

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

The North Shore Gas Company	)	
	)	
Proposal to Implement Riders SVT, AGG,	)	01-0469
And revise Rider 2, Terms and	)	
Conditions, and Table Of Contents	)	

**Rebuttal Testimony of  
Becky Merola  
On Behalf of The New Power Company**

October 4, 2001

**OFFICIAL FILE**

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Witness \_\_\_\_\_  
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I.

INTRODUCTION

1  
2  
3 **Q. Are you the same Becky Merola that submitted direct testimony on behalf of**  
4 **the New Power Company ("New Power") in the instant proceeding.**

5 A. Yes.  
6

7 **Q. What is New Power's interest in the instant proceeding?**

8 A. As I indicated at page 2 of my direct testimony, New Power now is looking at the  
9 possibility of entering into the Illinois natural gas market. However, without  
10 modifications and revisions to the proposed tariffs, residential and small  
11 commercial customers will be deprived of the benefits that suppliers like New  
12 Power can offer with a properly designed residential customer choice program.  
13 As a result, if the Commission were to adopt the proposed revisions to Riders  
14 SVT, AGG, and Rider 2 without modification, it actually could hinder the further  
15 development of competition in the Illinois retail natural gas market.  
16

17 **Q. Please summarize the recommendations from your direct testimony that you**  
18 **submitted in the instant proceeding?**

19 A. As I stated in my direct testimony at pages 3-4, a number of pro-consumer pro-  
20 competitive revisions to the proposed tariffs are necessary to foster competition  
21 and remove significant barriers to entry that otherwise would prevent suppliers  
22 from providing additional benefits to customers. These necessary revisions fall

23 into **two** general categories. **First**, the proposed **billing procedures** should be  
24 revised to:

- 25 (a) Allow suppliers to perform a single billing function for their  
26 customers; and
- 27
- 28 (b) Require North Shore to offer this service under the terms of a  
29 single bill tariff.
- 30

31 **Second**, the proposed **administration and rate design** of the program must be  
32 revised to:

- 33
- 34 (a) Prevent misplaced, unnecessary, and unjustified fees from acting  
35 as barriers to entry, including, but not limited to the Aggregation  
36 Charge, Customer Pool Activation Charge, and Supplier  
37 Application Charge;
- 38
- 39 (b) Remove unnecessary restrictions upon supplier's flexibility to  
40 efficiently utilize its own storage services;
- 41
- 42 (c) Eliminate the proposed enrollment limits and minimum stay  
43 requirements and utilize an "open" enrollment process;
- 44
- 45 (d) Extend the grace period to ninety (90) days;
- 46
- 47 (e) Impose a reasonable code of conduct, if any, upon suppliers;
- 48
- 49 (f) Revise the Imbalance provisions to provide suppliers with greater  
50 flexibility and options; and
- 51
- 52 (g) Direct North Shore to develop a customer education program,  
53 including workshops, after conclusion of the proceeding.
- 54

55 The Commission must be vigilant to adopt rules and tariffs that ensure that  
56 competition develops for residential and small commercial customers. By  
57 adopting New Power's recommendations, the Commission can help ensure that  
58 appropriate tariffs are adopted to promote competition to provide service to retail  
59 customers in the Peoples and North Shore service territories.

60 **Q. Please summarize the issues that you address in your rebuttal testimony.**

61 A. In my rebuttal testimony, I will respond to the direct testimony submitted by Staff  
62 and Intervenor witnesses, including the testimony of Martin Cohen that was filed  
63 on behalf of the Citizens Utility Board ("CUB"), Jerome D. Mierzwa that was  
64 filed on behalf of CUB, the Cook County State's Attorney's Office, and the  
65 People of the State of Illinois (collectively "GCI"), and Charles C. S. Iannello,  
66 Terrie L. McDonald, Eric P. Schlaf, and Dennis L. Sweatman that was filed on  
67 behalf of the Staff of the Illinois Commerce Commission ("Staff"). I will also  
68 respond to the Rebuttal Testimony submitted by Debra Egelhoff, David Wear,  
69 and Valerie Grace that was filed on behalf of North Shore Gas Company ("North  
70 Shore").

71

72 **Q. Do you have any general observations regarding that testimony?**

73 A. It is obvious that the Commission Staff and CUB recognize both the benefits and  
74 importance of the single billing issue. North Shore continues to steadfastly  
75 oppose allowing suppliers to issue single bills to SVT Customers; a service that  
76 customers desire and suppliers want to provide. In their rebuttal testimony, North  
77 Shore repeats many of the same arguments against single billing by suppliers.  
78 However, North Shore does propose a "Rider SBO" in the event that the  
79 Commission directs North Shore to allow single billing by SVT Suppliers.

80

II.

81

BILLING ISSUES

82

A. SINGLE-BILLING BY SUPPLIERS

83 Q.

**Do other parties support your recommendation that suppliers be allowed to offer a single bill to residential customers?**

84

85 A.

Yes. The witnesses for CUB and the Commission Staff recognize the importance of allowing suppliers to issue single bills to their customers.

86

87

88 Q.

**What has the Commission Staff recommended regarding single billing?**

89 A.

Staff witness Dr. Schlaf properly recommends that suppliers be permitted to offer single billing services to customers in the Choices For You program. Specifically, Dr. Schlaf recommends that single billing through account agency should be permitted as soon as an order is entered in this proceeding. Additionally, Dr. Schlaf properly recommends that North Shore be required to develop the capability to send and receive billing information electronically. However, Dr. Schlaf states that the appropriate long-term solution is that North Shore should provide such service through a single billing tariff.

