

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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| Petition of PECO Energy Company          | : |                           |
| For Approval of its Default Service      | : |                           |
| Program for the Period Service Plan      | : | Docket No. P-2016-2534980 |
| For the Period from June 1, 2017 Through | : |                           |
| May 31, 2019                             | : |                           |

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STATEMENT OF THE  
OFFICE OF CONSUMER ADVOCATE  
IN SUPPORT OF THE  
JOINT PETITION FOR PARTIAL SETTLEMENT

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The Office of Consumer Advocate (OCA), a signatory party to the Joint Petition for Partial Settlement (Settlement) in the above-captioned proceeding, respectfully requests that the terms and conditions of the Settlement be approved by Administrative Law Judge Cynthia Williams Fordham (ALJ) and the Pennsylvania Public Utility Commission (Commission). It is the position of the OCA that the proposed Settlement is in the public interest and in the interests of the residential customers of PECO Energy Company (PECO or Company).

**I. INTRODUCTION**

On March 17, 2016, PECO filed its Petition for Approval of its Default Service Plan for the Period from June 1, 2017 through May 31, 2019 (DSP IV or the Program) pursuant to 66 Pa.C.S. § 2807(e) of the Pennsylvania Public Utility Code, the Default Service Regulations of the Pennsylvania Public Utility Commission, and the Commission's Policy Statement on Default Service.

In its filing, PECO proposed to acquire supply for residential customers by procuring a mix of laddered one-year and two-year fixed price full requirements products (FPFR), and a mix of a long-term product (five-year full requirements product) and spot purchases. PECO proposed

to purchase approximately 96% of its residential customer supply through the laddered one- and two year-full requirements products with the remaining 4% of default service supply for residential customers from the mix of long-term products and spot purchases.<sup>1</sup> Petition at ¶ 11, 14. The Plan for residential default service was proposed as a two-year duration, starting on June 1, 2017 and ending on May 31, 2019. Petition at 1. The Company proposed procuring each of the FPCR products for the residential class approximately two months before delivery of the product begins. Petition at ¶ 9-10.

In addition to procurement issues, PECO made several other proposals. PECO proposed to maintain the same rate design for residential customers. Petition at ¶ 28. PECO also proposed the continuation of its Standard Offer Program. Petition at ¶ 38.

The Petition was assigned to the Office of Administrative Law Judge and was further assigned to Administrative Law Judge Cynthia Williams Fordham for investigation and the scheduling of hearings. Intervenors in this proceeding include: the OCA; the Commission's Bureau of Investigation and Enforcement (I&E); the Office of Small Business Advocate (OSBA); the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA); Noble Americas Energy Solutions, LLC (Noble); Retail Energy Supply Association (RESA); Direct Energy, LLC (Direct); the Tenant Union Representative Network and Action Alliance of Senior Citizens of Greater Philadelphia (TURN); and Philadelphia Area Industrial Energy Users Group (PAIEUG).

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<sup>1</sup> The proposed residential supply portfolio also consists of several pre-existing ten-year contracts to procure up to 8,000 Solar Alternative Energy Credits on an annual basis. See PECO St. 3-R at 7.

The OCA retained the expert services of Dr. Serhan Ogur<sup>2</sup> and Ms. Barbara R. Alexander<sup>3</sup> to assist the office in its review of the Company's filing. The OCA conducted discovery in this proceeding. The OCA submitted the Direct, Rebuttal and Surrebuttal Testimonies of Ms. Alexander and the Direct and Surrebuttal Testimonies of Dr. Ogur.

The OCA supported many aspects of the Company's Plan as filed for residential customers. The OCA proposed one modification to the PECO's proposed supply portfolio mix and also proposed modifications to the bidding process and timing of reconciliations. The OCA recommended the elimination of the five-year FPCR products because it exposed residential default service customers to excessive supplier risk premiums. OCA St. 1 at 7-8. The OCA recommended that should PECO seek to include a long-term product (as defined in Act 129) in its residential supply portfolio, that PECO could include a five-year, 50 MW block purchase and use spot purchases and sales to balance out the hourly residential default service load. OCA St. 1 at 8.

