

PREPARED REMARKS BY RON CERNIGLIA, DIRECTOR -- NATIONAL ADVOCACY,
GOVERNMENT AND REGULATORY AFFAIRS TO THE PENNSYLVANIA PUBLIC
UTILITY COMMISSION ON MARCH 21, 2012

Good morning Chairman Powellson and commissioners. Thank you for the opportunity to testify today. I have been asked by staff to represent the viewpoint of competitive suppliers, particularly with respect to funding options for a new competition education program.

Before I begin though, I would like to recognize the significant efforts of the Commission and Staff to foster competitive markets. There is still much more work to be done by all of us in the near term, but I am confident that an appropriately designed end-state and implementation effort will result in the Commonwealth becoming the most competitive marketplace in North America.

Competition related consumer education will play a critical role as we transition to this end-state, and the supplier community supports staff's efforts to design and implement a statewide effort. The need for this effort is supported when you review the results of surveys and focus

groups of residential and small-business customers in the state. 15% of customers in some of the utility territories did not even know that they had the ability to choose a competitive supplier and in another survey, 66% of residential and small business customers stated that they have not switched, the majority of which stated reasons for their decision that were not factually correct or because they had inadequate information; very disturbing results in light of the substantial publicity customer choice has received in 2010 and 2011.

Despite the educational efforts to date, many Customers remain reluctant to switch from what they know -- even if they are paying higher prices for default service than what they could obtain from a competitive supplier, because of incorrect assumptions, confusion or indifference. Together these factors create a glue, maintaining the dominance of default service.

Staff has recommended launching a statewide consumer education effort estimated to cost up to five million dollars. The Supplier community

feels that there are several funding options that should be under-consideration and I would like to share them in order of preference.

Given the societal benefits of choice resulting in downward pressure on prices, environmental benefits, energy efficiency, innovation, and economic development benefits, utilizing a onetime non-bypassable charge or a systems benefit charge equating to only approximately 1 dollar per customer per year would fund this effort. This approach could easily be incorporated in the pending default service / competitive enhancement proceedings involving each of the major utilities. Other states including the Commonwealth have used this approach and per customer assessments have ranged from 50 cents to over 2 dollars per customer.

The second approach called “Fair Share” where the program costs would be allocated between utilities and competitive suppliers based on the current level of statewide migration. In this approach, competitive suppliers would be responsible for approximately 27% of the costs,

where each of the 30 residential suppliers and 50 nonresidential suppliers would be asked to contribute the same fee.

The third approach, if it is determined that competitive suppliers are responsible for 100% of the costs, each competitive supplier in Pennsylvania would share the cost equally. With this approach, competitive suppliers would like to request a significant role in the development and implementation of this Commission delivered effort.

Lastly, although increasing the existing purchase of receivables discount rate to recover consumer education costs from competitive suppliers may sound elegant, it is our least preferred approach as it would violate the principle of cost recovery following cost causation, as the discount as currently structured is intended to recover utility implementation, uncollectibles, and administrative costs for the sales attributable to utility consolidated billing. Utilizing POR would also result in the unintended consequence of exempting those suppliers who do their own billing and could encourage those utilizing POR to no longer do so.

Lastly, any purchase of receivables-based assessment would unfairly and disproportionately assess competitive suppliers based on market share.

Market share is gained in large part, to significant investments in the Commonwealth, expenditures on the part of the supplier to educate customers, increase their awareness of choice and product offerings, and to better manage their overall energy usage.

In closing, competitive suppliers support a Staff-led consumer education effort, and will do its part to ensure its success as we are aligned in that at the end of the day, we want customers to make an informed choice before switching.

Thank you and I look forward to your questions.