90

91

92

93

94

95

96

97

98 Q.

**Do you support Dr. Schlaf's recommendations on behalf of the Staff?**

99 A.

Yes. However, his recommendations should be taken one step farther. North Shore has laudably proposed a single billing tariff ("Rider SBO") in the rebuttal testimony of Ms. Egelhoff. As explained later in my testimony, the proposed

100

101

102 Rider SBO certainly is in need of modification; however, there is no valid reason  
103 why the Commission should wait to approve a single billing tariff.

104

105 **Q. How has CUB expressed its position regarding the importance of allowing**  
106 **suppliers the ability to issue single bills?**

107 A. CUB has captured the essence of why single billing is so important. CUB  
108 Witness Martin Cohen properly recognized three points regarding the single bill.  
109 **First**, the bill is an important communication tool that allows the supplier to  
110 communicate with the customer. **Second**, the ability to issue a single bill helps  
111 the supplier build a relationship with a customer. **Third**, customers should be  
112 able to receive one natural gas bill for convenience sake.

113

114 **Q. Do you agree that the bill is an important communication tool that allows the**  
115 **supplier to communicate with the customer.**

116 A. Yes.

117

118 **Q. Please explain why you agree that the bill is an important communication**  
119 **tool that allows the supplier to communicate with the customer.**

120 A. In reality, this is one of the most important means by which suppliers  
121 communicate with customers most of the time. While New Power always stands  
122 ready to answer any questions our customers have, the monthly bill is the steady  
123 and consistent means of communication between our company and our customers.  
124 As I stated in my direct testimony at page 5, the ability of a supplier to issue a

125 single bill to its customers is the cornerstone of a supplier's relationship with its  
126 customer since the customer opens and reads their natural gas bills.

127

128 **Q. Do you agree that the ability to issue a single bill helps the supplier build a**  
129 **relationship with a customer.**

130 A. Yes.

131

132 **Q. Please explain why the ability to issue a single bill helps the supplier build a**  
133 **relationship with a customer.**

134 A. Suppliers need the ability to communicate through the customer's bill with their  
135 customers regarding the benefits that a marketer has to offer, and potential future  
136 savings and value-added services that would be available based on a customer's  
137 needs. Communicating to customers through their natural gas bill regarding such  
138 items as an update of the benefits the supplier has already provided to date, be it  
139 incentives or phone numbers to take advantage of existing or new offers from the  
140 marketer, have proven to be essential tools in building a relationship with a  
141 customer.

142

143 **Q. Do you agree that customers should be able to receive one bill for**  
144 **convenience sake.**

145 A. Yes.

145 Q. Please explain why you agree that customers should be able to receive one  
146 bill for convenience sake.

147 A. As I indicated in my direct testimony, the primary beneficiaries of the provision  
148 of a supplier consolidated bill are customers; since a customer is able to choose to  
149 receive the benefits of the competitive market and still receive only one bill from  
150 a single entity. As a result, the customer only has to write one check and make  
151 one payment for its natural gas service and potentially its electric service or other  
152 services as well.

153

154 B. SINGLE BILL TARIFF

155 Q. What is your recommendation regarding how the Commission should  
156 require North Shore to address the single billing issue?

157 A. While North Shore still opposes single billing by suppliers, North Shore should be  
158 commended for proposing a single billing tariff in this proceeding. The  
159 Commission should enter an Order that directs North Shore to implement single  
160 billing by suppliers through a revised Rider SBO. As I stated in my direct  
161 testimony at page 8, such an Order would be consistent with the Commission's  
162 Order in the original pilot proceeding and also would be consistent with the  
163 Commission's long history of promoting competition in the natural gas industry.

164 Q. In your direct testimony at pages 10-11, you mentioned some of the essential  
165 elements of a single billing tariff. Does the proposed Rider SBO contain all  
166 of those elements?

167 A. North Shore proposed Rider SBO addresses mainly the terms and conditions of  
168 such service from a utility perspective and does not appear to address the  
169 establishment of a uniform electronic format for the operational, technical, and  
170 communications processes for the interaction between North Shore and suppliers  
171 in the program. Specifically, North Shore proposed Rider SBO does not discuss  
172 whether North Shore will provide the following information in a uniform  
173 electronic format:

- 174 • North Shore' charges (in a bill-ready electronic format);
- 175 • billing determinants;
- 176 • bill inserts and other required notices; and
- 177 • any other necessary information that a supplier will need to provide to the  
178 consumer.

179  
180  
181 Q. Please comment regarding the terms and conditions of North Shore'  
182 proposed Rider SBO.

183 A. As an initial matter, North Shore has failed to provide any evidence to justify the  
184 imposition of a number of the terms and conditions in its proposed Rider SBO.  
185 Additionally, contrary to the provisions of the single billing tariffs of Illinois  
186 electric utilities, North Shore has failed to propose a credit, based upon an  
187 embedded cost methodology, to reflect the savings to North Shore as a result of  
188 the supplier performing the billing function as well as distributing and providing  
189 bills inserts and other required information. The Commission should direct North

190 Shore to submit the proposed credit during its compliance filing at the conclusion  
191 of the instant proceeding function.

192

193 **Q. Please list the sections of North Shore' proposed Rider SBO that you will be**  
194 **commenting upon.**

195 A. The following sections in North Shore' proposed Rider SBO should be revised:

196

- Section A - Definitions

197

- Section B – SVT Supplier Qualifications;

198

- Section C – Company Obligations;

199

- Section D – SVT Supplier Obligations;

200

- Section F – Terms and Conditions of Service; and

201

- Section G – Contract.

202

For the Commission's convenience, a red-lined version as well as a clean copy of

203

a revised Rider SBO is attached hereto and made a part hereof as Attachment A.

