all increase if suppliers are allowed to accept and process applications. If a supplier is contacted directly by a customer to make applications for service, the potential for anti-competitive activities may increase.

Peoples suggest a procedure which would require suppliers to provide potential customers with a listing of the names, addresses and phone numbers of the EDCs in the area and the applicants would be responsible for initiating the process with the affected utility. ***Duquesne*** believes that applications for service can only be made between the two contracting parties since they are legally binding contracts. ***Duquesne*** also points out that the EDC must ensure that the residence is connected to the power grid, that resources are available to make the connection and to assure supply, and checks to determine if the request is a new application or a transfer of service. ***Duquesne*** suggests "one call" to the EDC to establish the contract for service and the supplier that the customer chooses.

PECO states that since a customer is agreeing to be responsible for and to pay for the service used, the EDC cannot initiate service without receiving authorization directly from the customer. The ***OCA*** states that for the near term it seems more appropriate to separate the application for service when connection or reconnection to the grid is required. In the opinion of the ***OCA***, a customer initiating entirely new service should apply to the EDC for access to the grid, compliance with line extension rules, installation of meter, etc. In the future the application function may also be handled by suppliers with implementation by EDCs.

PEA believes it is essential that there be direct contact between the customer and the EDC to avoid "slamming," to ensure that account and billing responsibility have been properly assigned, and to ensure the proper scheduling of the physical connection of

service. ***PEA*** is also concerned that absent direct contact between the EDC and applicants, the EDC's credit determination procedure could be disrupted. The EDC will provide the customer with an objective presentation of available suppliers thereby fostering one of the key goals of the Act, the opportunity to make a rational, informed choice among competitive suppliers.

PP&L further states that suppliers would not have access to the relevant EDC information, such as workload and schedules. There may be unique requirements for new service about metering or other infrastructure requirements that must be met before service can be safely provided. As long as the EDCs continue to act as the provider of last resort and maintain the "obligation to serve," they must continue to handle requests for new service. Allowing suppliers to accept request for new service requires the EDCs to maintain interfaces to many suppliers. The additional costs that would be incurred to develop and maintain these systems may not be recouped and would ultimately drive up the costs to the customers.

PULP states that all applications for initiation or connection of residential service must be subject to Chapter 56. ***PULP*** states that the Commission must emphasize that suppliers, as well as EDCs, are required to connect and provide service to all who meet credit standards under Chapter 56. No redlining, or other subtle forms of discrimination are to be tolerated. The Commission should clearly and directly state that conformity to Chapter 56 and the Act requires a supplier to accept for service all residential applicants qualified under Chapter 56. Electric competition cannot mean that a supplier can hand pick the customer to be served.

Enron comments that supplier should be able to accept orders for service from customers and, upon the establishment of agency agreement with the customer, assure the initiation of service at the customer's location. They believe the Act (§2807(E)(1)) does not mandate that only the EDC can provide "connection to the customer." That provision requires the EDC to continue to offer such a type of service while the EDC continues to have a "full obligation to serve." ***Enron*** believes that, at present, an acceptable option for the initiation of services is to permit suppliers to take such orders and to act as the agent liaison with the EDC to affect the actual physical connection of service. Where actual physical disconnection of service or disabling of the meter is not done, however, there is no need or requirement that the EDC be the primary agent, other than to accept billing information on the change.

UGI Electric believes that customers should contact both the EDC and the supplier of choice to establish service. Neither the EDC nor the supplier should establish service with the customer for the other as this may lead to added confusion and potential for "slamming." Customers should be required, in all cases, to contact the EDC before

electric service can be established in their name. Suppliers lack the construction and engineering expertise necessary to establish these services and make the physical connections. Scheduling conflicts will arise. Each EDC has specific construction standards and requirements that are unique to their service areas and must be followed. Lack of local knowledge by the supplier, who attempts to provide new service installations, will invariably cause costly delays for the customer and lead to his dissatisfaction with the EDCs, supplier, and the Commission. It is important that EDCs talk with each customer establishing service to determine the credit worthiness of the customer. ***UGI Electric*** indicates that the EDC is responsible for termination of service due to nonpayment. Unlike the EDC, a supplier can stop supplying generation at any time with little or no consequence under the law or subsequent regulation. In addition, all collection costs and regulatory requirements are directed towards the activities and responsibilities of the EDC. ***UGI Electric*** feels the EDC is the supplier of last resort for customers who leave or lose their generation supplier for any reason. As a result, the EDC assumes greater risks and responsibilities, and therefore, should be able to establish the credit worthiness of the customer it is going to serve. EDCs should be prepared to provide new customer applicants with service on an interim basis until they choose a long-term supplier. Under the Act (§2807(E)(3)) the EDC shall acquire electric energy at prevailing market prices to service these customers and shall be permitted to recover fully all costs associated with this electric energy including reasonable administrative fees.

PEA is generally opposed to a requirement that customer information be divulged outside the company. However, due to the phase-in process, some mechanism will need to be in place to identify for suppliers those customers who will be eligible to choose. Any disclosure of customer names must be done only after having obtained customer consent to alleviate concerns of customer confidentiality. The ***PEA*** companies believe that the Act requires EDCs to be prepared to provide new applicants with supply on an interim basis until they select a supplier. They would caution against a requirement that a "short" period be established. They are concerned that a customer may be rushed into making a less-than-fully informed choice of supplier. The customer should be permitted to make this choice on his or her time schedule, unhurried by an arbitrary, Commission-set deadline.

Peoples is also concerned with the Commission's proposal to provide all suppliers with a list of names, addresses and telephone numbers of customers who are eligible for choice, unless the customer indicates they do not want to have this information released. They believe it will be administratively burdensome for the utility to continually monitor customer lists to ensure that only proper information is released to suppliers.

PP&L agrees with the Commission that the EDC will need to provide the list of all suppliers simultaneously to customers. The EDC also should guarantee that all suppliers receive uniform treatment by the EDC relative to the applicant's selection of a supplier.

Discussion of Comments:

We will retain this guideline with some modification. As with the guidelines on Customer Information and Consumer Education, this guideline on Application for Initiation or Connection of Residential Service is broad and cross-references work products from other work groups. Essentially, the guideline directs parties to conform to applicable guidelines or requirements that result from the work product of the Competitive Safeguards Working Group, and the Customer Information and Billing Work Group (Docket No. M-00960890 F. 0008). We believe the work product of these two groups will address the concerns summarized above relative to privacy of customer information, uniform presentation of information, and prevention of anti-competitive activities. To address the concern raised by PEA about the phrase "short time" in the guideline, we have changed the language to indicate that EDC procedures should include a method for providing an applicant, if necessary, with supply on an interim basis until they choose a long-term supplier. The final wording of this guideline retains the directive that EDCs include in their restructuring filings procedures to continue to receive and process applications for new residential service, including the actual physical connection of customers. We have also retained the portion of the guideline that recognizes that a policy may be needed relative to suppliers handling applications for new service. We are retaining this portion of the guideline so that EDCs include this possibility in any future considerations about changing information-based technology. Our current thinking is that we will not revisit this possible option of suppliers handling applications for new residential service until the Commission promulgates regulations pursuant to §2807(E)(2). Finally, in regard to the recommendation by PULP that the guideline "clearly and directly state that conformity to Chapter 56 and the Act requires a supplier to accept for service all residential applicants qualified under Chapter 56," we have not accepted this recommendation. While we agree that suppliers must apply uniform application standards which comply with Chapter 56 to applicants who meet the suppliers load criteria, we do not agree that suppliers must apply these uniform standards to applicants who do not meet the suppliers load criteria.

D. Credit Determinations

Suppliers are expected to treat all residential applicants who meet its load criteria in a uniform manner according to the applicable Chapter 56 standards. Suppliers must abide by the same rules regarding credit determinations that the EDCs must abide by so that there is a level playing

field. The statute at Sections 2809(E) and (F) is clear that suppliers are to follow Chapter 56 and that includes the credit standards. If suppliers do not have to apply the Chapter 56 credit standards, then some geographic areas and neighborhoods may be identified and treated as poor risk. This may result in complaints to the Commission from low-income consumers who are turned down by suppliers despite their ability to pass the Chapter 56 credit test. Such complaints would be contrary to §2802(10) which requires that the Commonwealth must, at a minimum, continue the protections, policies and services that now assist customers who are low-income to afford electric service. Moreover, credit differences between EDCs and suppliers will work to deny credit-risky customers, regardless of location, the opportunity to fully participate in the market for competitive generation services, effectively depriving them of the competitive choices the Act is intended to provide. Suppliers applying the Chapter 56 credit standards can protect themselves the same way the EDCs do by requiring a deposit in appropriate situations. The Commission's requirement that suppliers comply with the credit standards under Chapter 56 does not extend a utility-type duty to serve to those suppliers.

Summary of Comments:

PULP, GPU, Peoples, Duquesne, OCA, PEA, PECO and PP&L all agree that suppliers must comply with the credit standards under Chapter 56. ***PULP*** adds one exception to their support. ***PULP*** believes that the force and effect of the guideline is undercut by the final sentence which removes "the utility-type duty to serve to those suppliers." In ***PULP's*** view, suppliers may or may not be designated as the providers of last resort. However, when they undertake to provide services to residential consumers they are subject to Chapter 56 provisions relating to acceptance of all customers who are credit worthy. Exempting suppliers from the Chapter 56 obligation to serve violates the mandate of the Act and encourages discrimination, and redlining. ***PULP*** feels that the Commission should make the distinction that suppliers have the obligation to serve those who meet Chapter 56 qualifications.

Peoples interprets the Commission's statement that, "The Commission's requirement that suppliers comply with credit standards under Chapter 56 does not extend to a utility-type duty to serve to those suppliers" to mean that suppliers must serve an applicant if it meets the Chapter 56 credit standards (e.g., no prior utility debt for utility service of a similar type and a lease of one year), but is not required to serve an applicant with poor utility service credit unless the customer satisfies one of the composite credit group, cash deposit or third-party guarantors requirements.

OCA interprets the Commission to say that if a supplier markets widely, it must apply the credit rules uniformly and accept all residential customers who meet its load criteria based on the credit requirements of Chapter 56.

