PUGET SOUND ENERGY

March 1, 2000

Ms. Carole J. Washburn, Executive Secretary
Washington Utilities and Transportation Commission
P.O. Box 47250
Olympia, Washington 98504-7250

Re: Docket No. UE-971102
Puget Sound Energy, Inc.
Evaluation of Open Access Pilot

Dear Ms. Washburn:

Enclosed is Puget Sound Energy's (PSE) Final Evaluation Report for the Power of Choice Open Access Pilot Program. This final report is provided in compliance with PSE's commitment and the Commission's Order Approving Retail Electric Pilot Program in Docket No. UE-971102. The report documents the operation of a limited test of open access for a limited number of customers.

Very truly yours,

Christy A. Omohundro

Christy A. Omohundro
Director, Rates & Regulation

Enclosure

Final Report on the Puget Sound Energy "Power of Choice" Open Access Pilot Program

Executive Summary

In August 1997 Puget Sound Energy implemented a pilot program which opened its system on an experimental and temporary basis to allow some of its customers to receive electricity supplied by other providers, or alternate suppliers. The open access pilot program was designed to test certain customer and supplier related operational issues associated with open access. The WUTC stated that it did not view the pilot as a "test of competition" but rather a "test of approaches and solutions to practical issues and problems that will need to be addressed as open retail access develops more broadly." The primary focus of this report is to present a factual review of an initial attempt of an open access pilot. This report does not make an overall judgment on open access, or any other particular approach to customer choice. The company found the pilot to be informative and a number of observations are included in this report.

At the start of the pilot it was assumed that alternate suppliers would be willing to participate in order to demonstrate their ability to serve small customers as well as for promotional reasons. In short, alternate suppliers would bear some of the responsibility of demonstrating how small customer retail choice would work in an open access environment. The question the Commission posed in its Order approving the Power of Choice pilot is no longer rhetorical.

> "If alternative suppliers demonstrate a lack of interest in participating in a moderate sized pilot that includes all customer classes, should we be skeptical about their future interest in competing to serve sectors of the market that contain predominately small or low margin load?" [WUTC Order, Docket No. UE-971102, page 12]

In this pilot the alternate suppliers chose to focus on large and medium commercial and industrial customers. Therefore in the end, this became a pilot of large customers. Although the did show that aggregation of residential and commercial load was possible in one specific case, individual residential customers did not get to participate due to the lack of suppliers to serve them.

This pilot provided a valuable experience for the company. Generally, two conclusions can be drawn at this time:

1) Lack of supplier willingness to serve the residential class in this pilot is consistent with the view that, in the Northwest, open access may offer few, if any benefits for small customers.
2) Provision of open access adds certain anticipated and unanticipated costs to the delivery function which would likely reduce potential benefits of open access to end users.

Background

The Northwest energy industry in the mid-1990s witnessed increasing competition in the wholesale energy markets, the establishment of two new regional market indexes for energy, and low secondary energy prices. Consequently, in the Northwest as well as across the nation, there was increasing interest in competition at the retail level. Legislators, regulators, utilities, and customers were considering the implications of open access, and generally anticipated that the industry would move toward open access relatively quickly. For instance, in the State of Washington Senator Finkbeiner led an effort to move legislative issues surrounding open access to resolution. At the same time, many other states were considering open access and, as one of the first steps, were developing retail open access pilots. The company's industrial customers, in particular, were representing a significant interest in retail open access.

On November 1, 1996, PSE implemented a tariff that allowed its largest customers to purchase energy priced at market based rates. This tariff, Schedule 48, was available to customers with aggregated loads over 2.4 aMW. In hearings on this matter, several parties urged the Commission to expand the availability of this tariff to smaller customers. In response, the Company agreed to conduct a retail open access pilot which would include all customer classes. The Commission discussed the purpose of the pilot during the course of hearings on Schedule 48:

> The Commissioners on October 2, 1996, emphasized the importance of a pilot open access tariff to enable the Company, the Commission, and the public to gather practical and empirical evidence on the operation of an open access marketplace. [WUTC Order, Docket No. UE-960696, p. 7]

To facilitate the design and development of the pilot, the Commission convened a collaborative process which resulted in the filing of an open access pilot tariff by PSE in August 1997. Participants in the collaborative included representatives of all customer classes, including Public Counsel, Industrial Customers of Northwest Utilities, Washington Retail Association, Washington State Hospitals Association, and others. Also represented were environmental groups, competitive suppliers, and representatives from state and local government.

