



Todd S. Stewart
(717) 236-1300 x242
tssstewart@hmslegal.com

100 North Tenth Street, Harrisburg, PA 17101 Phone: 717.236.1300 Fax: 717.236.4841 www.hmslegal.com

February 1, 2012

VIA ELECTRONIC FILING AND HAND DELIVERY

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, Filing Room
Harrisburg, PA 17120

RE: Investigation of Pennsylvania's Retail Electricity Market; Intermediate Work Plan,
Docket No. I-2011-2237952; **REPLY COMMENTS OF DOMINION RETAIL, INC.
TO TENTATIVE ORDER**

Dear Secretary Chiavetta:

Enclosed for filing with the Commission is the original Reply Comments of Dominion Retail, Inc. to Tentative Order in the above-captioned docket.

Thank you for your attention to this matter. If you have any questions related to this filing, please contact the undersigned.

Very truly yours,

Todd S. Stewart
Counsel for Dominion Retail, Inc.

TSS/alh
Enclosure

cc: OCMO (via email to ra-OCMO@pa.gov)

MAILING ADDRESS: P.O. BOX 1778 HARRISBURG, PA 17105

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Investigation of Pennsylvania's : Docket No. I-2011-2237952
Retail Electricity Market; Intermediate :
Work Plan :

REPLY COMMENTS OF DOMINION RETAIL, INC.

Now comes Dominion Retail, Inc., (“Dominion Retail”) d/b/a Dominion Energy Services (“DES”) by and through its counsel, Hawke McKeon & Sniscak, LLP, and hereby responds to the Comments of several parties that were filed in response to the Pennsylvania Public Utility Commission’s (“Commission”) Tentative Order in the above-captioned proceeding. The Tentative Order was entered December 16, 2011 and the initial comments of the various parties were due to be filed with the Commission on January 17, 2012. Ordering paragraph number 2 of that Tentative Order requires that Reply Comments shall be filed within fifteen (15) days after of the filing of initial Comments.

DES will respond to the subject matter of the reply comments in the same order those subjects appeared in the Tentative Order.

I. Consumer Education

It appears, as a general matter, that most parties support the Commission’s consumer education initiatives. It also appears that the EDCs in particular are interested in cost recovery for those plans. DES supports EDC cost recovery for consumer education, and continues to believe that consumer education is fundamentally necessary if we are to achieve a fully competitive electricity market where all consumers benefit by having a choice, and the

knowledge to exercise that choice in the manner that is best for them. Accordingly, DES continues to support sustained consumer education and the recovery of the reasonable costs thereof from ratepayers.

II. Acceleration of Supplier Switching Timeframes

It appears that some EDC's, the Office of Consumer Advocate, and a few other parties as well, do not support the complete elimination to the ten (10) day waiting period proposed by the Commission when switching consumers, although there appears to be a fair amount of support for sending a uniform "switch" letter to consumers indicating that their electric generation supplier is to be switched. With regard to the waiting period, the suggestions range from a period of four (4) days to DES' suggestion of a six (6) day period. DES' concern is that total elimination of the waiting period will create a small group of more-satisfied consumers whose switch is accomplished more quickly, while at the same time, creating another class of highly dissatisfied consumers, who may have wanted to halt a switch transaction but could not do so for lack of time. The effort and time it will take to unwind such transactions can be avoided by simply allowing a little more time up front. While DES believes that six days is the appropriate period, even four days would provide consumers with time to receive the notice of change and to react to that notice.

III. Consumer Referral Programs

The range of comments regarding consumer referral programs, and new/moving consumer referral programs in particular, runs the gamut. Some EDC's support a statewide call center while others oppose a statewide call center or even resist the need for a referral program in the first instance. Likewise, the comments regarding standard offer programs range from support for a three (3) month initial offer to a twelve (12) month offer, suggested by Duquesne Light.

DES believes that its proposal of a single referral program, a “hybrid” of the proposed new/mover program and the standard offer program, will prove the most effective and practical means of introducing more consumers to the opportunities of the choice market. Such a program should minimize the impact on EDC call center staff, and will not require the EDC to be put in the position of providing consumers with rate information, or even making recommendations about competing supplier offers. Rather, DES’ proposal would simply have the EDC call center representative ask consumers calling for non-emergency/disconnect issues a few simple questions which may or may not result in transferring the consumer to an EGS via a random assignment pool if the consumer wished to participate in the standard offer program, or even transferring the consumer to a specific supplier if that were their choice. For additional information, the consumer would be directed to the www.PaPowerSwitch.com website or the toll-free PUC number. DES supports a simplified referral program proposal because it believes that it can be a reasonable precursor to further opening of the markets - without imposing substantial new obligations or costs on EDCs, consumers or suppliers. By allowing consumers, with minimal effort, to obtain immediate benefits of choice, we take a more deliberate step in transitioning consumers to the competitive market place.

With regard to some of the specifics of the referral programs, DES continues to believe that the standard offer portion of the referral program should be designed to encourage participation by the largest number of suppliers. Accordingly, while DES supports having the program provide consumers with savings relative to the default service rate, it also believes that moving consumers into a robust choice market where a large and diverse group of suppliers are able to participate is more important, as a goal, than simply seeking to drive the price to the bottom--even if only temporarily). Programs that seek to provide consumers with a monolithic

choice of a single supplier that is capable of sustaining a short-term “lowest price” in order to capture market share, does not develop the market, it merely substitutes one default supplier for another with the potential of creating unregulated market power. That is not choice.