Enron believes this tentative policy requires substantial revision. It is both illogical and unreasonable to apply credit standards developed for application in a regulated, monopoly environment to an unregulated competitive market. Suppliers will be providing service in a context in which every customer will have the opportunity to return to the EDC (or other designated entity) acting as the "carrier of last resort." A customer whose application is turned down by a competitive supplier will not be denied access to essential electric service; he or she will continue to be able to obtain service from the last resort provider as long as the customer maintains appropriate payment arrangements consistent with Chapter 56. Also, suppliers will not receive the benefit of the strong payment incentive on the part of most customers to avoid potential loss of their electric service, with all the attendant inconveniences and hardships that such a loss entails. ***Enron*** believes that competitive suppliers do not have the "captive base" of customers to whom they can allocate excessive uncollectibles. They believe that to be able to enter and stay in business, suppliers will have to exercise the same prudent, fair and reasonable credit policies applied generally by providers of competitive services in unregulated markets. For these reasons, ***Enron*** believes that application of present Chapter 56 credit standards to suppliers cannot be justified. Suppliers should be permitted to exercise fair and non-discriminatory credit determination rules as any other competitive providers of goods and services. The fair credit requirements applicable to competitive providers of goods and service generally would prevent any potential for "redlining." ***Enron*** requests that the Commission's final order specifically permit suppliers to exercise reasonable and non-discriminatory credit standards, generally applied in commercial transactions in the competitive markets, to determine whether a supplier should accept an application for service from an applicant. At the very least, they believe that the Commission should either interpret §56.32 or revise its application to suppliers to clarify that the following standards apply. First, a supplier can refuse to accept an application for service unless a deposit is provided if the applicant has previously contracted for service with a competitive supplier and had service terminated or canceled for nonpayment in any prior period. This clarification is also necessary to prevent the possibility that a payment troubled customer might be able to "bounce" from supplier to supplier, leaving unpaid electric bills that will have to be absorbed by the service provider. Second, if a supplier elects to accept an application for service but requires a deposit in order to do so, the deposit amount can be as much as the anticipated total electric service bill for all charges that the supplier will be responsible for collecting (i.e., if the supplier is providing billing and customer services the deposit would include those charges as well), and can reflect a sufficient amount in order to provide significant assurances that the supplier will be able to avoid significant arrearage (recall that if the deposit request is too large, the customer

always can stay with the EDC or apply to another supplier who might have lesser deposit requirements). Third, the Commission should specifically direct the EDC to maintain information regarding supplier cancellation of electric service and make that available to suppliers upon the application of a customer to obtain electric service from the supplier.

Discussion of Comments:

No substantive changes are made to the final wording of the guideline relating to credit determinations. By way of clarification in regard to the final sentence in the instant guideline, we note that the OCA's interpretation of this statement reflects our intent. We expect suppliers to treat all residential applicants who meet its load criteria in a uniform manner according to the applicable Chapter 56 standards. In regard to Enron's comments, we do not believe the Chapter 56 credit standards are properly reflected in the first two of Enron's three suggested clarifications. In its first suggestion Enron wants to request a deposit if the applicant's service has been canceled for nonpayment "in any prior period," whereas Chapter 56 at §56.32(1) sets a credit review period of similar type utility service of 24 consecutive months preceding the date of application, and §56.32(1)(ii) indicates that service termination for nonpayment is pertinent if the service was terminated during the last 12 consecutive months of that prior service. Enron's second suggestion that the deposit amount be based on all services appears inconsistent with §56.51 (relating to amount of cash deposit) which has always been interpreted to require calculation of the deposit amount on the basis of anticipated or actual usage. In regard to Enron's third suggestion that EDCs be required to maintain and make available credit information, we recommend instead that Enron do what the EDCs currently do; maintain computerized records of skipped accounts to match against new supply service applications, and use credit reporting agencies.

E. Selecting a Supplier

The Commission instituted a proceeding [L-00970121] relative to Section 2807(D)(1) of Chapter 28. This begins the process of establishing regulations to ensure an existing customer's consent to a change of supplier. Additionally, the Customer Information and Billing Working Group, noted above, is developing interim requirements (Docket No. M-00960890 F. 0008) to ensure that all parties provide adequate and accurate customer information to enable customers to make informed choices (§2807(D)(2)). Finally, the Competitive Safeguards Working Group is developing recommendations for the Commission to address standards of conduct between EDCs and unregulated affiliates, and to address any potential anti-competitive activity by a supplier.

The utility restructuring process should include consideration of any proposed regulations relating to §2807(D)(1), as well as any requirements or guidelines that result from the work products of the above noted two Work Groups.

Summary of Comments:

GPU is the only party that specifically commented on this guideline with general agreement with the Commission that customers should be protected from "slamming."

Discussion of Comments:

Since only one party submitted comment on this guideline, the general guideline about "slamming" in the instant order remains essentially the same as proposed in the Tentative Order.

F. *Deposits*

The deposit requirements at Chapter 56 are clear, and their application presents no problem for the parties under retail competition. The restructuring plans, therefore, should reflect conformance with the Chapter 56 deposit rules.

Summary of Comments:

Few comments were received regarding this guideline. ***GPU and Duquesne*** stated they agree that the EDCs and the suppliers are to comply with Chapter 56 deposit regulations.

Discussion of Comments:

Considering the limited but supportive comments on this proposed guideline, no substantive changes have been made to this guideline in its final form.

G. Metering/Meter Reading

The utility restructuring plans should demonstrate that the EDCs continue to provide metering and, pursuant to §2807(D), perform meter reading. While all physical activity relating to metering such as setting meters, testing, calibrating, change-out, etc., are to remain EDC functions, the

restructuring plan should allow for the option of customer choice of meter. The cost issue relating to enhanced metering capability pursuant to §2807(A) will be addressed on the basis of EDC responses to the information and data requirements in Appendix A of our February 13, 1997, Order regarding Electric Utility Restructuring Filings made pursuant to 66 Pa. C.S. §2806(E) [Docket M-00960890 F. 0003].

We also note that the Bureau of CEEP is the lead bureau for the Metering Working Group. That Group is developing regulations at Docket No. M 00960890 F. 0009 on the implementation of Section 2807(A) relating to metering issues that may arise under retail competition.

The Commission's intent regarding this guideline is that no matter how metering services are provided, residential customers should have the confidence that the level of quality will not deteriorate under retail competition, and with assurance that these services comply with the Chapter 56 standards. In our view, Section 2807(D) requires the EDC continue to perform physical meter reading, even for those customers who elect choice of generation supply. However, nonphysical meter reading could be performed by other entities.

Summary of Comments:

Columbia, GPU, Duquesne, PEA, UGI Electric, PECO, and PP&L agree that EDCs should continue to provide metering, meter reading, and all physical activity relating to metering. ***Columbia*** states that if the company decides to outsource this function, it should be required to provide adequate customer protections as mandated by Chapter 56. ***GPU*** points out that utility meter readers are experienced in spotting unsafe conditions, as well as potential theft of service situations. ***Duquesne*** agrees that the EDCs should continue to provide metering and perform meter reading. All physical activity relating to metering such as setting meters, testing, calibrating, change out, etc., should remain as EDC functions. ***Duquesne*** believes that the Act is consistent with existing regulations: both clearly require the EDC to be responsible for provision of metering services. ***Duquesne*** also feels that the EDCs, since they are the one constant in an ever changing market, are in the best position to assure that all customers have uniform access to accurate, economic metering technology. The public's need for reliable service is best met by continuing to require that dedicated, knowledgeable electric metering professionals of EDCs be responsible for the design, installation and operation of safe, reliable electric metering services. ***Duquesne*** believes that the unbundling of metering services is not necessary to achieve competitive objectives of the Act in restructuring Pennsylvania's electric supply industry. The role of the EDC in metering services will

evolve from a function tightly integrated into the utility's revenue collection process to a clearinghouse role for customer electric consumption data. This will enable a free flowing, open operating environment for suppliers and customers alike. In such an environment, suppliers will be able to enter and exit the market and customers will be able to change suppliers without concern about metering. Metering will not be used as a marketing device to discourage customers from shopping for a better deal from another supplier. The metering accuracy standards should remain in place (Chapter 57). Trained meter department staff of the EDC's have in the past, and should in the future, be charged with the responsibility of assuring honest, accurate registration and reporting customer's electric consumption. ***Duquesne*** believes that EDCs are in the forefront of metering technology. They use a base of skilled, competent meter service engineers and technicians able to solve complex problems associated with these sophisticated metering systems. Further, the EDCs are better situated than any other entity to impartially bring technological innovation to every customer within their respective service territories. Existing utility security programs provide comprehensive deterrents to meter tampering and fraud. These programs would be severely compromised if entities other than EDCs are permitted to assume responsibility for metering services. ***Duquesne*** also states that designing and installing safe, reliable metering is more complex than it appears to the uninitiated. Improperly designed and installed metering can affect service reliability for that customer and other customers connected to the distribution circuit. EDCs now use a limited number and variety of very flexible multi-function meters which are integrated into their infrastructure to perform a wide variety of metering functions.

PEA feels that under the Act, the EDCs retain sole responsibility for all metering used for billing including the functions of meter specifications, meter installation, meter maintenance, meter testing and calibration, and meter reading. Customers can elect to have more sophisticated meters used for billing, if that device is a meter type that is compatible with the EDC's electric distribution and information processing infrastructure. If an advanced technology meter is installed for a customer with special needs, the extra expense for the meter and associated supporting services should be charged to the customer or supplier that requires and benefits from the advanced technology. Customers who do not want or need advanced technology meters should not be required to pay for them. ***PEA*** makes one additional comment in regard to the Commission's distinction between physical and non-physical meter reading. ***PEA*** believes that EDCs retain full responsibility for meter reading, whether physical or non-physical, and in the exercise of that responsibility, EDCs may, as business circumstances dictate, elect to subcontract with another entity to perform these functions.

UGI Electric feels that with the EDC continuing to perform these functions both customers and the Commission can have confidence that the level of quality of service will not deteriorate under retail competition as well as assurance that these services will

be performed in compliance with Chapter 56 standards. If a party other than the EDC is permitted to supply a meter, then the party supplying the meter must be subject to the same meter testing, calibration and change meter frequencies as historically performed by EDCs. If this function is performed by other parties, duplication will only cause increased costs for the customer with little or no benefit.