The open access pilot program was designed to test certain customer and supplier related operational issues associated with open access. The WUTC stated that it did not view the pilot as a "test of competition" but rather a "test of approaches and solutions to practical issues and problems that will need to be addressed as open retail

access develops more broadly." This final report summarizes key customer and supplier related operational issues that PSE encountered within the context of its open access pilot. The primary focus of this report is to present a factual review. The company found the pilot to be informative and a number of observations are included in this report.

The report is arranged into three main sections: Electric Suppliers, Customer Participation, and Operational Issues. Within those sections there are subsections with further details. For example, the Operational Issues section describes the software needed to make the pilot work, such as the website and the enrollment and billing software. The Operational Issues section also describes many changes that needed to occur in the pilot to make it more functional for alternate suppliers and customers.

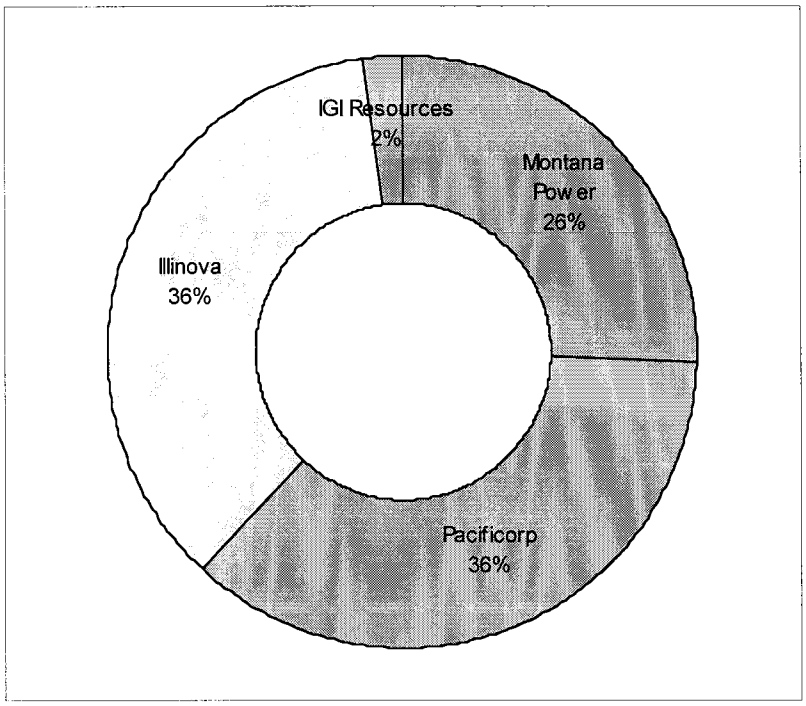
Electric Suppliers

Supplier Participation

In early October 1997, alternate suppliers began to send registration materials to PSE to participate in the pilot program. This was mainly in response to a request for proposals that one eligible industrial customer sent out to power marketers. Within a few weeks, five alternate suppliers had signed up to officially be part of the pilot. The five alternate suppliers were Illinova Energy Partners, Montana Power Trading and Marketing Company, Duke Energy Trading & Marketing, PacifiCorp, and IGI Resources. In early November 1997 the Fast Utility Refund Corp. became an official aggregator in the pilot program, and later CEC Inc. also became an official aggregator. Initially there were other potential alternate suppliers that considered participating, such as Enron Energy Services of Columbus, Ohio and Engage Energy of Bellevue, Washington.

While thousands of residential and small commercial customers expressed interest in the pilot, ultimately, no alternate supplier was willing to serve those customers. PSE worked with Electric Lite in the spring and early summer of 1998 to solicit their participation in the pilot. Electric Lite had offices in South Carolina and Portland, Oregon. At that time it was supplying electricity to thousands of residential and commercial customers through Portland General Electric's pilot program, offering both a fixed savings rate and a green rate. Approximately one month after sending its registration materials to PSE, Electric Lite decided not to pursue further marketing to residential and commercial customers in the Northwest, including Washington. Electric Lite decided to close its Portland office, while still providing service to customers in Oregon.