204

205

**1. Section A - Definitions**

206

**Q. Which definitions in this Section of proposed Rider SBO will you be**  
207 **commenting upon?**

208

A. I propose one slight revision of the definition of "Company Charges" that is  
209 designed to clarify the Company Charges that appropriately are included on the  
210 single bill of the SVT Supplier.

211                   2.     Section B – SVT Supplier Qualifications

212    **Q.     Please explain what terms and conditions are contained in Section B of North**  
213    **Shore’ proposed Rider SBO.**

214    **A.     Section B of North Shore’ proposed Rider SBO contains the qualifications or**  
215    **prerequisites that a SVT Supplier must meet before being allowed to commence**  
216    **single billing service under Rider SBO.**

217  
218    **Q.     Do you have any comments regarding the qualifications that SVT Suppliers**  
219    **are required to meet before commencing service under Rider SBO?**

220    **A.     Yes. New Power has two (2) separate concerns regarding this section of the**  
221    **proposed Rider SBO: (1) the proper format for the electronic transfer of**  
222    **information; and (2) the length of the testing program.**

223  
224    **Q.     What is New Power’s concern regarding the proper format for the electronic**  
225    **transfer of information?**

226    **A.     North Shore’ rebuttal testimony and the terms and conditions of its proposed**  
227    **Rider SBO are silent regarding the proper format for the electronic transfer of**  
228    **information.**

229  
230    **Q.     What are some of the options for the format for the electronic transmission**  
231    **of information?**

232    **A.     There are at least two (2) different means of exchanging information that are**  
233    **widely utilized in the energy industry: internet based and van-based.**

234 Q. **What is New Power's recommendation regarding the proper format for the**  
235 **electronic transfer of information?**

236 A. New Power recommends that the Commission require North Shore to utilize  
237 internet based communications for the electronic transmission of information. An  
238 internet based communications system is more economical than a van based  
239 system for potential suppliers.

240

241 Q. **What is New Power's concern regarding the testing program that is**  
242 **referenced in the proposed Rider SBO?**

243 A. This section of proposed Rider SBO refers to the "successful completion of the  
244 Company's testing program" but there is no description of the "testing" program  
245 or process nor the length of time that is contemplated for completion of North  
246 Shore' testing program. Any testing program should be administered in a non-  
247 discriminatory fashion and completed in an expeditious manner in order to  
248 facilitate the entry of suppliers into the marketplace.

249

250 Q. **What is New Power's recommendation regarding the testing program that is**  
251 **referenced in the proposed Rider SBO?**

252 A. North Shore should be required to explain in detail the process and the specific  
253 requirements by which an SVT Supplier might be able to meet the requirements  
254 of a testing program. Parties then should be given an opportunity to comment  
255 upon North Shore' proposal. If North Shore is unable at this time to specify in  
256 detail the testing process that is contemplated, this clause should be deleted from

257 Rider SBO. This issue is more appropriately addressed in the Order that will be  
258 entered in the instant proceeding.

259

260 **3. Section C – Company Obligations**

261 **Q. Please explain what terms and conditions are contained in Section C of North**  
262 **Shore' proposed Rider SBO.**

263 A. Section C of North Shore' proposed Rider SBO impose certain obligations upon  
264 North Shore.

265

266 **Q. What are New Power's concerns regarding the terms contained in Section C**  
267 **of Rider SBO?**

268 A. New Power has three (3) separate concerns regarding the provisions of Section C  
269 in proposed Rider SBO. **First**, North Shore has again referred to the electronic  
270 submission of information, but fails to identify or specify the specific format that  
271 North Shore plans to utilize. **Second**, there is no discussion of the risk associated  
272 with receivables. **Third**, there is no mention of the submission of usage  
273 information along with billing information.

274

275 **Q. What is New Power's recommendation regarding the proper method of**  
276 **communication for the electronic transmission of information?**

277 A. As discussed above, New Power recommends that the Commission require North  
278 Shore to utilize an internet based system for the electronic transmission of  
279 information.

280 Q. **Please describe New Power's concerns regarding North Shore' failure to**  
281 **address the receivables risk in this section of its proposed Rider SBO?**

282 A. North Shore failure to address the receivables risk constitutes both a barrier to  
283 entry and an unreasonable omission of a major issue for potential suppliers in any  
284 customer choice program. Based on the credit of the SVT Billing Customers, a  
285 receivables agreement should be established between North Shore and the SVT  
286 Supplier that recognize these issues including an appropriate discount rate if  
287 appropriate.

288

289 Q. **What is New Power's recommendation regarding the appropriate receivables**  
290 **risk under Rider SBO**

291 A. New Power recommends that the Commission require North Shore to utilize a pro  
292 forma receivables agreement for SVT Suppliers utilizing Rider SBO. For the  
293 Commission's convenience, a copy of a pro forma receivables agreement that  
294 marketers and electric utilities agreed to use as a model in Ohio is attached hereto  
295 and made a part hereof as Attachment B.

296

297 Q. **Please describe New Power's concerns regarding the submission of usage**  
298 **information along with billing information.**

299 A. North Shore proposed Rider SBO is silent regarding whether North Shore will  
300 provide billing information contemporaneously with usage information to SVT  
301 Suppliers.

302 **Q. What is New Power's recommendation regarding the submission of usage**  
303 **information along with billing information?**

304 A. North Shore should be required to provide SVT Suppliers with billing information  
305 contemporaneously with usage information. Otherwise, the SVT Supplier will be  
306 unable to send a single bill at the same time for both the Company's charges and  
307 the supplier's charges. The SVT supplier would have to wait to send the bill until  
308 it receives the customers usage information in order to issue a single bill.