GPU also agrees that customers should have a choice of metering. Should the customer require special metering, ***GPU*** believes they should own, install, maintain and operate that metering. The supplier would pay the incremental costs of the meter, along with the total cost of installation. ***GPU*** will not preclude a customer or supplier from placing additional meter(s) on the customer's side of the service, "downstream" of the company's meter, for additional services. ***GPU*** also believes that the meter reading, both physical and remote, should continue to be performed by the EDC. ***Peoples*** believes that the cost of a meter, as well as the cost of ensuring compatibility with the utility's system, should be the responsibility of the customer or the supplier. ***Duquesne*** believes that the restructuring plan should allow for the option of the customer choice of a meter type that is supported by the EDC. If an advanced technology meter is installed for a customer with special needs, the extra expense for the meter and associated services should be charged to the customer that requires and benefits from that technology. ***PECO*** proposes that if a customer requests an advanced meter, and the meter is compatible with the company's distribution system, ***PECO*** will install and support the meter at the customer's expense. ***PP&L*** states that advanced technology meters could be defined as any meter that has more capabilities than the meter typically used now for a particular customer's rate class. If a customer requires advanced metering to satisfy the billing requirements of its supplier, the additional costs for the metering should be paid by the customer. As part of the services provided by the EDC, a standard meter necessary to provide basic service can be defined. The costs for this standard meter would be included in regulated service charges. The costs of any advanced metering needs, beyond this standard meter, should be charged to the customer. Suppliers and customers always have had the option of installing their own sub-metering for monitoring purposes. To eliminate confusion and provide for a single point of revenue measurement, the EDCs should continue their regulated, accurate, and historically precise metering for revenue billing, reconciling, and balancing of energy. Data measured at a single point using two redundant measuring devices will serve as a source of controversy because inevitably there will be differences in measurement between two devices measuring accurately within specified tolerances. Measurements will both be correct, but not exactly alike.

Enron has submitted extensive comments in the metering/meter reading docket [M 00960890 F. 0009] indicating that an essential element of providing full customer choice is the unbundling and opening to competitive supply of metering and meter

reading services. ***Enron*** believes it is important to note that the "supplier complete bill option" is consistent with the unbundling and competitive provision of metering service.

Discussion of Comments:

Except for minor editing, this guideline has not been modified. The guideline retains the general directive that all physical activities relating to metering are to remain with the EDC. In our view the complexity of the issues surrounding metering, as well as their direct link to safety, reliability, and the integrity of the system as noted in the comments above, requires that the EDCs continue to perform all physical activity relating to metering. By keeping all physical activity relating to metering under the control of the EDC, this customer service function shall, at a minimum, be maintained at the same level of quality as required at §2807(D). By means of a cross-reference to the metering/meter reading docket [M-00960890 F. 0009], the instant guideline directs all parties to that docket for the specific requirements relating to metering issues that may arise under retail competition.

H. Billing (Rendering Bills/Payment of Bills)

1) **The EDC restructuring plans should, pursuant to Section 2807(C) allow for the two billing options set forth in this section of the Act. One option is that a customer may choose to keep separate the bill for services from the EDC, and the bill for services from the supplier. The other option is that a retail customer may choose to receive a single bill from the EDC for both EDC charges and supplier charges. Since Section 2807(C) does not explicitly prohibit an entity other than the EDC from rendering a single bill, the restructuring plans should include procedures and timelines for allowing suppliers to offer a single bill that includes EDC charges. The plan should reflect any requirements that result from Commission action on the work product of the Customer Information and Billing Working Group (Docket No. M-00960890 F. 0008).**

Summary of Comments:

Columbia, GPU, Duquesne, PEA, UGI Electric, PECO, and PP&L do not agree that suppliers should be able to provide the single bill option for both types of charges to customers. They believe the Act clearly provides for two billing options. The provisions make it clear that EDCs retain responsibilities for customer billing. The statute does not authorize a supplier to render a single bill for both supplier and EDC charges. ***GPU***

points out that an administration agency, cannot by interpretation, add provisions to a statute that the legislature did not see fit to include.. ***Duquesne*** states unbundling billing services will not result in significant savings since most of the costs are "sunk" and not avoidable. Unbundling of these services could deteriorate existing billing service to customers. In addition, utilities should ensure that Chapter 56 billing standards and plain language requirements are met.

UGI Electric states that §2807(C) does not give the Commission the authority to require that EDCs allow electric suppliers to render bills for the services the EDC provides to customers. Billing for services provided by the EDC should continue to be controlled by the EDC. To efficiently and in accordance with Chapter 56 prepare bills, track receivables, and administer collections in the competitive environment the EDCs will need to make major changes to their current customer information systems or install new systems altogether. The same would hold true for the supplier if they were performing the billing function. The estimate of time and financial investment necessary to make these changes to the customer information systems are still being developed, but are not small and will have a major impact on electricity prices in the future.

PP&L indicates that permitting the supplier to render consolidated bills would require that the EDC develop and maintain interfaces to computer systems of many suppliers. The EDCs have made substantial investments to develop their billing systems; the costs to develop and maintain these systems still exist. Allowing competitive firms to provide consolidated billing could make it impossible for EDCs to recoup these investments. Such a result could drive up the costs for customers and create redundant billing capabilities for the EDCs and the suppliers.

Peoples, with certain restrictions, is amenable to offering a third billing option to its customers, which would allow suppliers to render the "total" bill to the customer. ***Peoples*** is concerned that this third option may significantly increase administrative costs, especially if suppliers are offering services on the utility's system. Further, each utility has its own billing system which may not be equipped to accommodate the supplier "total" billing option. To help alleviate increased costs and to accommodate each utility's system, one solution may be to leave the decision to the individual utility to determine the feasibility and availability of this third billing option.

UGI Gas comments that the third billing option should not be included in any guidelines, but should be an option pursued by each utility on an individual basis allowing for the capability of each EDC's information system.

OCA notes that there are issues, such as the collection of the intangible transition charge (ITC) by the EDC, that need to be addressed before the Commission determines

whether a combined bill issued by a supplier is feasible. The third billing option could be a useful method for suppliers to build a relationship with customers and a vehicle by which suppliers will market or bundle other products, particularly energy management services, to their customers. Furthermore, customers may prefer a single bill and the option of allowing a single bill for both distribution companies and suppliers is competitively neutral. ***OCA*** states that the Act may not require a separate customer-by-customer declaration of preference. Customers may choose their preferred approach by selecting a supplier who offers either direct billing or billing through the distribution company (or, if the Commission adopts the third approach, a combined bill from the supplier). In other words, suppliers may market or present their product in part based on this billing option.

Enron supports the "three option" approach indicating that this would provide enormous benefits to consumers, and would be fully consistent with the Act's mandate to bring competition to the electric distribution market to the greatest extent possible. ***Enron*** further states that enabling the three billing/customer service options to become a reality, requires the Commission to do the following. First, direct all EDCs to establish procedures to allow the three billing options. Second, unbundle billing and collection services on the EDC bill and customers electing alternative billing arrangements through suppliers should receive credits in the amount of the unbundled charge. The unbundling cost studies submitted by the utilities in the electric restructuring cases contain more than enough data to enable each of the companies to unbundle their customer charges sufficiently to identify costs associated with billing and collection. Third, the Commission must establish procedures to facilitate the "supplier complete bill option." ***Enron*** states that there are two alternative methods of establishing these necessary standards. The Commission, using a working group/tentative order/final order - guidelines procedure, as it is utilizing here, could establish standards for suppliers wishing to offer a "supplier complete bill option." These standards would include additional bonding, deposits or other appropriate financial guarantees from the billing supplier to provide assurances that EDC revenue, as well as state taxes, etc., when collected by the complete bill supplier, will be remitted in a timely and appropriate fashion. A second, and potentially more efficient, approach would be for the Commission to establish a supplier complete bill option and to mandate EDCs to negotiate in good faith with suppliers who wish to offer such an option to customers residing in the EDC service territory. The EDCs would be required to enter into billing/customer service "interconnection agreements" with interested suppliers. The format mandated by the Telecommunication Act of 1996 regarding interconnection agreements for the provision of competitive local services would appear to provide a useful model. If a supplier and an EDC were unable to negotiate such an interconnection arrangement, or unable to agree on certain provisions, those portions could be brought before the Commission for either informal mediation or on-the-record adjudication. ***Enron*** further states that permitting

three billing/customer service options endorsed by the Commission's Tentative Order is a crucial and extremely important step to delivering all the benefits of a competitive market to customers as soon as possible. Consistent with the Act and the Commission's legal authority, ***Enron*** urges that the Commission's initial "three billing option" proposal be adopted as a final requirement imposed on all EDCs and that additional implementation provisions be directed.

Discussion of Comments:

We presented our position about the supplier single bill option previously in this order under the discussion of the guideline II. B., relating to options for determining which entity performs customer service functions. We will not repeat our prior comments in their entirety, but we will reiterate some of the key points which we believe make it appropriate, both legally and as a matter of policy, to sustain this guideline so that parties may continue to explore in the Restructuring Filing of each utility the contingency of allowing a supplier single bill. Concerning the legal interpretational issues raised in comments about the supplier single bill option, we simply disagree with the conclusions reached that only EDCs can provide this customer service function. We submit that there is nothing in the Act that would prohibit the supplier single bill option. Although §2807(C) recognizes that the EDC "may be" responsible for the billing of all electric services, there is nothing in this passive provision or anywhere else in the Act that makes the EDCs the exclusive provider of this customer service function.

Concerning the practical concerns and considerations raised by parties about this guideline, we are not indifferent to any of these concerns. While several parties correctly note that there are costs associated with developing information systems which allow for the contingency of the supplier single bill option, we agree with OCA that such costs should be addressed in the Restructuring Filing of each utility, just as other issues pertaining to this option can be addressed. Clearly, with or without the third billing option, changes to information systems are necessary to accommodate the requirement of two billing options at §2807(C) of the Act. We do not believe the obstacles involved in making the additional changes to allow a supplier single bill are insurmountable. Further, we believe it is in the interest of all parties for EDCs, in their respective Restructuring Filing, to present the additional changes they believe are necessary to their current information systems, as well as an estimate of the costs, to accommodate the supplier single bill option.

About the OCA's comment that §2807(C) of the Act "may not require a separate customer-by-customer declaration of preference," we disagree with this interpretation. The OCA's interpretation of §2807(C) could result in denial of the right of an end-use

customer to choose to receive a separate supplier bill if all suppliers in a customer's area choose to not offer direct billing.

Concerning Enron's comments suggesting three steps the Commission should take to make three billing options available, our current thinking is that such action is premature. We prefer to wait for the results of how the issues surrounding this option are addressed in the Restructuring Filings before determining whether this option is indeed feasible, and, if so, what standards may be necessary to make it a reality.