Ultimately, only four different alternate suppliers became active sellers of electric commodity on the pilot. Here is an approximate market share by supplier, for the total amount of kWh consumed by participating customers on the pilot.



Supplier Issues

The alternate suppliers had two main issues to contend with. The first was, to determine which set of customers to whom they would make price offers. The second was to determine what type of price structure they would offer customers. The alternate suppliers decided to target the larger commercial and industrial customers. The alternate suppliers did look at the aggregation efforts of a few groups of smaller customers. In general, suppliers offered two types of pricing: fixed and variable. The fixed pricing schemes were set over a certain amount of time, for some customers it was for the entire length of the pilot, while for others it was for the calendar year, and further for others it was for two seasons each year. Under the fixed pricing scheme the customer would have a guaranteed amount of savings.

The variable pricing schemes were generally some sort of price based on an electric commodity market index price, such as the Mid-Columbia. The index-based schemes did not guarantee the customer any level of savings. In fact the customer could end up paying significantly more than it would have under bundled, regulated prices, similar to the experience of some Schedule 48 customers.

The rules on price and environmental disclosure to customers were mostly limited to residential and small commercial customers. Alternate suppliers were not required to make disclosure in a standardized way to large commercial and industrial customers. Some of these customers signed up on indexed rates that were subject to the risk of daily price fluctuations. Despite the claims made by alternate suppliers during the sign-up period, it appears that most customers who signed up for indexed prices did not have the comfort level in this mechanism to stay on the pilot for the full term. Of the 27 accounts on the pilot, 9 accounts dropped off the pilot before it ended. Of the 9 accounts that terminated their participation, two had fixed prices and seven had some form variable indexed prices. Over the course of the pilot the WUTC collected class-level price information from alternate suppliers.

Customer Participation

Customers

The pilot was primarily composed of large commercial and industrial customers. Among those classes of was a wide variety of customers: aerospace manufacturing, grocery stores, software companies, office buildings, municipal services, electronic manufacturing; cold food storage, military, retail stores, and construction materials.

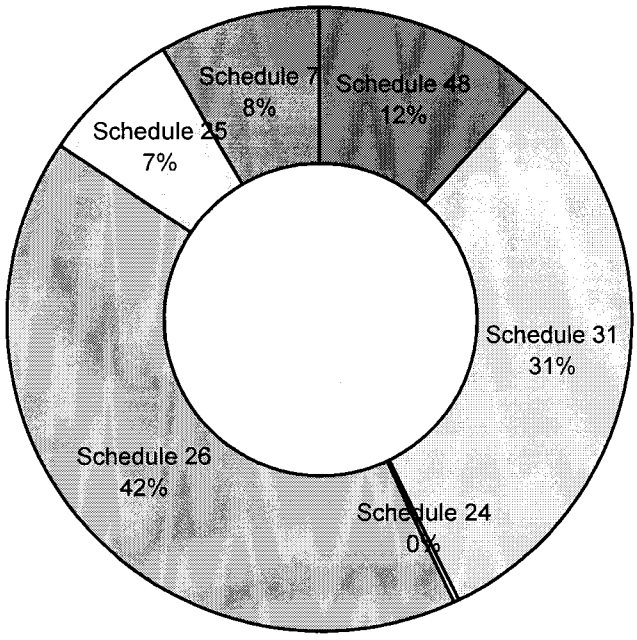
In mid-October of 1997 PSE sent out over 85,000 letters to Schedule 7, 24, and 25 customers located in the zip code defined eligible areas. The envelope included a letter from the CEO of PSE, a letter from the WUTC, a question-and-answer brochure and a response card that customers could send in to get a list of alternate suppliers and their phone numbers when it became available. PSE received over 7,600 of these response cards. Approximately 96% of these cards represented residential customers. PSE sent a letter to these interested customers containing an update on the pilot program. The two page letter talked about how many alternate suppliers had registered, whether there were alternate suppliers offering to serve residential customers, the role of aggregation, the effect of the region's low electric rates and the potential effect of deregulation in California impacting the pilot program here. The letter also listed the names and addresses of the registered alternate suppliers as well as a comparison of residential rates on standard Schedule 7 and on pilot Schedule P-7. PSE had committed to send a list of alternate suppliers and their associated price offers, when available, to these residential and small commercial customers. In addition, the PSE Call Center had a number of calls from residential customers regarding the Power of Choice pilot program.