The OCA also proposed a change to PECO's bidding process. The OCA recommended that PECO permit bidders to place certain conditions on their bids, as doing so would increase efficiency and competitiveness of the auctions. OCA St. 1 at 17-19. The OCA also

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<sup>2</sup> Serhan Ogur is a Senior Analyst with Exeter Associates, Inc. located in Columbia, Maryland. At Exeter, Dr. Ogur assists clients in soliciting and purchasing short-term and long-term, conventional and renewable power and performing utility service cost assessments. As part of his duties, Dr. Ogur performs market and data analyses on various components of cost serving load including energy, capacity, congestion, ancillary services, transmission and ARR's. Prior to joining Exeter, Dr. Ogur was an Economic Analyst for the Illinois Commerce Commission and a Senior Economist at PJM Interconnection, LLC. Dr. Ogur has a B.A. in Economics from Bogazici University in Istanbul, Turkey and a Ph.D. in Economics from Northwestern University in Evanston, Illinois. Dr. Ogur's qualifications are detailed in OCA St. 1 at 1-2, App. A.

<sup>3</sup> Ms. Alexander is a Consumer Affairs Consultant who works on consumer protection and customer service issues associated with utility regulation. Ms. Alexander is an attorney and a graduate of the University of Michigan and the University of Maine Law School. Prior to opening her consulting practice in 1996, she spent nearly ten years as the Director of the Consumer Assistance Division of the Maine Public Utilities Commission. Her current consulting practice is directed to consumer protection, customer service and low-income issues associated with both regulated and retail competition markets. Ms. Alexander's qualifications are detailed in OCA St. 2 at 1-3, Exh. BA-1.

recommended a change to the Company's six-month reconciliation mechanism. Specifically, OCA witness Dr. Ogur recommended that PECO recover over-collections and under-collections over the subsequent twelve-month period for residential customers to provide additional stability in rates and to permit the rates to be more reflective of market prices. OCA St. 1 at 20.

Additionally, OCA witness Dr. Ogur recommended a change to the duration of DSP IV. Dr. Ogur recommended that PECO's DSP IV Plan be in place for four years, from June 1, 2017 through May 31, 2021. OCA St. 1 at 19. According to Dr. Ogur, expanding the term of DSP IV would save both time and cost for the Commission, the parties to DSP cases, the Company and ultimately, customers. Id. Further, expanding the duration of DSP IV would lower administrative costs for PECO and thus, lower rates for default service customers. Id.

OCA witness Alexander recommended that the Company should make changes to its promotion and presentation of the Standard Offer Program (SOP) to customers to ensure that customers receive appropriate disclosures and benefits from the SOP. OCA St. 2 at 3. Ms. Alexander recommended that the Company modify the statements regarding the "7% discount" used when presenting the program to customers. In addition, Ms. Alexander specifically recommended that the PECO's customer service representatives provide customers with an opportunity to complete the transaction that initiated the call and terminate the call prior to the transfer to its third party contractor, Allconnect, for discussion of the Standard Offer Program. OCA St. 2 at 27. Ms. Alexander explained her concerns that PECO's disclosures may unintentionally mislead customers to believe that the 7% discount will remain constant for the full contract term when this may not be the case. OCA St. 2 at 29-32. OCA witness Alexander proposed clarifying language to explicitly inform customers that the potential 7% discount will vary depending on the Price to Compare (PTC), which changes quarterly. Id. Ms. Alexander

also recommended that the Company undertake additional research into the customer understanding of and experience with the Standard Offer Program. OCA St. 2 at 4, 32-33.

Throughout the proceeding, the OCA actively participated in settlement discussions with PECO and the parties. The OCA supports the Settlement for the reasons set forth below.

## II. SETTLEMENT BENEFITS FOR RESIDENTIAL CUSTOMERS

The OCA submits that the Settlement addresses the issues raised by the OCA's witnesses and provides benefits for residential customers. The Settlement addresses the OCA's concerns regarding the increased risk premium for the five-year FPFR product. The Settlement replaces the proposed five-year FPFR with two-year FPFR products (approximately 3.2% of residential default service load) and spot purchases (approximately 0.8%) directly from the energy markets operated by PJM, which will be procured in the scheduled Spring 2017 and Spring 2019 procurements. Settlement at ¶ 17. OCA witness Ogur expressed concerns that the five-year FPFR product was not a standard product and that a contract of this length for fixed price load following supply would result in an excessive risk premium being paid for by residential customers. OCA St. 1 at 7-8. The OCA submits that the Settlement will reduce the risks and potentially overall costs that residential customers will pay for default service load. See also OCA St. 1-SR at 8.