309

310 **4. Section D – SVT Supplier Obligations**

311 **Q. What are New Power's concerns regarding Section D of proposed Rider**  
312 **SBO?**

313 A. New Power has the following **six (6)** separate concerns regarding the proposed  
314 provisions in Section D of Rider SBO:

- 315 (1) There is no discussion of how the costs incurred by SVT suppliers  
316 would be reimbursed;
- 317 (2) There is no discussion of how prior bundled service balances  
318 should be addressed;
- 319 (3) There is no reimbursement for bill inserts nor a description of the  
320 specific contents or timing for distribution of the bill inserts;
- 321 (5) It appears that late payment charges only apply to the utilities  
322 portion of the bill; and
- 323 (6) The timeframe for remittance of payments to North Shore are  
324 unreasonable.

325

*Reimbursement of Costs*

326 **Q. Please describe New Power's concerns regarding reimbursement of costs**  
327 **incurred by the SVT Supplier.**

328 A. The SVT Supplier will incur costs as a result of being required to provide bill  
329 inserts or informational mailings pursuant to obligations imposed by the  
330 Commission. North Shore' residential customers should not have to pay the  
331 utility for services that are being provided by the competitive market. In effect  
332 the customer would be paying twice for billing services. Finally, by not issuing a  
333 single-billing credit this would create a barrier to competitive suppliers that are  
334 considering entering the market who desire to issue a single bill.

335

336 **Q. What is New Power's recommendation regarding the proper reimbursement**  
337 **of costs incurred by the SVT Supplier under Rider SBO?**

338 A. North Shore should be required to reimburse the SVT Supplier for the costs that  
339 SVT Suppliers incur in providing and distributing such information. A credit  
340 should be established to reflect the full value of the services provided by the  
341 competitive market. The costs need to be unbundled from North Shore' existing  
342 rates.

343

*Prior Bundled Service Balances*

344 **Q. Please describe New Power's concerns regarding how prior bundled service**  
345 **balances should be addressed under Rider SBO.**

346 A. It bears repeating that North Shore proposed Rider SBO mirrors Edison's Rider  
347 SBO. It is my understanding that in the "uniformity proceeding" (ICC Docket  
348 No. 00-0494), the Commission addressed this issue. Specifically, the  
349 Commission required Edison to cease its practice of requiring suppliers using  
350 Edison's Rider SBO to collect past due or outstanding bundled service balances.  
351 Based upon the manner in which North Shore has proposed to define "Company  
352 Charges," which was discussed above, it appears that North Shore is attempting to  
353 impose the same improper requirements upon SVT Suppliers in the instant  
354 proceeding that the Commission rejected in the uniformity proceeding.

355

356 **Q. What are some of the problems associated with North Shore proposed**  
357 **imposition of such requirements on SVT Suppliers?**

358 A. By requiring an SVT Supplier to act as an unpaid collection agent for outstanding  
359 bundled service balances, North Shore would thrust SVT Suppliers into a  
360 situation which inevitably would lead to customer confusion regarding charges of  
361 which the SVT Supplier has no prior knowledge. For example, the customer's  
362 unpaid bundled service balance could have arisen from a billing dispute between  
363 the North Shore and the customer, or as a result of a metering or billing system  
364 malfunction, or could be just the result of the customer not wanting to pay its bill.  
365 In any case, by definition, the event that triggered the unpaid bundled service

366 balance was beyond the knowledge and control of the SVT Supplier and beyond  
367 the scope of single billing service under the Choices For You program. In other  
368 words, the previous customer-utility relationship for bundled service is absolutely  
369 distinct from the SVT Supplier relationship with the customer. Similar concerns  
370 prompted the Texas Public Utilities Commission to develop a single billing  
371 process whereby the utility is required to issue a final bill to the customer prior to  
372 the customer beginning single billing service. Thus, the supplier and the customer  
373 begin a relationship with a "clean slate."

374

375 **Q. Will such a provision in a single billing tariff have a negative impact upon**  
376 **competition?**

377 A. Yes. The failure of North Shore to resolve outstanding bundled service balances  
378 undoubtedly will result in questions from SVT Billing Customers regarding these  
379 unpaid balances. An SVT Supplier then would be forced into providing customer  
380 service for North Shore regarding a balance about which the SVT Supplier has no  
381 knowledge, and no scripts, processes, operational systems or customer billing  
382 history to respond to such inquiries. Significantly, North Shore would require an  
383 SVT Supplier to conduct all of these services without compensation. Further, the  
384 SVT Supplier would be placed in the position of annoying its customers by billing  
385 for charges that may well be incorrect due to problems with North Shore' billing  
386 system. This is an unreasonable provision that is another barrier designed to  
387 prevent suppliers from providing single billing service.

388 **Q. What is New Power's recommendation regarding North Shore' attempts to**  
389 **require SVT Suppliers to include on its single bills outstanding or past due**  
390 **bundled service balances owing to North Shore that arose prior to the**  
391 **relationship of the SVT Supplier and the customer?**

392 **A. North Shore is entitled to collect past due balances from their prior customers and**  
393 **there is no need to inject the SVT Supplier into this process. North Shore should**  
394 **issue a final bill to its customers and eliminate any requirement that SVT**  
395 **Suppliers bill for past due bundled service charges assessed by North Shore.**

396

397 ***Timeframe for Remittance of Payments***

398 **Q. Under the terms of proposed Rider SBO when are SVT Suppliers required to**  
399 **remit payments received from SVT Billing Customers to North Shore?**

400 **A. Under the terms of the proposed Rider SBO, SVT Suppliers are required to remit**  
401 **payments received from SVT Billing Customers on the same Business Day that**  
402 **the SVT Supplier receives such payment. This is an unreasonable provision**  
403 **because an SVT Supplier will need to reconcile and account for certain payment**  
404 **records.**

405

406 **Q. What would be a more reasonable timeframe within which a SVT Supplier**  
407 **should be required to remit payments received from SVT Billing Customers?**

408 **A. A five (5) business day remittance period would be a more reasonable remittance**  
409 **period.**

410                   **5.     Section F – Terms and Conditions of Service**

411   **Q.     Please explain the provisions contained in Section F of proposed Rider SBO.**

412   A.     Section F of proposed Rider SBO contains various terms and conditions of service  
413           that are imposed upon SVT Suppliers in addition to those enumerated in Section  
414           D that were discussed above.