The following table summarizes customer participation levels in the Power of Choice pilot program over the duration of the pilot:

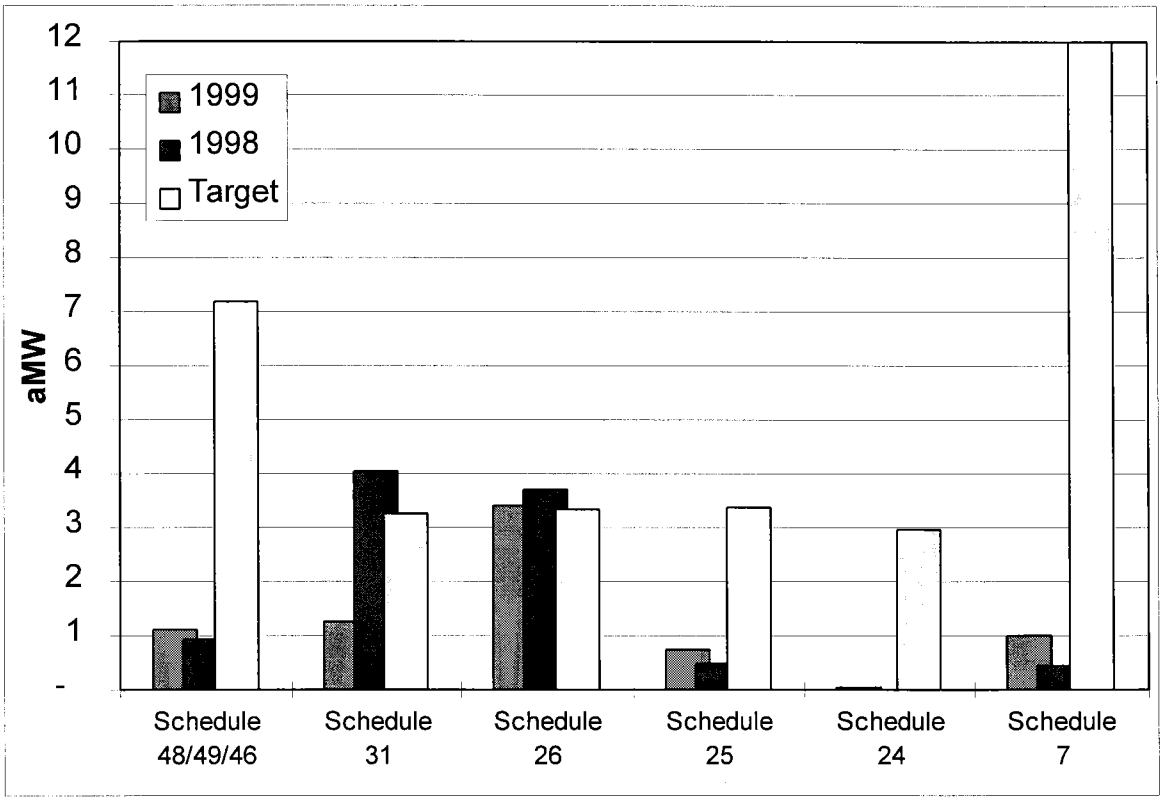
Rate Schedule	Maximum Participation	Enrolled in August 1998	Enrolled in October 1998	Enrolled in December 1999
7 (Residential)	9,049	864	864	864
24 (Small Commercial)	1,122	22	22	22
25 (Small Commercial)	76	3	3	3
26 (Large Commercial)	7	13	10	8
29 (Agricultural)	4	0	0	0
31 (Large Commercial)	6	6	2	2
43 (Large Comm. Int.)	3	0	0	0
46 /48 /49 (Industrial)	2	1	1	1

The Residential Schedule 7 load is represented by two accounts served through approximately 864 meters. The electric usage on these meters was not paid for by individual tenants; rather it was paid for by a military housing authority. The Schedule 26 rate class remained over-subscribed for the entire course of the pilot.