At this juncture, we believe small consumers will be more likely to benefit sooner from competitive markets for the provision of electric services by retaining further consideration of the option of supplier single billing set forth in this guideline. While this deliberate approach may not be satisfactory to the parties who believe this option should be available immediately to customers, we believe an approach that initially focuses on implementation of the two billing options explicitly set forth at §2807(C) is necessary to maintain customer services functions at current levels of quality as required at §2807(D). Accordingly, we have retained this guideline in the final order so that all parties may continue to explore, in the context the Restructuring Filing of each utility, the contingency of allowing a supplier single bill option as set forth in this guideline.

2) **In regard to application of partial payments, the restructuring plans should direct how payments which are insufficient to cover all charges should be applied. One manner of applying partial payments is according to the following payment priority: (1) Intangible Transition Charge (ITC) and Competitive Transition Charge (CTC); (2) EDC Transmission and Distribution Charges (T&D); (3) supplier charges for supply; and (4) non-basic services charges. The other method of applying partial payments is prorata application. The payment would be applied proportionately to the categories of charges noted above.**

Summary of Comments:

GPU, Duquesne, PEA, PECO and PP&L support the "priority" manner of application of partial payments when there is no outstanding balance involved.

PULP believes that the first and foremost concern in the application of benefits must be to assure continuation of electric service to the home. To achieve this, grants must be applied in full to the account of one provider. That provider must be the one entity that is designated the provider of last resort. This will most likely be the regulated portion of the bill. ***PULP*** feels that grant payments as well as customer payments should not be

divided, prorated or applied in any manner that would reduce the amount dedicated to ensuring that service continue.

GPU, Duquesne, Peoples, PEA, UGI Gas, PECO, and PP&L believe that if a customer has an outstanding balance with the EDC, payments received should be applied to the agreement amount first, and the remaining dollars will be applied according to the above payment priority method. ***GPU*** believes that any customer who chooses to receive energy from a supplier, has an outstanding balance with the EDC and does not have a current payment agreement, should be required to make payment in full, or set up a payment agreement for the outstanding balance. If the EDC is not allowed to honor and enforce the terms of existing payment agreements (company and PUC agreements), then the Commission is de facto mandating arrearage forgiveness, and the EDCs are not a placed on a level playing field. ***Peoples*** believes that Chapter 56 rules require the application of partial payments first to balances due for prior utility service. Any other priority given to arrearages would amount to arrearage forgiveness. ***Peoples*** states that although the Commission has directed EDCs in the pilot programs to turn over pre-pilot arrearages to third parties, ***Peoples*** believes the utility will lose the ability to terminate service for nonpayment if third party collection efforts are used. ***Peoples*** believes that the ability to terminate service is necessary to encourage payment. ***PECO*** proposes it cannot deal with arrearages in any other fashion than to retain these balances on the ongoing account. It is not possible to separate arrearages from the ongoing account because this would, in all likelihood, necessitate writing off those arrearages because the probability of collection would be virtually non-existent.

Columbia recommends the use of the following payment priority to apply partial payments: (1) outstanding balances, (2) transmission and distribution charges, (3) supplier charges for supply, and (4) non-basic service.

The ***OCA*** believes that the EDCs should be able to collect outstanding bundled charges owed by the customer to the EDC at the time of full retail access. These prior unpaid bills should be assigned the same priority as ongoing charges, but payments should be applied to the oldest balance in this category first. This approach will allow any financial assistance payments allocated to the EDC to be applied to this portion of the customer's account to clear arrears.

Enron notes that the priority order for applying partial payments only applies where the EDC provides the single bill. A two bill environment and the "supplier complete bill option" would not raise these issues. ***Enron*** expects that pursuant to the interconnection arrangement between the EDC and the supplier questions concerning remittance of EDC charges to the EDC would be resolved. ***Enron*** expects that it would be required to remit such charges to the EDC whether or not ***Enron*** had actually received payment from

customers. As agents for the EDC, ***Enron*** would be under an obligation to make such payments whether or not it had received payments from the customer, and would willingly comply with this obligation. Regarding "prorata" application of partial payments, ***Enron*** comments that in the single bill environment they strongly support the "prorata" application of partial payments. They believe there is no convincing reason why any other charges should be given a priority for payment. ***Enron*** states that some have argued, incorrectly, that ITC and CTC have some statutory "first call" on partial payments, but in fact, the stranded investment recovery plans of the EDCs indicate that ITC or CTC arrearage would in fact be recovered via a "true up" applied to all remaining customers. Similarly, ***Enron*** believes the claim of some EDCs that the Act "requires" that their charges be paid first is simply untrue. The only applicable provision (§2807(C)(3)), merely states that the EDC is not required to remit to the supplier payments collected on its behalf before it receives the payment for those services from the customer. Distribution and transmission charges, without generation, will not heat a single home and to the extent that a customer fails to pay or partially pays only generation service, the threat by the EDC, as the provider of last resort, to terminate service for nonpayment of T&D charges will most likely encourage the customer to make those payments as well.

UGI Electric states that since the EDC has been identified as the supplier of last resort and remains responsible for the collection of delinquent service charges, payments made by the customer should be applied in the following priority: (1) current billing period competitive charges (CTC)/intangible transition charges (ITC); (2) delinquent CTC/ITC; (3) current billing period transmission and distribution charges; (4) delinquent transmission and distribution charges; (5) current billing period supplier charges; (6) delinquent supplier charges; (7) current period charges for non-basic services, and (8) delinquent charges for non-basic services. ***UGI Electric*** believes that the transition to full retail competition should have no effect on the treatment of outstanding balances owed by the customer to the EDC. Chapter 56 regulations will still apply and require the customer to pay the overdue balance, make the necessary payment arrangements, or face the possibility of having service terminated.

Duquesne states that prorata application would be difficult, if not impossible to administer and would eliminate the optional payment programs (monthly option of paying budget or account balance).

Discussion of Comments:

We agree with the majority of those commenting that the "priority" method of applying partial payments is preferable to the "prorata" method, particularly in terms of administering the process and complying with applicable Chapter 56 provisions at

52 Pa. Code §56.23 and §56.24. We agree with the comments that advocate that EDCs be able to collect outstanding charges owed at the time of full retail access. Finally, PECO correctly points to the need to set forth guidelines for applying payments for two types of situations: customers with no outstanding balance, and customers with an outstanding balance. The final guideline, therefore, will reflect the following two priorities of application of payment methods:

- For a customer who has a pre-retail access balance the payment should be applied by the EDC as follows: (1) outstanding pre-retail access balance or the installment amount for a payment agreement on this amount; (2) intangible transition charge (ITC) and competitive transition charge (CTC); (3) EDC transmission and distribution charges (T&D); (4) supply charges; and (5) non-basic services charges. If the customer's account develops a post-retail access balance, partial payments should be applied to the pre-retail access balance, according to the terms of the pre-retail access payment agreement, before being applied to any other outstanding post-retail access charges.

- For a customer with no pre-retail access but with a post-retail access balance the payment should be applied by the EDC as follows: (1) balance due for prior ITC, CTC and T&D service; (2) ITC and CTC; (3) T&D; (4) balance due for prior supply charges; (5) supply charges, and (6) non-basic services.

I. Complaint Resolution

The EDC restructuring plans should include procedures for complaint resolution that conform with the Chapter 56 dispute provisions; allow customers to deal directly with the party responsible for the service in question, and ensure appropriate referral and exchange of data and other information.

Summary of Comments:

GPU, Peoples, Duquesne, OCA, PEA, UGI Electric, PECO, and PP&L agree with this proposed guideline. ***GPU*** is committed to developing appropriate protocols for exchange of data and other information with suppliers to ensure efficient handling of customer complaints. ***Peoples*** believes that certain procedures must be in place to ensure that the complaints are processed timely and efficiently and by the proper party. Immediate notification, possibly by fax, to the other party along with pertinent information should be among the necessary requirements. As for BCS complaints, ***Peoples*** believes that complaints should be segregated by the BCS between utility and supplier. The responsibility of resolving supplier-related complaints should rest solely on

the supplier. ***Duquesne*** further states that if a complaint involves both EDC and supplier, the party contacted initially should take the lead in responding to the complaint and advise the other party of the complaint. The details of this interaction and coordination and integration of the dispute reports should be detailed in the restructuring plans. ***PEA*** and its member companies also agree that each company must establish procedures with the suppliers in its service territory to handle misdirected calls or complaints that address both supplier services and EDC services. The specifics of the procedures will vary among companies and suppliers. The general standard that must be met will still be Chapter 56 which addresses how a customer inquiry and dispute must be handled. ***UGI Electric*** further states that these requirements should not, however, preclude an EDC and a supplier from reaching an agreement, both financial and procedural, that would allow an EDC to handle customer questions and complaints on behalf of the supplier as this may allow proper complaint resolution under Chapter 56 without the added expense to the customer of double handling of complaints. ***PECO*** states that EDCs and suppliers will have to establish protocols and contract terms, using Chapter 56 procedures and appropriate time limitations, to handle misdirected disputes to ensure timely responses to customers and the Commission.

Enron states that the Commission endorsed the process by which EDCs and suppliers would work out the procedures for interaction to handle customer complaints. This interaction could be part of the "interconnection agreement" negotiations suggested by ***Enron*** to arrive at procedures to enable the establishment of suppliers' single bill option. Since both parties will be subject generally to Chapter 56 requirements and will be in violation of its provisions, if adequate procedures are not established, this process of allowing market participants to arrive at reasonable procedures is adequate and reasonable. The PUC should make clear that it will remain available to adjudicate or resolve issues that cannot be worked out amicably.

Discussion of Comments:

The final guideline in regard to complaint resolution will retain the same wording as presented in the Tentative Order. We will not attempt to develop one standard set of procedures for complaint resolution. Instead, we will allow the parties flexibility to develop a process that works best for the each EDC/supplier relationship. We remind all parties that the procedures worked out must conform with the Chapter 56 dispute standards. To help ensure that the procedures developed by EDCs and suppliers comply with 52 Pa. Code Chapter 56, we have added an additional sentence to the guideline offering the option of having our Bureau of Consumer Services review procedures for compliance with 52 Pa. Code, §56.151, §56.152 and any other provisions which may relate to the proper handling of disputes.