415

416   **Q.     Do you have any comments or concerns regarding the provisions of Section F  
417           of Rider SBO?**

418   A.     Yes. At this time, we have two (2) independent concerns regarding the provisions  
419           contained in Section F of proposed Rider SBO. **First**, SVT Billing Customers  
420           should not have to “opt in” to receive a single bill from an SVT Supplier.  
421           **Second**, North Shore should not be allowed to dictate what billing product is  
422           offered by the SVT Supplier in an open and competitive market.

423

424   **Q.     Why should SVT Billing Customers not be required to opt in to receive a  
425           single bill from an SVT Supplier?**

426   A.     This provision has the potential to be an anti-competitive barrier to entry. By  
427           virtue of the fact that the customer is accepting an offer from the SVT Supplier  
428           (via in writing, internet or telephone) and that part of the offer includes the  
429           provision of a single bill from the SVT Supplier, this should be sufficient  
430           verification and authorization for North Shore to permit the SVT Supplier to  
431           commence issuing single bills to its customers. An SVT Supplier’s enrollment of  
432           a customer into the program should be an accepted form of the customer’s

433 intention to receive single billing service from an SVT Supplier that chooses to  
434 offer such service. Staff witness Dr. Schlaf, agreed that SVT Billing Customers  
435 should not be required to "opt in" to receive a single bill from an SVT Supplier.  
436 (See Staff Response to North Shore Data Request 2.1.)

437

438 **Q. What is your concern regarding North Shore "dictating" what billing**  
439 **products are offered by SVT Suppliers?**

440 A. In Section F of proposed Rider SBO, North Shore includes various requirements  
441 that SVT Suppliers **must** include on its bill to the SVT Billing Customer,  
442 including but not limited to how the billing options must be presented to a  
443 potential customer. (See Respondent's Exhibit 6 at 3-4.) North Shore, as the  
444 monopoly utility, should not be allowed to dictate the billing products that may be  
445 offered by the competitive marketplace. The competitive market should be  
446 allowed to develop innovative products and services free from control by the  
447 monopolist utility. This is especially true if this provision is used as a tool to help  
448 justify the existence of a potentially outdated and obsolete billing system.

449

450 **Q. Please explain the notification provisions and requirements that would be**  
451 **imposed upon SVT Suppliers in this section of proposed Rider SBO.**

452 A. North Shore would require SVT Suppliers to provide notification to North Shore  
453 via electronic data transmission with respect to termination of gas supply or  
454 billing service to any customer for non-payment or other enumerated reasons.

455 **Q. What is your position regarding imposition of this requirement upon SVT**  
456 **Suppliers?**

457 A. New Power has no objection to this notification requirement but objects to the  
458 requirement that it provide a "reason" to North Shore other than non-payment.  
459 The Company should also agree to provide reciprocal notification under its other  
460 applicable tariffs in the Choices For You Program when North Shore is  
461 performing the billing service for the customer, including, but not limited to, the  
462 LDC Billing Option.

463

464 **6. Section G – Contract**

465 **Q. What are your concerns regarding Section G of proposed Rider SBO?**

466 A. Section G of proposed Rider SBO contains the provisions governing the  
467 "contract" between North Shore and the SVT Supplier. However, no actual  
468 "contract" was provided by North Shore. Additionally, the manner in which this  
469 provision of proposed Rider SBO is drafted provides too much discretion to North  
470 Shore with regards to the following:

- 471
  - Adequate assurances of payment; and
  - Termination or suspension of service by the SVT supplier.

473

474 **Q. How do you recommend that the "adequate assurance of payment"**  
475 **provisions in Section G be revised?**

476 A. North Shore should be required to specify an appropriate amount in its Rider  
477 SBO.

478 **Q. How do you recommend that the termination or suspension provisions in**  
479 **Section G be revised?**

480 A. Unless North Shore is willing to provide SVT Suppliers with a variety of options  
481 to satisfy this provision, New Power recommends that an irrevocable letter of  
482 credit, cash deposit or parental guarantee in an amount equal to fifteen percent  
483 (15%) of a good faith estimate of the total amount that the SVT Supplier expects  
484 to be obliged to pay to North Shore would be an appropriate amount to include in  
485 Rider SBO.

486

487 **Q. Please summarize your comments regarding North Shore' proposed Rider**  
488 **SBO.**

489 A. North Shore should be commended for proposing Rider SBO in its rebuttal  
490 testimony in the instant proceeding. With the revisions recommended by New  
491 Power, Rider SBO will be a viable and workable billing option that will assist in  
492 making North Shore' Choices For You program a more attractive pilot program  
493 for residential and commercial customers. New Power recommends that the  
494 Commission direct North Shore to implement the revised Rider SBO that is  
495 attached hereto and made a part hereof as Attachment A.

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**C. OTHER BILLING ISSUES**

**Q. In your direct testimony at pages 11 to 12, you listed a number of additional concerns and questions that were unexplained by North Shore regarding its LDC Billing Option if SVT Suppliers are not allowed to perform the single billing function. Has North Shore answered those questions in its rebuttal testimony that was submitted in this proceeding?**

**A. No. The following questions still remain unanswered:**

- How are receivables handled by North Shore? Are suppliers kept whole?
- Is there a receivables agreement between North Shore and the supplier?
- What is the turnaround time for payment?
- Is there a discount rate?
- If there is a discount rate, what is the justification of a discount rate if bad debt expenses have still not been unbundled ?
- How many rate codes can each supplier utilize?
- How many bill lines would suppliers be able to use to communicate with their customers?
- Would suppliers have access to bill inserts?
- Would North Shore display logos, charts, and other graphics on behalf of the suppliers?
- Would North Shore allow suppliers to include additional pages?
- What are the timeframe requirements for suppliers submission of data to the utility?

