



Before the

Consumer Affairs Committee

Pennsylvania House of Representatives

Public Hearing on

Municipal Electricity Aggregation

Legislation

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Testimony of

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Chairman Preston, Chairman Godshall, Representative Barbin and Members of the Committee:

Thank you for the opportunity to speak with you today. I am the Midwest Manager of Government and Regulatory Affairs for Direct Energy. Direct Energy, LLC combined with the North American subsidiaries of our parent company Centrica has over 6 million energy customer relationships in North America. Direct Energy's North American headquarters are in Pittsburgh, Pennsylvania and currently serves large commercial, industrial, residential and small commercial electric customers in Pennsylvania. Our Pittsburgh office has approximately 300 employees, 80 of which were recently added in the past 6 months. In addition, Direct recently acquired Clockwork Home Services which added an additional 530 Pennsylvania employees on the HVAC and home services side of our business bringing our total Direct Energy Pennsylvania employees to a little over 800 and growing.

Direct Energy has come to Pennsylvania as a commitment to the emerging competitive energy industry here. As a competitive electric provider to residential and small commercial customers Direct is interested in ensuring that the competitive market continues to grow and barriers to an open and level playing field are not put in place.

I am here today to talk about HB 2619, this bill is a good foundation for Municipal Government Aggregation and I compliment the Chairmen and committee on a solid foundation. The language is written to promote the best protections for customers and Direct appreciates that this bill is being approached in a methodical way to avoid rushing in legislation which could cause customer confusion and disrupt the competitive market.

As a bit of background, my first job in the energy industry was back in 2001 selling and administering opt-out government aggregation programs in Ohio. Not only did I sell these programs but I was a resident in a community which had both electric and gas opt-out government aggregations. So I have seen these programs work from the supplier side, the community side, and the customer perspective. Since 2001, I have moved to other positions, but have continued to watch these types of programs increase in number, size and variety of products. Opt-out aggregation has become another option for customers looking to shop as well as an introduction to shopping. In some of the oldest Ohio programs the opt-out period happens around the same time of year so we have customers calling the community and Direct Energy wanting to know what the new rate is so they can compare it to other offers in the market. Opt-out aggregation should be used to educate customers and create savvy shoppers, not to eliminate supply choices for customers.

In Pennsylvania, the opportunity to choose a competitive supplier for the generation portion of a customer's electric bill is only now really taking off. A few months ago I attended a public hearing at Dauphin High School and what I heard the most about when it came to shopping was that residents either didn't know how, didn't have time, or were intimidated by the process. Similar comments have come back from our employees who attend community shopping events across the state. Opt-out aggregation takes those

concerns out of customer hands and puts them in the hands of their community officials. The community legal counsel reviews contracts and officials negotiate the best deal for residents. Do residents have to take that offer? No. For those that want to shop but don't want to become an energy expert however this is an easy avenue to a better price and a glide path education on shopping they may not seek out on their own.

I have seen communities who not only have an opt-out program but also provide a list or access to all of the other competitive offerings upon request so residents can truly make an informed choice. The process of the opt-out is designed to encourage customers to make a choice and to provide ample opportunity to make the choice while maintaining a simple enrollment process.

Residents who have not already chosen a competitive supplier will receive a notice in the mail. The language is very clear on the opt-out process and ensures that customers will receive multiple notices including the opt-out notice and the required consumer protection notices prior to enrollment.

However, for residents who are already in a contract with a competitive supplier the legislation is clear that they are not to be included in a municipal aggregation, but unclear on how those residents may choose to join an aggregation. As written it appears that a resident must first return to the utility (no longer with another supplier) and be put on the mailing list to be enrolled – a process which could lead to several months passing before they receive the community rate. The language needs to be written such that while those customers may not be automatically enrolled or mailed enrollment materials if they find that their community rate is better than their current contract the resident can actively request enrollment in their community's aggregation program. This allows the resident to avoid the delay of a return to the utility, a 30 day opt-out period and utility enrollment period. As a community program all residents should have access to the rates with minimal effort. We have experienced in Ohio and Connecticut ambiguous language which has created hoops for residents under contract at the time of the opt-out to jump through in order to enroll – including forcing these customers to first return to the utility to be put on the eligibility list before enrollment in the community program. This can mean several months and lost savings for those customers. Any program design must ensure not only that customers with other suppliers are not automatically included but also that those customers right to actively choose the community rate offer is not prohibited.

Lastly, legislation must continue to ensure that aggregation is a means for educating customers on their shopping options and not a means to lock out competitive offers. While it is possible that a contract could go for several years and in fact we have seen 10 year deals in another state, it is key that not only residents but their community be allowed to shop every few years. Direct would like for the current legislation to ensure that a community must exercise their ability to shop for a different supplier every three years and that a resident be offered the opportunity to opt-out every year regardless of a change in price or supplier. This is important, while a community might like a supplier for the initial term if things change they will want the ability to look at their other supply

options just as any customer in the market can. For a resident, aggregation is not only another supply option but an educational tool on how to shop. The current legislation requires a notice of terms to be supplied to customers annually but doesn't provide for an opportunity to allow customers to leave without penalty if they do not like the terms, in fact there is no time limit placed on the length of the contract. In Ohio, an opt-out must be conducted every two years to ensure customers have an opportunity to leave the program without penalty. In Pennsylvania, where there are many supplier offers available it seems reasonable that a shorter period of annually should be put in place. Requiring annual opt-out periods regardless of a change in price or change in supplier not only allows customers to make a choice every year but reminds them that they have a choice.

Thank you again for providing this opportunity to share Direct Energy's and my experience with municipal aggregation. I am available to provide any assistance the Committee needs regarding municipal aggregation. Municipal aggregation is one of many ways to help bring the benefits of competitive markets to consumers.