J. Service Interruptions and Outages

The restructuring plans should reflect compliance with 52 Pa. Code §56.71 (relating to interruption of service), as well as any requirements that result from the above noted tentative order regarding Quality of Service Benchmarks and Standards [M-00960890 F. 0007], and any guidelines that result from the work product of the Reliability Working Group.

Summary of Comments:

GPU and PP&L agree with this portion of Tentative Order regarding service interruption and outages. There were no comments suggesting changes to this guideline.

Discussion of Comments:

In light of the limited but supportive comments regarding this guideline, the wording of the guideline regarding service interruptions and outages remains essentially the same as presented in the Tentative Order.

K. Requests to Discontinue Service

The restructuring process should reflect consideration of the following guidelines:

1) **The EDCs shall be responsible for ending the physical delivery of service. Currently, the EDCs process requests of this nature within seven days to comply with 52 Pa. Code §56.16(a), unless the ratepayer requests a date later than seven days from the date of the request. To maintain this time frame, thereby maintaining the same level of quality of service, the EDCs and suppliers must design procedures that result in the exchange of information to meet the seven day time frame.**

2) **Consumer information and education should attempt to direct the customer to the EDC to request discontinuance of service to help ensure that the EDC continues to process these types of requests as timely as in the past. When customers contact the supplier instead of the EDC, as some customers inevitably will, the procedures must include a process for quick notification to the EDC.**

3) **The procedures implemented by both the EDC and suppliers should include steps to ensure proper identification of the type of residential account so that the proper Chapter 56 procedures are followed. Essentially, there are three types of residential discontinuance requests: (1) requests to discontinue service at a single meter dwelling and the premises will be unoccupied as of the date of discontinuance; (2) requests for discontinuance at a single meter multifamily residence where the premises will be occupied as of the date of discontinuance; and (3) requests where the ratepayer is a landlord-ratepayer.**

4) **The procedures must ensure coordination between the EDC and suppliers so that basic customer functions such as accurate final billing are covered.**

Summary of Comments:

GPU, OCA, PECO, UGI Gas, UGI Electric, PP&L and Columbia agree that the EDC should be responsible for discontinuing physical delivery of service. Also they indicate that Commission regulations relating to discontinuance of service should continue to apply and that there must be coordination between the EDC and the supplier when a customer requests discontinuance. The ***OCA*** suggests that the Commission's guidelines should distinguish between a customer's request to discontinue service at a current location from a customer's request to discontinue a particular supplier. EDCs will receive both requests and should carefully distinguish between them in their interactions with customers. ***UGI Gas*** prefers that the EDC be the first point of contact to allow for scheduling to meet the customer request. Should the supplier be the first contact, then the supplier must ensure the proper identification of the type of residential account so Chapter 56 procedures are followed, and immediately notify the EDC in order to meet the seven day rule outlined in §56.16(a). ***UGI Electric*** believes that the EDC should be the customer's first point of contact when they want electric service discontinued. The customer should also be required to advise their supplier when they are disconnecting service. Neither the EDC nor the supplier should be responsible for notifying the other of a customer's request to discontinue service. There will be occasions when customers notify their supplier about service discontinuance but fail to contact the EDC. The supplier must have procedures in place to ensure that proper identification of the type of residential account is achieved, that proper Chapter 56 procedures are followed, and that immediate notification is given to the EDC in case the customer did not notify the EDC. The EDC's seven days (§56.16(a)) should begin when notified by the supplier, not when the customer notified the supplier. Failure of the supplier to contact the EDC

immediately could extend the seven-day period and thereby allow additional energy use and a larger final bill through no fault of the customer or the EDC. In these cases, payment for any excess energy usage should be the responsibility of the supplier and not the customer.

Columbia suggests that a simple telephone arrangement be coordinated between the supplier and the EDC. Customers should be referred to the EDC to coordinate this process since many of the EDCs utilize order-scheduling to help manage daily work loads among their service crews. ***Columbia*** further believes that problems could exist for the non-traditional types of disconnect requests, such as situations involving remaining occupants, landlords and tenants, and user without contracts. They believe that effective communication between the supplier and the EDC is essential since disconnect dates are usually extended when such situations exist.

Enron feels that customers electing the "supplier complete bill option" should be able to authorize the supplier to direct the discontinuance. While the actual physical disconnection may be provided by the EDC, the process of ordering and verifying that the disconnection has occurred should be with the "agent" for the customer. In cases in which customers have chosen the full service option from the supplier, the Commission should make clear that this function can be ordered, arranged and verified by the supplier providing full customer services. If service is being canceled and not physically disconnected there is no need for the EDC to participate. Procedures for coordination between the EDC and the supplier can be arranged as part of the interconnection agreement as previously suggested by ***Enron***.

Discussion of Comments:

Most of the comments regarding guidelines for requesting discontinuance of service recommend specific procedures to ensure that requests are handled within the timeframe set forth at 52 Pa. Code §56.16(a). We will not, however, attempt to step in and design one standard set of procedures for the exchange of information between parties to ensure that requests for discontinuance are properly identified and processed timely. We believe the parties should have the flexibility to design procedures that work best for each particular relationship. We do agree with the OCA's point that EDCs must establish procedures which enable EDC service representatives to determine whether the customer is requesting discontinuance of *service* at their current location, or discontinuance of *supply* from their current supplier. Therefore, we have added this directive to the guidelines. Otherwise, the guidelines remain the same for discontinuance of service.

L. Termination/Payment Agreements

The Restructuring Plans should reflect continuation of the interim termination procedures in the Final Order regarding Licensing Requirements for Electric Generation Suppliers [M-00960890 F. 0004]. On page 5 of that Order the Commission accepted a suggestion by the Office of Consumer Advocate (OCA) for the following protocol for allowing a supplier to cease its provision of service to a non-paying customer:

One way to address this issue would be to allow the generation supplier to seek to terminate its generation service through an appropriate written notice to the customer and the distribution company. The customer could then attempt to repair their relationship with the supplier, or default to utility service at capped rates in accordance with the utility's obligations under Section 2807(E). 66 Pa. C.S. §2807(E). The customer would only be disconnected from the electricity grid pursuant to Chapter 56 if the customer failed to meet their obligations to the utility or the provider of last resort.

We agree with the Group's recommendation but note the following clarification. The interim protocol quoted above refers to "capped" rates, whereas the proper term is "prevailing market prices" pursuant to 66 Pa. C.S. §2807(E)(3). With this clarification, the protocol quoted above should continue as a guideline to be reflected in EDC restructuring plans. We also propose the following additional guidelines relating to the Chapter 56 termination provisions be reflected in restructuring plans:

1. In regard to payment agreements, suppliers are not required to negotiate payment terms according to the factors found at §56.97(b). This provision does not apply to suppliers since the obligation to apply this Chapter 56 provision is triggered by a contact from a customer who has received a termination notice, and is attempting to avoid termination of service through a payment agreement. Since suppliers are not terminating service, they are not required to apply the Chapter 56 termination-related provisions, including the obligation at §56.97(b), to attempt to enter into a reasonable payment agreement.

2. The supplier of last resort, currently the EDC pursuant to §2807(E), must continue to apply the Chapter 56 termination provisions for nonpayment, including negotiation of payment agreements based on a consideration of certain factors such as the ability of the ratepayer to pay. The EDC or

supplier of last resort is not required by the Act to serve nonpayers indefinitely. Failure to pay the EDC can result in termination after the EDC applies the Chapter 56 termination provisions.

3. **Suppliers are free to pursue all available, appropriate collection remedies to collect delinquencies, except threatening termination of residential service.**

4. **The form and content of the written notice sent by suppliers to a delinquent customer and the EDC needs to clearly inform the customer that failure to pay will result in cancellation of the contract with the supplier, not termination of service. In general, this written notice should reflect the Commission's Policy Statement on Plain Language Guidelines, 52 Pa. Code, §69.251. The Commission's Bureaus of Public Liaison and Consumer Services can assist parties in the development of this written notice, and should be provided with a copy of such notices for review and comment prior to their use.**

5. **Where an EDC purchases accounts receivables from a supplier, the EDC shall not use the Chapter 56 termination process for nonpayment of these supply charges. Instead, the EDC must treat the delinquent supply charges in the same manner as suppliers. Only when the customer is receiving supply from the provider of last resort may the EDC utilize the Chapter 56 termination process for nonpayment of these supply charges.**

Summary of Comments:

In regard to the change in the phrase "capped rates" to "prevailing market prices," ***PULP*** comments that the use of the term "prevailing market rates" instead of "capped rates" must be qualified by the Commission. It must be made clear that all residential rates continue to be capped during the transition period. The absolute capping of rates in the Act is not negated by an individual's attempt to enter the competitive market and shop around. The ***OCA*** agrees that, pursuant to §2807(E)(3), the EDC shall acquire electric energy at "prevailing market prices." The ***OCA***, however, believes that this language must be read in conjunction with the generation rate cap provision of §2804(4)(II). When read in conjunction with this section, clearly the obligation to provide generation service must be at a rate that is no higher than the generation charge that was in effect on January 1, 1997. In other words, the prevailing market price plus the stranded cost charges must be at or below the cap as long as the utility is collecting its stranded costs. ***Duquesne*** agrees that the EDC shall acquire electric energy at prevailing market prices to serve the customer, if it is not delivered by a supplier.

Concerning guideline L. 1., ***GPU, PEA, PECO, and Enron*** agree that suppliers should not be required to negotiate payment agreements. ***PEA***, however, believes that this additional guideline will require a waiver of §56.97(b) of Chapter 56. The ***OCA*** assumes that suppliers will enter into payment arrangements with some customers to avoid cancellation. If this is so, suppliers should be held to a nondiscriminatory application of this collection tool and not deny a payment arrangement to similarly situated customers or based on unlawful criteria, such as those included in the Equal Credit Opportunity Act. ***UGI Electric*** believes suppliers should be required to apply Chapter 56 notice requirements prior to terminating a customer's supply for nonpayment. Also, suppliers must apply all other Chapter 56 termination related provisions, including the obligations at §56.97(b), to attempt to enter into a reasonable payment agreement with the customer. If the supplier is not required to apply these collection standards, as the EDC is, then the supplier can stop supplying generation to a nonpaying customer at any time with little or no consequence. On the other hand the EDC, even as the supplier of last resort, must adhere to Chapter 56 collection standards that are expensive to administer and apply, and result in protracted collection efforts that are often never brought to closure. In order to maintain a level playing field in the competitive environment, ***UGI Electric*** believes these collection standards must be applied equally to all entities providing energy or services to the customer and when attempting to collect past due bills.