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- Under what format will suppliers be required to submit data to the utility?

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527

The Commission should not approve North Shore Pilot unless and until these questions are answered in a pro-competitive manner that is acceptable to the Commission.

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529

### III.

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#### **PROPOSED ADMINISTRATION AND RATE DESIGN OF THE CHOICES FOR YOU PROGRAM**

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535

**Q. What issues regarding the administration of the Choices For You Program and proposed tariff changes do you wish to comment upon in your rebuttal testimony?**

536  
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**A.** I will respond to the Staff and Intervenor direct testimony and North Shore rebuttal testimony that addressed the following areas regarding North Shore' proposed administration and rate design of the program: (a) enrollment limits and procedures, (b) grace periods, (c) minimum stay requirements, (d) codes of conduct; (e) aggregation and switching fees; (f) storage provisions; (g) delivery imbalance tolerances, penalties and charges; and (h) customer education.

542 A. ENROLLMENT LIMITS & PROCEDURES

543 Q. In its rebuttal testimony, has North Shore provided any further justification  
544 for the proposed enrollment limits of only 75,000 customers in the first year;  
545 125,000 in the second year; and 180,000 in the third year?

546 A. No. North Shore asserts "certain gas supply planning considerations" as the sole  
547 reason for the proposed enrollment limits. (See Respondents Exhibit C at 18.)  
548 This was the same sole assertion made in North Shore' direct testimony. (See  
549 Respondents Exhibit B at lines 91-111.) This non-sequitar cannot form a  
550 legitimate basis for imposing enrollment limits. North Shore proposed enrollment  
551 limits directly would impede customer choice in Illinois. The costs to a marketer  
552 to advertise, build scripts, provide specific call center support, market support,  
553 and solicit customers can be cost prohibitive if the size of the market is too small.  
554 In my direct testimony at page 15, I provided two examples of markets -- Atlanta  
555 Gas Light and Columbia of Ohio -- that were large enough to justify committing  
556 the necessary resources. Both of these gas markets have over 1 million  
557 customers.

558

559 Q. How do the proposed customer enrollment limits impede customer choice?

560 A. If competitive suppliers have demonstrated that their products are the most  
561 economical, innovative, or desirable, additional customers should not be  
562 prohibited from enjoying the same products and services. The marketplace  
563 should determine who are the most efficient, reliable and successful suppliers.

564 Q. **What is New Power's recommendation regarding the proper enrollment**  
565 **limits?**

566 A. The Commission should direct North Shore to utilize an open enrollment for their  
567 entire service territory in which all residential customers would be provided with  
568 the opportunity to select a competitive supplier. Out of the approximately  
569 840,000 residential customers only 9% will be allowed to have choice in 2002  
570 once the limit is met the remaining 765,000 residential customers will be  
571 prevented from being allowed to obtain the benefits of competitive supply,  
572 products and services.

573

574 Q. **Do you agree with Staff witness Iannello that North Shore should not be**  
575 **allowed to exercise sole discretion in determining whether the enrollment**  
576 **limits should be suspended?**

577 A. As I indicated at page 13 of my direct testimony, it would be improper for North  
578 Shore to possess this unbridled discretion. As an initial matter, given the size of  
579 the market, there should not be any enrollment limits. Nevertheless, we agree  
580 with Mr. Iannello that the Commission should have the right to review, approve,  
581 reject, or modify any proposed changes to the enrollment limits after North Shore  
582 submits a petition or an informational filing.

583

584 In addition, as I indicated in my direct testimony at page 13, if North Shore  
585 intends to suspend enrollment, North Shore should be required to provide  
586 adequate notice to all participating suppliers **prior** to suspension.

587 Q. Please summarize Staff witness Dr. Schlaf's recommendation regarding  
588 customer enrollment procedures.

589 A. Staff witness Dr. Schlaf offered three (3) options for SVT Suppliers to enroll  
590 customers in the Choice For You Program:

591 (1) Customers would be required to execute a letter of agency ("LOA")  
592 document that signifies their intention to switch suppliers if enrolling  
593 through direct solicitation from an advertisement;

594 (2) Internet-based enrollment that includes a LOA document on its website;  
595 and

596 (3) Telephonic enrollment subject to the provisions in Staff's proposed  
597 Standards of Conduct.

598 (See Staff Exhibit 3.0 at 27.)

599

600 Q. Do you support Staff's proposed enrollment procedures?

601 A. We agree with some of the options that Dr. Schlaf has enumerated but prefer the  
602 flexibility that North Shore' has proposed for customer enrollment procedures. It  
603 is my understanding that the basis for Dr. Schlaf recommendation is the  
604 Commission's Order in the Nicor Customer Select proceeding (ICC Docket Nos.  
605 00-0620/0621) and his experience in the Illinois retail electric industry. The  
606 Commission look beyond that limited view and understand that other jurisdictions  
607 have been successful in promoting competition by providing other alternatives to  
608 suppliers.

609 Q. How do you propose that customer enrollment procedures be implemented in  
610 the North Shore' Choices For You program?

611 A. New Power supports the flexibility afforded to SVT Suppliers and customers by  
612 North Shore in reaching agreement by whatever methods they choose. Certainly,  
613 internet-based, telephonic, and direct mail are three of the possible options for  
614 enrolling customers.