Here is an approximate percent of electric load on the pilot program by PSE rate schedule.



The following chart shows the annual average Megawatts (aMW) for participating customers by rate class compared to the original targets. The total load served by alternate suppliers was 9.6 aMW in 1998, and 7.6 aMW in 1999.



Aggregation of customers by third parties

There were three main types of aggregation efforts tried during the pilot program: 1) A large employer (who was also participating on the pilot with its commercial sites) tried to get alternate suppliers to make an offer to its employees who are residential customers of PSE. 2) The Community Power Project aggregated a group of residential and small commercial customers. 3) The military aggregated a group of commercial and residential loads and produced an RFP for alternate suppliers to bid on.

The Housing Authority of Skagit County, The Skagit County Community Action, Kitsap Community Resources, the Bremerton Housing Authority, the Multi-Service Centers of North/East King County, and the South King County Multi-Service Center teamed up to act as power aggregator, called the Community Power Project. They contacted residential and commercial customers and tried to negotiate with an alternate supplier on their behalf. They created a brochure that was used to educate and sign up customers. The Community Power Project was able to pool a group of customers throughout King, Kitsap and Skagit counties. According to the group the customers represented approximately $2 million in electric sales. Despite their

aggregation efforts, they were not able to strike a deal with an alternate supplier. At least one employer tried to act as an aggregator for its employees who reside in the zip code defined eligible areas. However, this employer was not able to reach an agreement with an alternate supplier. The military aggregated a group of commercial and residential loads and received a successful bid from one of the alternate suppliers. The effort by the U.S. Navy was probably more successful than the other two because of the formality of the U. S. Navy issuing an official Request for Proposal for electric commodity service. The military load also was more balanced between commercial and residential loads.

Even with aggregation efforts by third parties it was difficult for individual residential customers to participate. Ultimately, it was up to alternate suppliers to determine if they would make price offers to the residential class. Despite the 6% discount PSE provided to Schedule 7 and Schedule 24 (residential and small commercial) customers, alternate suppliers did not present price offers to individual residential electric customers.

Operational Issues

The software created to make the pilot function

PSE was required to create various software systems to implement the pilot. This was because these systems and processes did not exist at the time. The challenge of writing new software was to make it compatible and capable of transferring data with the current legacy system which handles PSE billing. To make the two interact in a timely fashion required a significant amount of time and money. In addition, the software, when designed and constructed, was required to handle transactions for more than ten thousand customers. The following sections below describe the use of the website (including the enrollment function) and billing issues.

Website

PSE developed a website for implementation of the pilot because many functions necessary to implement the pilot were new to an electric distribution company. The website was intended to facilitate multiple functions of data exchange. In terms of coordinating the data requirements of ten thousand customers this was seen to be a distinct advantage. But ultimately the pilot became a pilot of two dozen customers, and as a result of this, some of the original functions of the website changed.

Website as preschedule exchange

The website was used as a method of exchanging preschedule data from PSE to the alternate suppliers. Alternate suppliers accessed a password-protected portion of the website to see the hourly load data. The hourly load data was used by the power schedulers to coordinate commodity transactions for the next day, or sometimes multiple days. The hourly load data was generated by PSE based on the customers in the individual alternate supplier's portfolio and the hourly class load shapes. The software PSE created to produce the hourly preschedules was designed to handle thousands of customers from a variety of rate classes. Since most suppliers chose to sign up only a handful of large customers on limited rate schedules, for some alternate suppliers, the preschedules did not exactly match the actual loads of their few customers.

During the first few days of the pilot there were some problems with the actual generation of the load data, however; these problems were resolved relatively quickly. There were several days throughout the pilot where load data did not appear. Most problems were due to transmission of data over the Internet to the website, not the actual creation of the data. For the most part, PSE provided preschedule data more than one day ahead of time. For example, on Monday morning PSE would provide the preschedule data for Tuesday, Wednesday and Thursday. On Thursday morning PSE would provide the preschedule data for Friday, Saturday, Sunday and Monday. This was the pattern for the majority of time on the pilot. This pattern gave the alternate suppliers 2 days of load data the morning it was needed, and provided 5 days of load data a day or more before it was needed.