Under the Settlement, Joint Petitioners agree that DSP IV will be in effect for four years, from June 1, 2017 through May 31, 2021. Settlement at ¶ 12. OCA witness Ogur recommended this Plan duration. OCA St. 1 at 19. The Settlement also provides for a stakeholder collaborative in January 2018 to discuss any aspect of the products or programs approved in DSP IV, as well as any other retail market enhancement issues as they relate to PECO's provision of default service. Settlement at ¶ 12. The OCA submits that expanding the duration of DSP IV

will save costs and time for the Commission, participating parties and PECO. Further, expanding the duration of DSP IV will benefit residential ratepayers by lowering administrative costs for PECO and consequently lowering rates for default service customers.

The Settlement modifies the currently-effective Standard Offer Program (SOP or PECO Smart Energy Choice Program) to improve the consumer education of the SOP as recommended by OCA witness Alexander. Settlement at ¶¶ 40-43. OCA witness Alexander testified regarding the need for more explicit disclosures in the Call Center scripts for PECO and for its third party agent, Allconnect. OCA St. 2 at 4-33. The OCA submits that the revised Call Center scripts address many of the OCA's concerns.

OCA witness Alexander recommended that PECO customer service representatives complete the transaction that led to the call from the customer prior to PECO transferring the call to Allconnect, PECO's third party contractor for its Standard Offer Program. OCA St. 2 at 3. The Settlement provides that PECO will be required to complete the transaction that was the subject of the customer's call prior to initiating a transfer to Allconnect regarding the Standard Offer Program. Settlement at ¶¶ 41(a), 41(b). As Ms. Alexander testified, this will allow customers to terminate the call at any time without an adverse impact on the customer's original reason for contacting the Company. OCA St. 2 at 27.

The Settlement also provides that the PECO will eliminate the use of the term "constant" in all customer service scripts regarding the Standard Offer Program. Settlement at ¶ 41(d). OCA witness Alexander identified a concern with the Company's use of the term "constant" in reference to the description of the initial discount of 7% from the current PTC by both PECO and Allconnect customer service representatives. OCA St. 2 at 32. OCA witness Alexander testified

that the use of the word “constant” could be interpreted as a reference to a “constant” reduction of 7% as the PTC changes. OCA St. 2 at 15.

Under the revised scripts, PECO and PECO’s third party contractor, Allconnect, will provide customers with an accurate description of the program and how it works relative to the price to compare. Settlement at ¶ 41. For customers interested in hearing more about the SOP, the Allconnect scripts will be modified to clearly state as follows, “The PECO Program offers a fixed price of [*SOP Rate*] cents/kWh for one year provided by an Electric Generation Supplier. The fixed Program price provides a 7% discount off of today’s Price to Compare which is [*PTC Rate*] cents/kWh. PECO’s Price to Compare changes quarterly in March, June, September, and December. The PECO Smart Energy Choice Program price will not change during the 12 monthly bills, but the Price to Compare could be higher or lower than the PECO Program price during this period.” Settlement at ¶ 41(c). The OCA submits that the revised scripts clarify the potential benefits and risks of selecting service under the SOP and are an incremental improvement to the program.

The Settlement also provides that refresher training sessions with Allconnect customer service representatives will emphasize PECO’s PTC; a description of the savings through the SOP program; the appropriate time to cease marketing on a transferred call; PECO’s obligation to provide default service; and that the presentation of non-electricity related services such as telephone and cable are not related to, or endorsed by, PECO. Settlement at ¶ 42. The OCA submits that these refresher trainings will ensure that the customer service representatives are fully informed about the SOP program.

The OCA submits that the Settlement addresses many of the concerns that OCA witness Alexander raised in her testimony regarding the SOP program, including its structure, disclosures provided, and overall operation so as to provide a better customer experience with the program.

### III. CONCLUSION

The OCA submits that the Joint Petition for Partial Settlement provides a reasonable resolution to the Company's DSP IV filing by modifying the residential customer default service portfolio to reduce risk premiums and expanding the DSP IV duration from two years to four years. In addition, the Settlement will bring needed improvements to the Company's existing Standard Offer Program disclosures. For the foregoing reasons, the Office of Consumer Advocate submits that the proposed Settlement is in the public interest and in the best interest of the Company's ratepayers.

Respectfully submitted,



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