615

616 Q. Have these procedures been successfully implemented in other jurisdictions?

617 A. Yes. For example, in Ohio, these types of customer enrollment procedures have  
618 been implemented without the requirement of a signed LOA.

619

620 B. MINIMUM STAY REQUIREMENTS

621 Q. What was New Power's recommendation in your direct testimony regarding  
622 the twelve (12) month minimum stay requirement?

623 A. At page 16 of my direct testimony, I recommended that the Commission eliminate  
624 the twelve (12) month minimum stay requirement, since it is a barrier to entry.  
625 Alternatively, we recommended that if North Shore truly believes that arranging  
626 for supply for such returning customers is a "burden," as well as the reason for the  
627 enrollment limits, then the Commission should direct North Shore to develop a  
628 competitive default service that suppliers will have the opportunity to bid upon.

629 **Q. What type of response was made to your proposal?**

630 A. At page 7 of his rebuttal testimony, North Shore witness Mr. Wear repeated his  
631 assertion that the minimum stay requirement is a valuable gas supply planning  
632 tool, but provided little if any additional support for North Shore' proposal. As I  
633 stated at page 16 of my direct testimony, such a requirement amounts to being  
634 slammed back to the monopoly utility for 12 months. Instead, I suggested that  
635 default service need not be provided by the traditional utility.

636

637 **Q. How did North Shore respond to your alternative proposal that North Shore**  
638 **institute a default service mechanism?**

639 A. North Shore witness Wear summarily dismissed the default service proposal,  
640 asserting that it is "not a viable option." (See Respondents Exhibit D at 7.) Mr.  
641 Wear also attempted to highlight some "differences" between the Atlanta Gas  
642 Light ("AGL") program that I referenced at pages 17-18 of my direct testimony.  
643 Of course, the precise point that I made in my direct testimony was that there are  
644 significant differences between AGL's very successful program and the program  
645 that is being proposed by North Shore.

646

647 **C. GRACE PERIOD**

648 **Q. Please repeat why the length of the proposed grace period for customers**  
649 **switching suppliers in the Program is important.**

650 A. The length of the grace period is important due to the fact that if a customer does  
651 not choose a new supplier during the grace period, the customer will be slammed

652 to bundled utility service for a period of 12 months. Thus, notwithstanding New  
653 Power's concerns with the minimum stay requirement, the proposed grace period  
654 should be revised to allow the maximum extent practical time for customers to  
655 choose an alternative supplier.

656

657 **Q. How did North Shore respond to your recommendation to increase the grace**  
658 **period by a mere thirty (30) days?**

659 **A.** North Shore witness Ms. Egelhoff devoted only one (1) sentence to my proposal.  
660 At page 20 of her direct testimony, Ms. Egelhoff asserts that 60 days is enough  
661 time for the customer to evaluate offers of other suppliers to make a decision.  
662 However, Ms. Egelhoff's suggestion is wholly without support as she failed to  
663 address the three specific concerns that directly impact the reasonableness of the  
664 grace period.

665

666 **Q. What were the three specific concerns that you identified in your direct**  
667 **testimony regarding the grace period?**

668 **A.** In my direct testimony at page 18, I requested that North Shore address the  
669 following specific issues regarding the proposed grace period. **First**, how  
670 customers returning to bundled service, and subject to the 12 month minimum  
671 stay requirement, would be identified to suppliers as ineligible. **Second**, how a  
672 marketer would be informed that the customer is available during that grace  
673 period. **Third**, detailed information should be provided by North Shore  
674 regarding:

- 675 • what notification, including the timing, will be provided to the  
676 *customer concerning the grace period,*
- 677 • whether customers will be informed of their options during the grace  
678 period or prior to the start of the grace period;
- 679 • what notice will be given to the marketer for customers who are  
680 terminated by the utility for non-payment;
- 681 • whether customers will be provided with an explanation of the  
682 implications of inaction regarding specific dates during the grace  
683 period; and
- 684 • If notices are going to be provided to customers, North Shore should  
685 identify who will be paying for the notices.  
686

687 **Q. Has North Shore explained how customers returning to bundled service, and**  
688 **subject to the 12 month minimum stay requirement, will be identified to**  
689 **suppliers as ineligible?**

690 A. No.

691

692 **Q. Has North Shore explained how a marketer is informed that the customer is**  
693 **available during that grace period?**

694 A. No.

695

696 **Q. Has North Shore provided any of the information that you sought regarding**  
697 **notifications to the customer during the grace period?**

698 A. No.

699 Q. Please summarize your recommendation regarding the grace period.

700 A. North Shore has failed to justify its proposed grace period, let alone answer the  
701 practical questions posed regarding the reasonableness of the proposed grace  
702 period. Accordingly, New Power recommends that, at a minimum, customers  
703 should be provided with no less than ninety (90) days to consider their options.  
704 As the Commission is well aware, a similar grace period has been utilized in the  
705 Illinois retail electric market.

706

707 D. CODES OF CONDUCT

708 Q. Please explain the various proposals for imposition of a "code of conduct"  
709 upon SVT suppliers.

710 A. CUB and the Staff have proposed imposition of a code of conduct upon SVT  
711 suppliers. At pages 19-27 of his direct testimony, Staff witness Schlaf proposes  
712 that the seventeen (17) standards of conduct that were approved for the Nicor  
713 Customer Select proceeding (ICC Docket Nos. 00-0620/0621) be adopted for use  
714 in the North Shore' Choices For You program. CUB witness Cohen endorses the  
715 concept of a code of conduct for SVT Suppliers but asserts that it is improper to  
716 have a code of conduct enforced by the utility because it places the utility in the  
717 position of being the regulator. However, CUB Cohen endorses the proposal of  
718 Staff witness Dr. Schlaf as an interim step. CUB witness Cohen urges the  
719 Commission to seek a legislative solution to providing the Commission with the  
720 necessary authority to regulate or oversee competitive natural gas suppliers.