Website as enrollment tool

The website was also used for the enrollment of customers on the pilot. Once the alternate supplier had completed an agreement for service with a customer, the customer would give the alternate supplier their account number and meter number. The alternate supplier would enter that data on the website to start the enrollment and validation process. The system was designed to handle 11,000 customers. The parameters of design were set to process thousands of customers, not just 27. Some of the default settings that made sense for 10,000 residential customers did not work as well for a small number of commercial accounts. For example, there was one customer whose account number changed between the time the customer enrolled on the pilot and the time the first pilot bill was to be calculated. In order to correctly process tenant changes for residential sites the enrollment software treated a change in account number as a change in customer. This made sense for processing residential customers, but presented a problem for this particular commercial customer. Overall, PSE only had 27 opportunities to test the enrollment process.

Website as transfer point of monthly data

Initially, the website was used to transfer the monthly billing information to alternate suppliers. But, after a few months, and given the small number of customers on the pilot program it became more efficient to directly e-mail the data to the alternate suppliers. Also by e-mailing the data directly to the alternate suppliers, PSE was able to provide the data one day earlier than could have occurred on the website function.

Website not a transfer point of hourly data

Hourly load data was e-mailed to the appropriate supplier after the load research meter had been manually downloaded and the information uploaded to a mainframe computer at PSE. Hourly load data was collected using two types of load research meters, the ABB A1RL and the GE TMR92.

Website not a transfer point of settlement and true-up

Settlement and true-up documents were sent via mail with either a check from PSE or an invoice. The website was not used for this process. Since paper invoices or paper checks were being sent, it seemed efficient to send the supporting documents via mail as well.

Billing

For the purposes of the pilot program PSE created a separate billing system that would handle the billing of pilot customers. The system had to be separate from the legacy billing system but was required to interchange data with the legacy billing system. The system also had to be able to bill pilot customers for PSE pilot delivery rates and also bill the commodity portion on behalf of the alternate supplier, as long as their billing structure was similar to a current PSE billing structure. PSE provided this service free to alternative suppliers. This unique system was designed to handle 11,000 customers. The parameters of design were set to process thousands of customers, not just 27. Overall, PSE only had the opportunity to test 27 different customers with the billing process. Generally, billing went well, except for one or two delayed bills. One of the bills that was delayed was the result of the enrollment error, described in the section above ('Website as enrollment tool').

Billing for Alternate Suppliers

PSE collected commodity charges on behalf of two alternate suppliers. PSE was able to accommodate seasonal and yearly rate changes for multiple rate schedules for these alternate suppliers. The main operational issue that related to the topic of billing for alternate suppliers is contained in the section below entitled "Tax Issues". Initially, the alternate suppliers seemed surprised at the lag in getting their money from customers for the first billing period. After sending the bill, PSE allowed customers a half-month to pay it, after payment was received, PSE could usually send payments within a few days. Under this pattern, alternate suppliers weren't getting payments until 45 days or more from the time the power was delivered to the customer. After receiving payments a few times from PSE this was no longer a concern.

Tax issues

Alternate suppliers were required to pay the municipal taxes similar to what PSE would pay to a municipality under current law, even though they were not legally required to do so. This was a specific requirement purposely designed into the pilot to ensure that the pilot did not have an adverse impact on local municipalities. Alternate suppliers had to agree to this arrangement as a specific cost of participating in the pilot. In the case where PSE offered billing services free to the alternate suppliers there was some initial confusion on what rates PSE would bill for the alternate supplier's commodity costs. When alternate suppliers presented a per-kWh-charge for PSE to bill customers, PSE assumed that the alternate suppliers had already grossed up the rate to include the tax effect and that the rate was the actual rate to be billed to customers. The alternate suppliers either forgot about the taxes or assumed that PSE would take the submitted rate and increase it for taxes. The result was that a handful of bills went out with incorrect alternate supplier commodity rates. The next bill sent to these customers had the incremental tax amount added to the bill. An explanatory letter was attached, and the alternate suppliers were copied as well. Some customers required a follow-up verbal explanation before they were willing to pay the required amount. Eventually all taxes were collected from customers. This is an example of neither PSE nor the alternate supplier knowing the right questions to ask to ensure quality control. When PSE was providing a free billing service to alternate suppliers, PSE would forward the collected taxes to the alternate supplier, and the alternate supplier was responsible for submitting the taxes to the correct taxing authority. The alternate suppliers provided monthly tax payment verification to the WUTC.

