BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

INVESTIGATION OF PENNSYLVANIA'S RETAIL ELECTRICITY MARKET	:	**DOCKET NO. I-2011-2237952**

TESTIMONY OF RICHARD G. WEBSTER, Jr.
ON BEHALF OF
PECO ENERGY COMPANY

November 10, 2011 *En Banc* HEARING

Chairman Powelson, Vice Chairman Coleman, Commissioners Cawley, Gardner and Witmer and presiding Administrative Law Judge Barnes: My name is Richard G. Webster, Jr. and I am the Director of Rates and Regulatory Affairs for PECO Energy Company. I would like to thank you and express our appreciation for the opportunity to appear today.

PECO has been actively working with the Customer Referral Working Group since last summer to better understand various approaches to customer referral programs and how they might be implemented. This working group includes retail suppliers, consumer advocates and the Electric Distribution Companies ("EDCs") who would have a large part in implementing the programs.

Today, we have heard at a high level how some of these referral programs could work, and we also have heard about some of the considerations that are important to consumer advocates. As the Commission has recognized, referral programs can be designed along a continuum, with options ranging from simply providing customers with information on shopping to more comprehensive programs, such as those that have been implemented in New York. In

PECO's view the attributes of a well-designed customer referral program include one that educates customers about retail choice, provides customers with a clear opportunity for savings and creates a positive shopping experience for them.

PECO supports the inclusion of customer referral programs in upcoming default service filings and will continue to work through the various program options through the stakeholder working group process. At the same time, the task of implementing referral programs can be quite significant, so we emphasize that it is critically important to allow sufficient time after program-approval for proper and effective implementation.

In general, we believe there are five basic areas that must be further developed: 1) how the standard offer by participating EGSs should be designed; 2) how customer communications should be handled; 3) how the enrollment process will be implemented; 4) how to operationalize the program from a call center standpoint; and 5) how and from whom program costs will be recovered.

In terms of the standard offer, the latest working group discussions have focused on options including a 7% discount from an EDC's default service rate for a three-month period. We agree that the three-month offer represents an improvement over the two-month introductory offers previously discussed. Also, current discussions suggest that the discount would be coordinated with the EDC's default service rate, which currently changes quarterly.

As we have heard, an important consideration is what happens at the end of the introductory period both in terms of the price customers will pay, as well as what happens if the customer doesn't make an affirmative choice to remain with the EGS. PECO favors an approach in which the customer receives a clearly-communicated, fixed-rate offering following the introductory period covering months four through twelve. We believe this approach will best enable the customer to make an educated decision as to whether to stay with the EGS, choose a different EGS or return to default service. We prefer this approach to the variable, market-based rate used in New York because of the uncertainty a variable rate presents.

In terms of customer communications, under the framework being proposed, a customer participating in a referral program will receive four communications from the time of enrollment through the end of the introductory period. The customer will initially be notified through the EDC confirmation letter. This will be followed by the EGS' Terms and Conditions, which will not only define the introductory period but also provide an explanation of the post-introductory period. Approximately 60 days prior to the end of the introductory period, the customer will receive a notice alerting it to the end of the introductory period and, no more than forty-five days prior to the end of the introductory period, the customer will be notified of the fixed-price offer that will apply in months four through twelve. This approach gives us comfort that customers will be well-educated regarding their options. Also, the fact that a customer is free to switch at any time with no penalty provides a well-balanced framework of consumer protections.

With that basic framework in mind, some important implementation issues remain. The first issue relates to the enrollment process itself. PECO supports the approach currently being discussed, which provides that the EDC will transmit the relevant customer enrollment information to the selected EGS each day, enabling the EGS to enroll the customers through the normal EDI enrollment process. While this is a simplified approach, some complex system functionality would have to be developed to record the EGS selection in our systems, transmit the data, ensure availability to Default Service customers only and allow random selection if desired. Furthermore, we envision making enrollment in the referral program available online through the PECO.com website and potentially the Interactive Voice Responses (IVR) system, which is another system function that would have to be designed and implemented.

The next question is "What is the optimal approach to implementing these programs from a call center standpoint?" We feel strongly that it will be most effective to implement the programs through a separate contracted or outsourced call center, similar to those PECO has successfully used for our Act 129 programs. This will enable dedicated training and execution to maintain a specific focus on the program. As the working group has discussed, the potential downside to this approach is that it involves a handoff or transfer of the call and that some percentage of customers will lose interest and not stay with the call. However, I believe the upside of segmenting the program from the current day-to-day general customer service workload and engaging the customer with a dedicated, specialized team will outweigh the risk of a lost call. Another possibility, which PECO considers attractive, would be to implement the referral program on a statewide basis and establish a statewide call center to handle the customer enrollment.

Finally I would like to emphasize that any costs incurred by EDCs in implementing referral programs should be recovered on a full and current basis and that at least some of the costs should be borne by the participating EGSs.

Let me briefly come back to my point that referral programs could be implemented in different forms or on a more limited basis if desired. The following are some examples:

- A referral program could be implemented entirely by enabling customers through the EDCs website and IVR
- Additional customer choice related materials could be sent to customers as part of "Welcome Kits" for new and moving customers with a return easy enrollment postcard;

- Customers could simply be transferred to EGS call centers upon request; or
- A referral program could be implemented for a limited segment of customers.

PECO looks forward to continuing to work with the Commission and stakeholders to develop and implement cost-effective programs that will increase consumer education and further increase shopping levels in PECO's service territory. I will be happy to answer any questions. Thank you.