721 Q. What is North Shore' position regarding the Staff and CUB proposal for  
722 imposition of the identical Code of Conduct that was approved in the Nicor  
723 Customer Select proceeding?

724 A. Significantly, North Shore witness Ms. Egelhoff indicated that at page 33 of her  
725 rebuttal testimony that North Shore does not believe that it has the legal authority  
726 to investigate alleged violations of or to enforce the proposed Code of Conduct.

727

728 Q. What is New Power's position regarding imposition of the Code of Conduct  
729 that the Commission adopted in the Nicor Customer Select proceeding?

730 A. New Power is not opposed to an appropriate set of rules to ensure that all  
731 competitive natural gas suppliers operate in an appropriate manner in the Choices  
732 For You program. However, New Power agrees with CUB witness Cohen that it  
733 is improper to have a code of conduct enforced by the utility because it places the  
734 utility in the position of being the regulator. New Power will address issues  
735 relating to the Commission's legal authority to impose the provisions contained in  
736 the proposed code of conduct in its briefs in the instant proceeding.

737

738 E. APPLICATION, AGGREGATION,  
739 CUSTOMER POOL ACTIVATION, LDC BILLING CHARGES

740

741 Q. Do other witnesses address the proposed application, aggregation, account,  
742 customer pool activation, and LDC billing charges?

743 A. Witnesses for CGI and the Commission Staff address the various fees. GCI  
744 witness Mierzwa proposes **elimination** of the \$200/month aggregation charge,  
745 \$1.25/account/customer Account Charge, \$10/customer added to a Customer Pool

746 Charge, and \$.50/bill charge if North Shore performs the billing function for the  
747 SVT Supplier. Staff witness McDonald supports North Shore' proposed  
748 application, aggregation, customer pool activation, and LDC Billing Option  
749 charges.

750

751 **Q. Did you address any of these proposed fees in your direct testimony?**

752 A. Yes. At pages 20-23 of my direct testimony, I recommended that the  
753 Commission direct North Shore to eliminate the Application Fee, Monthly  
754 Aggregation Fee, and Customer Pool Activation Charge.

755

756 **F. STORAGE ISSUES**

757 **Q. How do other witnesses address the assignment and use of storage under the**  
758 **Choices For You program?**

759 A. GCI witness Mierzwa properly recommends at page 15 of his direct testimony  
760 that SVT Suppliers be afforded the opportunity to utilize the flexibility associated  
761 with the storage for which they pay. Likewise, Staff witness Iannello describes  
762 North Shore' proposal as depriving SVT Suppliers of the level of daily flexibility  
763 that suppliers deserve given the storage, transportation, and no-notice service cost  
764 that North Shore proposes to receive from both customers and suppliers. (See  
765 Staff Exhibit 1.0 at 12.)

766

767 **Q. Does New Power support the comments of GCI witness Mierzwa?**

768 A. Yes.

769 **G. DELIVERY IMBALANCE TOLERANCES, PENALTIES AND CHARGES**

770 **Q. Do other witnesses comment regarding North Shore proposed delivery**  
771 **imbalance tolerances, penalties, and charges?**

772 A. Yes. Witnesses for Staff and GCI address North Shore' proposed imbalance  
773 provisions.

774

775 **Q. What does GCI witness Mierzwa propose regarding North Shore' proposed**  
776 **imbalance provisions?**

777 A. At pages 19-22 of his direct testimony, GCI witness Mierzwa proposes three (3)  
778 appropriate modifications to North Shore' proposed imbalance provisions. **First,**  
779 **the delivery imbalance tolerances, penalties and charges should be made less**  
780 **onerous. Second,** cash-out procedures should allow for the carryover of  
781 consumption imbalances and provide the opportunity for suppliers to cure  
782 consumption imbalances through storage. **Third,** SVT Suppliers be allowed to  
783 trade imbalances.

784

785 **Q. Does New Power support the recommendations of GCI regarding North**  
786 **Shore' proposed imbalance provisions?**

787 A. Certainly. New Power supports the efforts to provide SVT Suppliers with greater  
788 flexibility and more options to cure consumption imbalances.

789           **H.     CUSTOMER EDUCATION**

790   **Q.     Do you support the recommendations of CUB and the ICC Staff that a**  
791           **customer education program be initiated at the conclusion of this proceeding**  
792           **regarding implementation of the expansion of the Choices For You program?**

793   **A.     Yes. CUB witness Cohen and Staff Dr. Schlaf appropriately recommend that the**  
794           **Commission direct North Shore to conduct a customer education after the entry of**  
795           **a final order in this proceeding.**

796

797   **Q.     How has North Shore responded to this recommendation?**

798   **A.     North Shore witness Ms. Egelhoff would not to commit to conducting workshops**  
799           **but indicated that North Shore was willing to “consider incorporating**  
800           **suggestions” from the Nicor Customer Select workshops. (See Respondents Ex.**  
801           **C at 36.) However, North Shore was not willing to incur any costs of a customer**  
802           **education process and suggested that “other participants and stakeholders” share**  
803           **in the responsibility to educate customers.**

804

805   **Q.     What is New Power’s recommendation regarding customer education and**  
806           **potential workshops regarding expansion of the Choices For You program?**

807   **A.     New Power agrees with CUB and the ICC Staff that customer education is**  
808           **essential to the success of the Choices For You program. At the very least, any**  
809           **proposed mailings by North Shore should be subject to review and comments by**  
810           **the ICC Staff and other participants and stakeholders. Additionally, New Power**  
811           **does not object to North Shore recovering its prudently incurred and verifiable**