Payment collection

PSE used a separate off-site private lockbox service to keep pilot bills separate from all the other non-pilot bills. This was done in an attempt to keep bill processing costs lower, and to reduce potential processing errors. Despite notices from PSE, some customers sent non-pilot bills to the pilot processing location.

Hourly data

Because the number of participating customers was lowered (at the request of alternate suppliers), more of the load research meters were available for the pilot. This meant that every participating large commercial pilot customer could end up with a load research meter. The load research meters were used to collect hourly data. This hourly data was used in the calculations associated with settlement and true-up. The meters were not telemetered, but were required to be read manually, once a month. Hourly load data was collected using two types of load research meters, the ABB A1RL and the GE TMR92. The hourly load information was downloaded from the meter's load profile card onto a laptop computer using an attached Opticom port. Manually downloading the data in the field using the laptop, was performed by either a 'meter man' or "meter foreman", not by a 'meter reader'. The manual reading of the load research meters was usually performed close to the normal billing cycle month, but not always an exact match, depending on the availability of qualified meter personnel. Collecting hourly information manually is different than remotely interrogating a telemeter. PSE did not receive any payments from either customers or alternate suppliers for the installation of telemeters for collection of hourly load data. The lag associated with data retrieval using a manually read system would not be an issue if a telemeter or an automated meter reading network was in service.

Changes in rules

The following is a list of operational changes made throughout the pilot. It is useful to review because it gives an idea of what customers and alternate suppliers requested in order to make the pilot function successfully. The list also reflects PSE's flexibility on the Power of Choice Pilot Program to try to help customers and alternate suppliers. Most of these items resulted in PSE lowering its revenues more than was required by the original rules of the pilot. These are additional ways PSE contributed financially to the success of the pilot.

Definition of Mid-C delivery point

One alternate supplier requested clarification of what was meant by the Mid-C delivery point. When they needed to know that PSE would treat the entire Mid-Columbia bus as a single delivery point, PSE sent a letter confirming this.

Change in Northern Intertie

One alternate supplier had an agreement with BC Hydro to deliver power on its behalf. One of the many eligible transmission system pilot delivery points was the Custer substation. Most PSE and BC Hydro transactions involving the interchange of power occur at the BC-US border rather than the Custer substation. For the purposes of the pilot, PSE agreed to allow BC Hydro to deliver power to the BC-US border rather than the pilot delivery point of the Custer substation. By doing this PSE had to forego the incremental revenue associated with transmission of electricity over the Northern Intertie portion of PSE's transmission system. The incremental revenue was approximately $1 per MWh.

Change in participating load/number of customers

At the request of the alternate suppliers, PSE filed with the WUTC changes to the amounts of load on Schedules P-26, P-31 and P-43 that would be eligible to participate in the pilot program. On an individual customer basis, the amount of eligible load was increased from the original percentages to 100% of load of individual customers. This allowed more participating accounts to have at least 1 aMW of load eligible for participation in the pilot program.

Change in the number of times a pilot customer can leave the pilot

At the request of one alternate supplier PSE changed the number of times a pilot customer can 'come back' to standard tariffed rates. The original pilot rules state that participating customers could only leave pilot rates once, and then subsequently could not participate again. This rule was put in place to prevent customers gaming the pricing system to only be on the pilot in the spring months when commodity prices are typically lower. The standard was changed such that a customer could leave the pilot once and then come back one time. The alternate supplier requested this because it had one customer on index-based rates. This customer was experiencing high prices during the late summer of 1998. The alternate supplier wanted the customer to have the option to leave the pilot, and possibly come back to the pilot at the beginning of the new year, when commodity prices might have been lower. PSE informed the WUTC of this change in procedures, the customer left the pilot in September. Apparently commodity prices did not change enough for the customer to participate

again in January. None of the customers that stopped their participation partially through the pilot rejoined the pilot at a later date.