In regard to guideline L. 2., ***GPU and PEA*** agree that the supplier of last resort must continue to apply the Chapter 56 termination provisions for nonpayment, including negotiation of payment agreements, assuming the EDC is the supplier of last resort.

Concerning L. 3. above, ***PULP*** believes that the Commission needs to qualify that suppliers are free, consistent with Chapter 56 and other Commission policies, to pursue all available, appropriate collection remedies. This is needed to ensure that suppliers do not utilize hard core and questionable collection methods. ***PEA*** companies agree with this additional guideline. The supplier should also be required to comply with Chapter 56 notification requirements to both the customer and the EDC supplier of last resort when canceling a contract. ***Enron*** believes the Commission should clarify this guideline so that it does not preclude the supplier from threatening "suspension" or "cancellation" of the supplier provided generation or non-wire services that have created delinquencies.

With regard to guideline L. 4. above, ***GPU*** suggests that suppliers should be required to comply with Chapter 56 notification requirements to both the customer and EDC when terminating a contract with a customer for nonpayment. This will ensure that both the customer and the EDC are aware of contract cancellation and can act accordingly. ***GPU***

also agrees with the proposed guideline regarding the form and content of the written notice by the supplier to conform to the Commission's plain language guidelines.

PECO states that if a customer is billed for supply directly by the supplier and the supplier seeks to terminate its relationship with the customer, prior to the end of the contract terms, the supplier must provide appropriate written notice to the customer and the EDC. The supplier's notice to the customer must clearly state that the customer will return to the EDC if the supply contract is terminated. ***PECO*** believes there remains an issue concerning the nature of the notice that the supplier must provide to a customer before the supply contract is terminated. ***PECO*** submits that, to be consistent with the Act's requirements that Chapter 56 apply to all parties, that the supplier provide all customer notices required by Chapter 56 before the contract is canceled. This would alert the customer of the impending cancellation and provide an opportunity to cure any default under that contract. Such a procedure would be consistent with the underlying purpose of the Chapter 56 notice requirements.

OCA, GPU and PEA agree that suppliers should issue a cancellation notice that informs the customer that the supplier's generation services to the customer will be canceled. ***GPU*** suggest the notice should emphasize "contract termination." ***PEA*** suggests "contract cancellation." ***OCA*** believes the notice should indicate the time period for the customer to make payment or contact the supplier to make arrangements to avoid cancellation of supply.

Enron completely supports the Commission's determination to separate "cancellation" by suppliers from termination of electric service by the carrier of last resort.

In regard to guideline L. 5., ***PULP*** believes that any receivable purchased by an EDC from a supplier must be treated separately. These receivables should neither be subject to termination of service under Chapter 56, nor should they be permitted to be a basis for the development of higher payment plans under Chapter 56, nor should the EDC be permitted to resort to hard core collection efforts for the supply portion of the debt, at the same time negotiating reasonable payments terms for the EDC part of the debt. ***Duquesne*** agrees with the guidelines proposed in this section. With the introduction of Universal Service, specific regulations need to be rescinded and certain interpretations need to be eliminated to level the playing field of competition. For example, specific wording in §56.97(b) and §56.35, "ability to pay," must be redefined or removed from the regulations to address the competitive issue for non-low income customers. In the area of termination and payment agreements, ***Duquesne*** feels that customers who do not fall under the Universal Service provisions should be expected to pay their bills in a timely manner. The ***OCA*** continues to strongly support the Commission's interim termination procedures contained in the

Final Order regarding Licensing Requirements for Electric Generation Suppliers (M-00960890 F. 0004). ***PP&L*** agrees with the Commission's comments.

GPU, UGI Gas, UGI Electric, and Peoples disagree with this proposed guideline that Chapter 56 does not apply to the purchase of accounts receivable by the EDC. ***UGI Gas*** and ***UGI Electric*** feel that if an EDC chooses to purchase the accounts receivable of a supplier operating within its franchised service area, the EDC should be permitted to apply Chapter 56 collection procedures, up to and including termination of service, to recover these dollars from the customer. Once the account receivables are purchased, they become the sole responsibility of the EDC and should be treated like any other receivable. Whether the customer purchased energy from another supplier or the EDC, as the supplier of last resort, the energy was consumed by the customer, and therefore, the customer is responsible for payment. As long as the EDC complies with all Chapter 56 collection requirements, the customer is provided adequate protection. It is the responsibility of the Commission to protect the rights of all parties and ensure compliance with regulations. So long as the customer's rights are intact, the EDC should be allowed to purchase the accounts receivable and terminate service for nonpayment of those receivables.

UGI Gas further states that most utility information systems today are unable to track these charges as separate receivables. The guidelines as written would require significant multi-million dollar enhancements to many utility information systems. Even if a utility could track such receivables separately, customer confusion would be widespread. One need only imagine the customer who experiences two collection calls, placed five minutes apart from the EDC each asking for different payment amounts, each offering different payment arrangements and each call placed by a different customer account representative. As long as the EDC complies with all segments of Chapter 56 regulations, ***UGI Gas*** believes the customer is provided adequate protections and not discriminated against. It is the responsibility of the Commission to protect the rights of all parties and ensure compliance with regulations. As long as the customer's rights are not violated, the EDC should have the option to purchase account receivables and terminate service for nonpayment of those receivables.

Peoples believes that collection incentives may be appropriate if it agrees to collect a bill on behalf of the supplier. This may encourage the purchase of receivables if EDCs are allowed to consider the receivables purchased from a supplier as part of its own receivables, which could then be included as part of the Chapter 56 termination process.

Discussion of Comments:

Regarding the change of the term from "capped rates" to "prevailing market prices," we agree with the OCA that this language must be read in conjunction with the generation rate cap provision at §2804(4)(II). Our intent in making this change was to recognize that customers may benefit from lower prevailing market prices. However, as long as the EDC is collecting stranded costs, customers are entitled to generation service at a rate no higher than the generation charge in effect on January 1, 1997. Therefore, we have added language to the guideline to clarify that §2807(E) be read in conjunction with §2804(4)(II).

Concerning guideline L. 1., we disagree that suppliers must receive a waiver of §56.97(b). Suppliers will be notifying delinquent customers that their contract will be "canceled," not that their service will be terminated. Since suppliers are canceling a supply contract, not terminating service as the term "termination" is defined at §56.2, they are not obligated to apply §56.97(b).

Concerning guideline L. 3., we do not agree with PEA that suppliers should be required to comply with the Chapter 56 notification requirements when canceling a contract. While we do agree that suppliers need to provide written notification that clearly informs the customer of the distinction between cancellation of the supply contract and termination of service, the written notification need not conform with the notice requirements at §56.2 because, once again, service is not being threatened with "termination," as this term is defined at §56.2. In response to Enron's comment that the Commission should clarify guideline L. 3., so that it does not preclude the supplier from threatening "suspension" or "cancellation" for generation or non-wire services, we refer all parties to guideline L. 4., which conveys our intent that supplier notifications clearly inform customers of the distinction between termination of utility service versus cancellation of supply services. The Commission will not view favorably any attempt to blur this distinction for collection purposes.

About comments relative to guideline L. 4., we will not alter this guideline as suggested by PECO to require suppliers to provide all customer notices required by Chapter 56. Once again, we intend that all parties will communicate to delinquent customers the difference between termination of service and cancellation of supply. The notification format which PECO refers to is required by Chapter 56 when a customer's residential service is being threatened with "termination," as this term is defined at §56.2. We want customers to receive written communication from suppliers which clearly informs them of the distinction between cancellation of supply and termination of service. The instant guideline allows parties to develop written notices for contract cancellation on their own, but directs parties to provide copies to our Consumer Services and Public Liaison bureaus for review.

With regard to guideline L. 5., relating to receivables purchased by EDCs, we will not revise this guideline to allow EDCs to use the Chapter 56 termination process to collect these debts. EDCs will be purchasing these accounts receivables by choice. There is no requirement that they must purchase accounts receivables. Further, if the account is active, the EDC can, like suppliers, quickly prevent future revenue loss by canceling the supply contract. In light of this ability to quickly cancel supply to prevent further revenue loss, the EDC's use of the Chapter 56 termination process in such instances would be solely as a collection device. Section §56.99 of Chapter 56 prohibits the use of termination notices solely as a collection device. Even if, assuming for the sake of argument, we did not view the use of termination notices in such instances to constitute a violation of §56.99, we believe this practice would certainly confuse, if not actually compromise, the EDC's role as provider of last resort. Moreover, there would be a mixing of monies that may result in termination of regulated services for nonpayment of unregulated charges since the accounts receivables could include charges for non-basic services, or even totally unrelated monies for things such as cable television, VISA charges, etc. Finally, if the EDC were allowed to use the Chapter 56 process to collect supply charges which they purchased while all other parties were prohibited from using this process, the EDC's billing and collection operation would appear to have an unfair competitive advantage over all other billing and collection services. For these reasons, guideline L. 5., will not be modified to allow EDCs to attempt to collect any receivables purchased by them from suppliers by means of the Chapter 56 termination process.

M. Provider of Last Resort

The restructuring plans should propose a provider of last resort, or a process for choosing the Commission-approved alternative supplier pursuant to 66 Pa. C.S. §2807(E)(3).

Summary of Comments:

GPU believes this section of the Tentative Order is ambiguous and can be read a number of different ways. It can suggest that an EDC must identify a provider of last resort. This would be unnecessary, since the Act specifically provides that the EDC is the provider of last resort. This section can also read as suggesting that the Commission establish a procedure for customers to select a supplier as their supplier of last resort. Without clarification, ***GPU*** is unable to fully respond to this portion of the order and therefore request clarification of this section with an opportunity to respond further.

OCA believes the Commission's guidelines should address the method of pricing this service; how customers can obtain it, whether by request or by default; and whether customers must pay any fees to obtain this service and, if so, how the EDC should

determine this charge; and whether there should be any restrictions on how often a customer can obtain this service after leaving a supplier for any reason. For example, how will the Commission determine the "prevailing market price" and what methodology will the Commission use to establish rate designs and pricing options for this service.

Discussion of Comments:

While we recognize that the concerns noted in comments need to be addressed, we will not attempt to address these issues in this order. We believe the general wording of the guideline is sufficient to ensure that the issue of provider of last resort will be properly addressed in the Restructuring Filing of each EDC.