With regard to the treatment of consumers at the conclusion of the initial offer period, DES has advocated the requirement that consumers be presented with a one year fixed price option at the conclusion of the initial period. DES shares the concerns that providing consumers with only a variable price option--one that could exceed the default service rate--could prove to be counter-productive. Accordingly, DES could accept a restriction that variable priced products, offered as the follow-on to the initial term of a standard offer referral program, could not exceed the price to compare during the first year following the initial term. Another appropriate offering that would be acceptable to DES would be a guaranteed percent-off discount type offering, hopefully for a one year period as well. Any of these three (3) alternatives would be acceptable to DES as the offering to follow the “standard offer”.

IV. Retail Opt-In Auction Program

There appears to be very little agreement on some of the particulars of the design of retail opt-in auction program, but there are some narrow areas of near-unanimous agreement. There is a near unanimous agreement that pilot programs are not required and would not be appropriate. Moreover, there appears to be near unanimous agreement that the small EDCs not be required to participate in these programs and that EGS participation should be voluntary. There appears to be very little agreement, however, as to the consumers that would be eligible. DES continues to believe that it would be appropriate to start these programs with residential consumers only and not to include small business consumers. Moreover, the consumers who are participating should be the subset of residential consumers who are not shopping at the time.

With regard to the duration of the initial offers under the programs, the proposals range from a six (6) to a twenty four (24) month initial term period. DES believes that the minimum initial term period should be one year and believes that one year is the appropriate length of a contract since most supplier contracts tend to be one year contracts. Longer term supply contracts tend to increase the price or place additional risk on suppliers, which tends to preclude broad based participation in these programs.

DES believes that there should be no consumer participation caps in these programs, that is, any eligible default service consumer that is not currently shopping should be eligible to participate. It cannot be forgotten that consumers will be opting-in to these programs, that is, they will be affirmatively asking to participate. Therefore, those who want to participate should not be turned away, and once they do participate, no further affirmative consent should be required to allow them to continue to be served by their supplier at the conclusion of the initial term or after.

Despite the comments to the contrary, DES believes that all parties ultimately will fare better if consumer participation levels are known, before requiring suppliers to bid. While such a process may involve two contacts with a consumer, ultimately, that contact should serve to re-assure the consumer about the process and at the same time define the universe of participants. This results in better offers, and more satisfied consumers.

With regard to supplier participation, DES is seriously concerned that incorrectly designed programs would present an opportunity for a single supplier to dominate any particular market, which is contrary to the intention of the Commission in this proceeding. DES believes that such a situation is simply substituting one default service provider for another. A minimum number of participating suppliers is required to allow for diversity.

Parties who propose that the sole factor upon which the winning supplier should be decided is the minimum price, appear to have a self-serving view that will not ultimately benefit the choice market. The goal is to move consumers in to a **competitive** market and to allow for a number of suppliers to participate in that market actively, so that **competition** can prevail. This view is contrary to that expressed by parties who suggest that pushing consumers into longer term contracts with a single supplier is the best solution. Such a lack of supply diversity does not meet the definition of a competitive market.

DES continues to be agnostic as to the specific type of offer to be presented to consumers and believes that the EDCs should have the discretion to propose the best style of program for their default service plans. However, DES continues to believe that a sealed bid process is the least expensive and easiest to implementation process for determining the winning bidders.

With regard to credit-worthiness and security, most parties do not suggest requiring additional security, other than incremental security for components of such programs that may go beyond selling energy to consumers - such as guaranteed payments or bonuses. DES agrees that security levels should not be increased on a per consumer basis above what the Commission currently requires in its security requirements, only that such bonding levels should be attained prior to consumers being assigned. This would avoid the lag that sometimes can occur in the Commission's process now where such bonding requirements are only reviewed on a periodic basis.

V. Default Service Price to Compare on Bills

It appears that there is near unanimous support for the inclusion of the default service price to compare on bills despite DES' continued opposition to the same. As DES said in its Comments, it believes that if the price to compare is to be included on the bill, consumers should

be told the shelf life of the particular price to compare and should be informed that it is changed every three (3) months. Consumers also should be made aware that supplier offers may be available and should be directed to the Commission's www.PaPowerSwitch.com website to view those competitive offers.

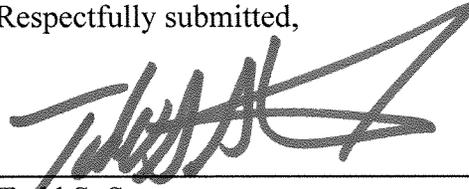
VI. Supplier Coordination

With regard to the supplier coordination issues, it appears that very few parties have raised any issues with regard to EDC supplier charges or sample bills and the only apparent disagreement is with regard to credit-worthiness standards. DES continues to believe that the appropriate approach is for the Commission to initiate a rulemaking on the subject if it believes that current credit-worthiness standards are inadequate. DES does not believe that EDC's have established any basis for such increased credit worthiness standards in excess of the Commission's requirements. However, if the EDC's are able to establish the need for additional requirements, the appropriate process would be a rulemaking to flesh out why increased security is required and how it is to be provided. If such increased requirements are to be implemented, DES would suggest that statewide uniformity as to the level of security and the appropriate and acceptable security instruments would be beneficial.

VII. Conclusion

DES wishes to thank the Commission for this opportunity to provide Comments and Reply Comments in this proceeding and stands ready to assist the Commission in future efforts to open the markets for electricity in the Commonwealth of Pennsylvania to better and more robust competition.

Respectfully submitted,



Todd S. Stewart
Hawke McKeon & Sniscak LLP
Harrisburg Energy Center
100 North Tenth Street
Post Office Box 1778
Harrisburg, PA 17105
(717) 236-1300
tsstewart@hmslegal.com

*Counsel for Dominion Retail, Inc.,
d/b/a Dominion Energy Solutions*

February 1, 2012