Site Substitution

At the request of one alternate supplier and its customer, PSE allowed a customer to switch one account to another account on the pilot. The original account was going to be shut down and renovated during the remainder of the pilot period. The substitute account was smaller in terms of load, but in all likelihood given the time left on the pilot, no other customer would have had an opportunity to join the pilot. PSE thought that this was a fair and efficient thing to do for all parties concerned. We felt it was a different situation than one in which a customer that was selected with the random lottery selection at the beginning of the pilot subsequently requested to change or add larger sites for participation.

Leaving on non-scheduled meter read date

At the request of some customers and their alternate suppliers, PSE allowed some customers who had signed index-based contracts to leave pilot participation earlier than their normal billing cycle. The rules of the pilot required a customer to start and finish participation on its scheduled meter read dates. Many customers who signed index-based contracts apparently did not understand the potential level of high commodity prices and price volatility that could occur, even within the course of just one month. PSE arranged for special meter reads so that customers could leave earlier. For some customers this represented leaving the pilot 2 to 3 weeks early. PSE did not charge customers or the alternate supplier for this special service; it was done as a courtesy. This effort went beyond 'just an extra meter read'. There were other special administrative functions and coordination that had to be performed. PSE is not advocating that individual customers be allowed to change alternate suppliers on any other day than on scheduled meter read dates when those customers have meters that need to be read manually. This would not be practicable for large numbers of customers that have manually read meters.

Participation Limits

PSE allowed some limits on the number of participating customer to be exceeded. Each rate class had limits on the number of customers that could participate. PSE committed to some oversubscription in a general sense, but this was generally seen as an operational concession. If there had been hundreds or thousands of residential customers expecting to sign up through an alternate supplier, and the limit was exceeded the day (or week) before, then PSE would have honored the requests. In this case, several large commercial customers were allowed to participate even after a few days had past since the limit had been reached, since the alternate suppliers left

the customers with the impression that there was still room on the pilot. Participation limits were exceeded on Schedule 26 and almost exceeded on Schedule 31. Six extra accounts were allowed to exceed the participation limits on Schedule 26.

Rate schedule changes

Sometime between the random selection of potential participating commercial and industrial customers and the time an alternate supplier actually enrolled them, there were two customers who, because of a change in usage patterns, changed their PSE rate schedules. Because the customers were now on new rate schedules they were technically ineligible for the pilot. Since they were originally selected and the invitation to participate was extended, it seemed only fair to let these customers continue to participate. Also, by doing so, PSE allowed customers and alternate suppliers to exceed the limits on customer participation (see the paragraph above).

Sign-up turnaround time

During the course of the pilot, PSE was able to let some customers sign on to the pilot earlier than technically allowed. If a customer's alternate supplier enrolled the customer within 5 days of the customer's next meter read date, then the customer would have to wait until the following meter read date to officially start on the pilot. Operationally, PSE would not recommend that the 5-day rule be shortened in a total open-access environment, especially with manually read meters. What PSE did on the pilot was a direct result of the small numbers of customers on the pilot, or at least the small number signing up on any given week. This would not necessarily be possible when thousands of customers might be signing up with or changing suppliers every day. The 5-day rule still seems reasonable, although PSE was not able to test processing thousands of customers to confirm whether this is actually practicable.

Allowing customers time to pay two bills

With many customers receiving separate bills from PSE and their alternate suppliers, it appears that some customers needed to see both bills before they paid, or they required extra time to understand their new billing structure and new prices. As a result, PSE ended up reversing approximately $9,300 in potentially collectible late fees for participating pilot customers. Of the twenty-seven accounts on the pilot, twenty had late fees reversed. This revenue loss was done as a courtesy to those participating customers. Operationally, PSE would not recommend changing the payment deadlines in an open access environment. The delivery company should not be impacted by the alternate supplier deciding to bill customers on a different (calendar) basis rather than a billing cycle basis.

Open access will impose new costs on the distribution utility. In the case of this pilot program many of the new costs in both time and money were anticipated before the pilot began, but some were not anticipated. Whether open access is limited or system-wide the distribution company needs the financial flexibility to pay for (and recover) new costs incurred to make the new open access system work for all parties. Because this was a limited open access program PSE was able to be flexible and make concessions.