N. Restoration or Reconnection of Service

Since the EDC retains the responsibility for provision of transmission and distribution services, the application of the requirements at 52 Pa. Code §56.191 and §56.192 relating to restoration of service, remains with the EDC. The EDC will, in effect, be responsible for applying both the termination and restoration provisions of Chapter 56.

The restructuring plans should reflect procedures that call for the EDC to apply the requirements at 52 Pa. Code §56.191 and §56.192 relating to restoration of service. The EDC procedures must reflect the guidelines under Item L. above relating to Termination/Payment Agreements. In particular, restoration requirements must be consistent with L. 5., in that the EDC must not make payment of supply charges, other than supply charges from the provider of last resort, a condition for restoration of service.

Summary of Comments:

GPU, Duquesne, UGI Electric and PP&L agree that supplier charges cannot be made a condition for restoration of service if the supplier is performing their collections. ***GPU*** suggests, however, that total payment would be required for restoration of service if the EDC has purchased accounts receivable from the supplier or if the EDC performs collection activity on behalf of the supplier. ***Duquesne*** feels there should be an exception to §56.191(2): payment of amounts currently due according to a settlement or payment agreement, plus a reasonable reconnection fee, which may be part of the settlement or payment agreement. The EDC should be in a position to collect the full amount owing for restoration especially if the customer chooses not to comply with a special payment agreement.

Enron states that while the EDC may retain the possibility for the actual physical restoration of service after termination, it again should be made clear that the supplier, as agent, can take steps to effectuate this restoration.

UGI Electric comments that if the electric service has been terminated for nonpayment, the conditions for the restoration of service should be expanded to require the payment of all supply charges including any receivables purchased by the EDC from the supplier. Without this provision, uncollectibles will undoubtedly rise causing increased costs for all customers.

Discussion of Comments:

For the same reasons noted previously in our discussion of guideline L. 5., we will not change this guideline to allow EDCs to use receivables purchased from suppliers in the EDC's application of §56.191. In regard to Duquesne's recommendation that we grant a waiver to the requirement at §56.191(2), at present we prefer to keep this important provision of Chapter 56 relating to restoration unchanged. Accordingly, except for minor editing, we will retain the proposed language in the final order.

THEREFORE,

IT IS ORDERED:

1. That the guidelines for maintaining customer services at the same level of quality pursuant to 66 Pa. C.S. §2807(D), and assuring conformance with 52 Pa. Code Chapter 56 pursuant to 66 Pa. C.S. §2809(E) and (F) as set forth in Appendix B of this order are adopted.

2. That a copy of this order and any accompanying statements of the Commissioners be served upon all jurisdictional electric companies, the Office of Consumer Advocate, the Office of Small Business Advocate, other parties who participated in the

Commission's electric competition investigation at Docket No. I-00940032, and the Electric Competition Legislative Stakeholders.

BY THE COMMISSION,

James J. McNulty
Acting Secretary

(SEAL)

ORDER ADOPTED: July 10, 1997

ORDER ENTERED: JUL 11 1997

Appendix A

Commentors to Customer Services Tentative Order

- Columbia Gas of Pennsylvania, Inc. (Columbia)
- Pennsylvania Utility Law Project (PULP)
- Pennsylvania Electric Company and Metropolitan Edison Company d/b/a GPU Energy (GPU)
- Peoples Natural Gas Company (Peoples)
- Duquesne Light (Duquesne)
- Office of Consumer Advocate (OCA)
- Pennsylvania Electric Association (PEA)
- Enron Power Marketing, Inc. (Enron)
- UGI Utilities, Inc. - Gas Division (UGI Gas)
- Pennsylvania Power Company (Penn Power)
- UGI Utilities, Inc. - Electric Division (UGI Electric)
- PECO Energy Company (PECO)
- Pennsylvania Power & Light Company (PP&L)

Appendix B

GUIDELINES FOR CUSTOMER SERVICES

Proposed Guidelines for Maintaining Customer Services at the Same Level of Quality Pursuant to 66 Pa. C.S. §2807(D), and Assuring Conformance with 52 Pa. Code Chapter 56 Pursuant to 66 Pa. C.S. §2809(E) and (F).

I. Statutory Requirement

The following general statutory requirements of the Act apply to the types of utility/supplier/customer interactions that will occur under retail competition:

A. Electric Distribution Companies (EDC), Generation Suppliers, Brokers, Marketers and Aggregators must abide by the Standards and Billing Practices for Residential Utility Service at 52 Pa. Code, Chapter 56. 66 Pa. C.S. §2807(D) for Electric Distribution Companies; 66 Pa. C.S. §2809(B) and (E) for Electric Generation Suppliers, and 66 Pa. C.S. §2809(F) for Brokers, Marketers or Aggregators. As retail competition unfolds, some waivers of specific sections of the Chapter 56 regulations may be necessary. Absent a Commission waiver, all parties are required by the Act to apply the Chapter 56 standards when they engage in an activity covered by these standards. Therefore, all practices, procedures, policies, and written material developed for the purpose of engaging in an activity covered by the Chapter 56 standards must comply with these residential service regulations.

B. Customer services must, at a minimum, be maintained at the same level of quality under retail competition. 66 Pa. C.S. §2807(D) and 2809(E). If the Commission waives a provision of Chapter 56, and then alters it through the appropriate process, the new standards or procedures resulting from such action will maintain the same level of quality of customer services.

C. The Electric Distribution Companies currently have the "Obligation to Serve." 66 Pa. C.S. §2807(E). For residential customers, this means that during the "*transition*" *or* "*phase-in*" *period at* §2807(E)(2), *they can obtain supply from the* EDC or Commission-approved alternative supplier if they are unable to purchase, or choose to not purchase, supply from a competitive supplier. See also 66 Pa. C.S. §2807(E)(3) and (4). Therefore, until the Commission promulgates regulations pursuant to §2807(E)(2), the EDC shall continue to physically connect and disconnect service.

II. Options For Determining Which Entity Performs Customer Service Functions

The restructuring process shall consider the following two options for determining the level of interaction that each entity may engage in under retail competition relative to specific residential service activities. These options are potentially inclusive in the sense that a restructured EDC be able to implement either, possibly both, with suppliers. The options are summarized as follows:

A. Utility restructuring plans shall demonstrate the Electric Distribution Company's ability to continue to provide customer service functions or activities requiring application of the Chapter 56 residential service standards. The primary basis for this option is 66 Pa. C.S. §2807(D) which provides that the EDC, ". . . shall continue to provide customer service functions consistent with the regulations of the Commission, including meter reading, complaint resolution and collections." Section 2807(D) further states, "Customer services shall, at a minimum, be maintained at the same level of quality under retail competition."

B. Utility restructuring plans should provide for the contingency of allowing suppliers to (1) render at the customer's request a consolidated bill that includes both EDC and supplier charges, and (2) engage in complaint handling. Provision of these customer service functions by a supplier is dependent on the supplier's ability to conform with Commission regulations and guidelines applicable to these customer service functions. The Commission intends that the supplier's performance will, at a minimum, maintain the same level of quality of customer services. The statutory bases for this option are 66 Pa. C.S. §2803 (which defines Electric Generation Supplier to include brokers, marketers, and aggregators and recognizes that suppliers may engage in "related services"), 66 Pa. C.S. §2804(3) (relating to authority of Commission to unbundle other services), and 66 Pa. C.S. §2809(E) (relating to form of regulation of electric generation suppliers).

III. List of Types of Utility/Supplier/Residential Customer Interactions

The following list constitutes the types of interactions that involve residential customers and relate to the Chapter 56 service standards:

A. Consumer Information
B. Consumer Education
C. Application for Initiation or Connection of Service (New Connects)

D. Credit Determinations
E. Selecting a Supplier
F. Deposits
G. Metering/Meter Reading
H. Billing (Rendering Bills/Payment of Bills)
I. Complaint Resolution
J. Service Interruptions and Outages
K. Requests to Discontinue Service
L. Termination/Payment Agreements
M. Provider of Last Resort
N. Restoration or Reconnection of Service

A. Consumer Information

The interim customer information requirements relating to implementation of Sections 2807(C) and (D)(2) that result from the order at Docket No. M-00960890 F. 0008 should be reflected in the operations of the EDC and/or suppliers at the end of the restructuring process, according to the specific type of interaction, the need to provide customer information, and whether the EDC or Supplier, or both, provides the information.

B. Consumer Education

The Commission's Bureau of Public Liaison (BPL) is the lead bureau for the Consumer Education Working Group. That Group is developing recommendations on the implementation of Section 2807(D)(3) relating to consumer education. The work product of that group is intended to be implemented by the EDC prior to implementation of any restructuring plan. Additionally, since the need for consumer education relates to all types of interactions between residential consumers and the other entities, BPL staff have been reviewing the work product of other Work Groups to provide recommendations relating to consumer education.

C. Application for Initiation or Connection of Residential Service

The utility restructuring process should include procedures for the EDC to continue to handle applications for new residential service, including the actual physical connection of service as required at §2807(E)(1). The procedures should guarantee that all suppliers receive uniform treatment by the EDC relative to the applicant's selection of a supplier. The procedures should conform to applicable guidelines or requirements that result from the work product of the Competitive Safeguards Working Group. Some applicants will know their choice of supplier at

the time of application. Other applicants may require a list that contains an objective, unbiased presentation of available suppliers. The EDC will need to provide all suppliers simultaneously with a list of customers for telephone solicitation, unless the customer indicates they do not want to be contacted in this manner. The EDC restructuring plans should contain procedures to handle these likely scenarios. The procedures should also include a method for providing an applicant, if necessary, with supply on an interim basis *until* they choose a long-term supplier.

We recognize that a policy may be needed which contains the specific requirements that need to be met if a supplier is allowed to handle applications for new service, including (1) compliance with Chapter 56, (2) maintaining, at a minimum, the level of quality of service an applicant receives from the EDC, and (3) the technical issues that must be addressed such as timely information exchange and coordination of scheduling. The need for timely information exchange and coordination of scheduling is important since, pursuant to §2807(E)(1), the EDC will still perform the physical connection.

D. Credit Determinations

Suppliers are expected to treat all residential applicants who meet its load criteria in a uniform manner according to the applicable Chapter 56 standards. Suppliers must abide by the same rules regarding credit determinations that the EDCs must abide by so that there is a level playing field. The statute at Sections 2809(E) and (F) is clear that suppliers are to follow Chapter 56 and that includes the credit standards. If suppliers do not have to apply the Chapter 56 credit standards, then some geographic areas and neighborhoods may be identified and treated as poor risk. This may result in complaints to the Commission from low-income consumers who are turned down by suppliers despite their ability to pass the Chapter 56 credit test. Such complaints would be contrary to §2802(10) which requires that the Commonwealth must, at a minimum, continue the protections, policies and services that now assist customers who are low-income to afford electric service. Moreover, credit differences between EDCs and suppliers will work to deny credit-risky customers, regardless of location, the opportunity to fully participate in the market for competitive generation services, effectively depriving them of the competitive choices the Act is intended to provide. Suppliers applying the Chapter 56 credit standards can protect themselves the same way the EDCs do by requiring a deposit in appropriate situations. The Commission's requirement that suppliers comply with the credit standards under Chapter 56 does not extend a utility-type *duty to serve* to those suppliers.

E. Selecting a Supplier

The Commission instituted a proceeding [L-00970121] relative to Section 2807(D)(1) of Chapter 28. This begins the process of establishing regulations to ensure an existing customer's consent to a change of supplier. Additionally, the Customer Information and Billing Working Group, noted above, is developing interim requirements (Docket No. M-00960890 F. 0008) to ensure that all parties provide adequate and accurate customer information to enable customers to make informed choices (§2807(D)(2)). Finally, the Competitive Safeguards Working Group is developing recommendations for the Commission to address standards of conduct between EDCs and unregulated affiliates, and to address any potential anti-competitive activity by a supplier.

The utility restructuring process should include consideration of any proposed regulations relating to §2807(D)(1), as well as any requirements or guidelines that result from the work products of the above noted two Work Groups.

F. Deposits

The deposit requirements at Chapter 56 are clear, and their application presents no problem for the parties under retail competition. The restructuring plans, therefore, should reflect conformance with the Chapter 56 deposit rules.

G. Metering/Meter Reading

The utility restructuring plans should demonstrate that the EDCs continue to provide metering and, pursuant to §2807(D), perform meter reading. While all physical activity relating to metering such as setting meters, testing, calibrating, change-out, etc., are to remain EDC functions, the restructuring plan should allow for the option of customer choice of meter. The cost issue relating to enhanced metering capability pursuant to §2807(A) will be addressed on the basis of EDC responses to the information and data requirements in Appendix A of our February 13, 1997, Order regarding Electric Utility Restructuring Filings made pursuant to 66 Pa. C.S. §2806(E) [Docket M-00960890 F. 0003].

We also note that the Bureau of CEEP is the lead bureau for the Metering Working Group. That Group is developing regulations at Docket No. M-00960890 F. 0009 on the implementation of Section 2807(A) relating to metering issues that may arise under retail competition.

The Commission's intent regarding this guideline is that no matter how metering services are provided, residential customers should have the confidence that the level of quality will not deteriorate under retail competition, and with assurance that these services comply with the Chapter 56 standards. In our view, Section 2807(D) requires the EDC continue to perform physical meter reading, even for those customers who elect choice of generation supply. However, nonphysical meter reading could be performed by other entities.

H. Billing (Rendering Bills/Payment of Bills)

1) The EDC restructuring plans should, pursuant to Section 2807(C) allow for the two billing options set forth in this section of the Act. One option is that a customer may choose to keep separate the bill for services from the EDC, and the bill for services from the supplier. The other option is that a retail customer may choose to receive a single bill from the EDC for both EDC charges and supplier charges. Since Section 2807(C) does not explicitly prohibit an entity other than the EDC from rendering a single bill, the restructuring plans should include procedures and timelines for allowing suppliers to offer a single bill that includes EDC charges. The plan should reflect any requirements that result from Commission action on the work product of the Customer Information and Billing Working Group (Docket No. M-00960890 F. 0008).

2) In regard to application of partial payments, the restructuring plans should direct how payments which are insufficient to cover all charges should be applied. For a customer who has a pre-retail access balance, the payment should be applied by the EDC as follows: (1) outstanding pre-retail access balance or the installment amount for a payment agreement on this balance; (2) intangible transition charge (ITC) and competitive transition charge (CTC); (3) EDC transmission and distribution charges (T&D); (4) supply charges, and (5) non-basic services charges. If the customer's account develops a post-retail access balance, partial payments should be applied to the pre-retail access balance, according to the terms of the pre-retail access payment agreement, before being applied to any other outstanding post-retail access charges. For a customer with no pre-retail access balance but with a post-retail access balance, partial payments should be applied as follows: (1) balance due for prior ITC, CTC, and T&D service; (2) ITC and CTC; (3) T&D; (4) balance due for prior supply charges; (5) supply charges, and (6) non-basic services charges.

I. Complaint Resolution

The EDC restructuring plans should include procedures for complaint resolution that conform with the Chapter 56 dispute provisions; allow customers to deal directly with the party responsible for the service in question, and ensure appropriate referral and exchange of data and other information.

J. Service Interruptions and Outages

The restructuring plans should reflect compliance with 52 Pa. Code §56.71 (relating to interruption of service), as well as any requirements that result from the above noted tentative order regarding Quality of Service Benchmarks and Standards [M-00960890 F. 0007], and any guidelines that result from the work product of the Reliability Working Group.

K. Requests to Discontinue Service

The restructuring process should reflect consideration of the following guidelines:

1) The EDCs shall be responsible for ending the physical delivery of service. Currently, the EDCs process requests of this nature within seven days to comply with 52 Pa. Code §56.16(a), unless the ratepayer requests a date later than seven days from the date of the request. To maintain this time frame, thereby maintaining the same level of quality of service, the EDCs and suppliers must design procedures that result in the exchange of information to meet the seven day time frame.

2) Consumer information and education should attempt to direct the customer to the EDC to request discontinuance of service to help ensure that the EDC continues to process these types of requests as timely as in the past. When customers contact the supplier instead of the EDC, as some customers inevitably will, the procedures must include a process for quick notification to the EDC.

3) The procedures implemented by both the EDC and suppliers should include steps to determine whether the customer is requesting discontinuance of service at their current location or discontinuance of supply from their current supplier, as well as steps to ensure

proper identification of the type of residential account so that the proper Chapter 56 procedures are followed. Essentially, there are three types of residential discontinuance requests: (1) requests to discontinue service at a single meter dwelling and the premises will be unoccupied as of the date of discontinuance; (2) requests for discontinuance at a single meter multifamily residence where the premises will be occupied as of the date of discontinuance; and (3) requests where the ratepayer is a landlord-ratepayer.

4) The procedures must ensure coordination between the EDC and suppliers so that basic customer functions such as accurate final billing are covered.

L. Termination/Payment Agreements

The Restructuring Plans should reflect continuation of the interim termination procedures in the Final Order regarding Licensing Requirements for Electric Generation Suppliers [M-00960890 F. 0004]. On page 5 of that Order the Commission accepted a suggestion by the Office of Consumer Advocate (OCA) for the following protocol for allowing a supplier to cease its provision of service to a non-paying customer:

One way to address this issue would be to allow the generation supplier to seek to terminate its generation service through an appropriate written notice to the customer and the distribution company. The customer could then attempt to repair their relationship with the supplier, or default to utility service at capped rates in accordance with the utility's obligations under Section 2807(E). 66 Pa. C.S. §2807(E). The customer would only be disconnected from the electricity grid pursuant to Chapter 56 if the customer failed to meet their obligations to the utility or the provider of last resort.

We agree with the Group's recommendation but note the following clarification. The interim protocol quoted above refers to "capped" rates, whereas the proper term is "prevailing market prices" pursuant to 66 Pa. C.S. §2807(E)(3) and in conjunction with the generation rate cap provision of §2804(4)(II). With this clarification, the protocol quoted above should continue as a guideline to be reflected in EDC restructuring plans. We also propose the following additional guidelines relating to the Chapter 56 termination provisions be reflected in restructuring plans:

1. In regard to payment agreements, suppliers are not required to negotiate payment terms according to the factors found at §56.97(b). This provision

does not apply to suppliers since the obligation to apply this Chapter 56 provision is triggered by a contact from a customer who has received a termination notice, and is attempting to avoid termination of service through a payment agreement. Since suppliers are not terminating service, they are not required to apply the Chapter 56 termination-related provisions, including the obligation at §56.97(b), to attempt to enter into a reasonable payment agreement.

2. The supplier of last resort, currently the EDC pursuant to §2807(E), must continue to apply the Chapter 56 termination provisions for nonpayment, including negotiation of payment agreements based on a consideration of certain factors such as the ability of the ratepayer to pay. The EDC or supplier of last resort is not required by the Act to serve nonpayers indefinitely. Failure to pay the EDC can result in termination after the EDC applies the Chapter 56 termination provisions.

3. Suppliers are free to pursue all available, appropriate collection remedies to collect delinquencies, except threatening termination of residential service.

4. The form and content of the written notice sent by suppliers to a delinquent customer and the EDC needs to clearly inform the customer that failure to pay will result in cancellation of the contract with the supplier, not termination of service. In general, this written notice should reflect the Commission's Policy Statement on Plain Language Guidelines, 52 Pa. Code, §69.251. The Commission's Bureaus of Public Liaison and Consumer Services can assist parties in the development of this written notice, and should be provided with a copy of such notices for review and comment prior to their use.

5. Where an EDC purchases accounts receivables from a supplier, the EDC shall not use the Chapter 56 termination process for nonpayment of these supply charges. Instead, the EDC must treat the delinquent supply charges in the same manner as suppliers. Only when the customer is receiving supply from the provider of last resort may the EDC utilize the Chapter 56 termination process for nonpayment of these supply charges.

M. Provider of Last Resort

The restructuring plans should propose a provider of last resort, or a process for choosing the Commission-approved alternative supplier pursuant to 66 Pa. C.S. §2807(E)(3).

N. Restoration or Reconnection of Service

Since the EDC retains the responsibility for provision of transmission and distribution services, the application of the requirements at 52 Pa. Code §56.191 and §56.192 relating to restoration of service, remains with the EDC. The EDC will, in effect, be responsible for applying both the termination and restoration provisions of Chapter 56.

The restructuring plans should reflect procedures that call for the EDC to apply the requirements at 52 Pa. Code §56.191 and §56.192 relating to restoration of service. The EDC procedures must reflect the guidelines under Item L. above relating to Termination/Payment Agreements. In particular, restoration requirements must be consistent with L. 5., in that the EDC must not make payment of supply charges, other than supply charges from the provider of last resort, a condition for restoration of service.