

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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IRWINA. POPOWSKY
Consumer Advocate

November 29, 2010

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

RE: Petition of PECO Energy Company for
Approval of its Smart Meter Technology
Procurement and Installation Plan – Petition
for Approval of PECO Energy Company's
Initial Dynamic Pricing and Customer
Acceptance Plan
Docket No. M-2009-2123944

Dear Secretary Chiavetta:

Enclosed for filing is the Answer of the Office of Consumer Advocate, in the above-referenced proceeding.

Copies have been served as indicated on the enclosed Certificate of Service.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Jennedy S. Johnson".

Jennedy S. Johnson
Assistant Consumer Advocate
PA Attorney I.D. # 203098

Enclosures

cc: Administrative Law Judge
Office of Special Assistants

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of PECO Energy Company for :
Approval of its Smart Meter Technology :
Procurement and Installation Plan - Petition : Docket No. M-2009-2123944
for Approval of PECO Energy Company's :
Initial Dynamic Pricing and Customer :
Acceptance Plan :

ANSWER OF THE
OFFICE OF CONSUMER ADVOCATE

I. INTRODUCTION

On October 28, 2010, PECO Energy Company (PECO or Company) filed a Petition with the Pennsylvania Public Utility Commission (Commission) seeking approval of its Initial Dynamic Pricing and Customer Acceptance Plan (Plan). The filing has been made pursuant to the requirements of Act 129 of 2008, specifically under revised Section 2807(f). Section 2807(f)(5) requires each Electric Distribution Company (EDC) with at least 100,000 customers to submit “one or more proposed time-of-use and real-time pricing plans” by January 1, 2010. A time-of-use rate is defined as a rate that reflects the cost of serving customers during different periods, including off-peak and on-peak periods, but not as frequently as each hour. 66 Pa.C.S. § 2806.1(m). A real-time price is defined as a rate that directly reflects the different cost of energy during each hour. Id. The filing was published in the Pennsylvania Bulletin on November 13, 2010 with Interventions and Answers due by November 29, 2010. 40 Pa.B. 6619.

II. ANSWER

In its Petition, the Company proposes to offer two different rate options as part of its two-year¹ “test and learn” Plan: a Critical Peak Pricing (CPP) rate and Time-of-Use (TOU) rate. Pet. at 5, PECO St. 2 at 19. The CPP rate is a discounted flat rate for all kWh consumed other than on those occasions when a critical day is called (fifteen days per summer). Id. On the fifteen critical days, during a four-hour peak period, customers will pay a premium for all kWh used. Id. For the TOU rate, each weekday is divided into peak and off-peak periods with customers paying a discounted rate for off-peak usage and a higher rate for peak period usage relative to PECO’s standard, non-time-differentiated tariff. Id. Residential customers that are not enrolled in the Company’s Customer Assistance Program (CAP)² will be eligible to voluntarily participate in both the CPP and TOU rates. Pet. at 6.

The Company will employ a “test and learn” strategy that will package the CPP and TOU rates with different combinations of marketing, education and enabling technology “in order to understand the effect on enrollment of each feature, including the rate itself.” Pet. at 6-7. Only the customers in the “test and learn” population (estimated to be between 150,000 and 200,000 customers) will be offered the opportunity to enroll in these options proactively. Id. at 7. Any eligible customer that has a smart meter installed may, however, request to be placed on a dynamic rate. Id.

¹ The Plan will run from late 2012 through the summer of 2014. PECO St. 2 at 21.

² The current CAP discounts far exceed any potential savings that could be achieved under either dynamic pricing rate. Pet. at 6. PECO will, however, provide a random sampling of CAP customers with in-home displays (IHDs) and related education materials in order to evaluate the effect of near real-time information feedback on those customers’ energy usage. Id.

A. Plan Specifics

As was discussed above, PECO is proposing two types of dynamic pricing rates, CPP and TOU. The CPP rate features a higher-than-average critical peak price during the four-hour peak period on event days (to be called fifteen days per summer) and a discounted off-peak rate for the other hours of the year. PECO St. 3 at 12. The critical peak price is 100.9 cents/kWh, i.e. \$1.00/ kWh, for the residential rate class. Id. The off-peak rate is 15.6 cents/kWh, a 0.9 cent/kWh discount from the assumed default service rate of 16.5 cents/kWh. Id.

The TOU rate is composed of a peak rate of 24.1 cents/kWh during 1,044 hours of the year with an off-peak rate of 15.4 cents/kWh during the other hours. Id. at 12; PECO Exh. AF-9. The peak period is defined as between 2pm and 6pm on non-holiday summer weekdays.³ PECO St. 3 at 9. This rate is designed to encourage permanent load shifting away from high-priced hours during every weekday. Id. at 2.

For the residential class, PECO estimates that the CPP and TOU rates are expected to lead to class average annual bill reductions of roughly 0.8% and 0.1%, respectively. PECO St. 3 at 17. The Company states that for the CPP, the average 4-month summer bill for an enrolled residential customer will increase around seven percent and decrease six percent during the eight non-summer months. PECO St. 3 at 18. Due to the year-round nature of the TOU rate, the bill impacts are close to zero for the average residential customer. Id. The Company estimates that before customers respond to the rate, the most extreme bill impacts will be as large as a six percent increase or decrease with roughly half of customers experiencing bill savings and the other half experiencing a rate increase. Id. at 19. After customer response, the Company

³ PECO defines "summer" as June through September. PECO St. 3 at 8.

projects that participating residential customers could experience up to a four percent increase or decrease in their average monthly bill. PECO Exh. AF-17.

B. Cost Recovery and Plan Budget

The Company estimates that its Plan, based on the “test and learn” population of approximately 150,000 to 200,000 customers will cost \$11.6 million. Pet. at 9. The “test and learn” population is the number of customers that would receive an offer. PECO St. 2 at 19. PECO expects that approximately 5% of those who receive an offer, or between 7,500 and 10,000, will actually accept the offer. Id. The Plan costs are eligible for funding under matching grants received by PECO under the U.S. Department of Energy Smart Grid Investment Grant Program. Pet. at 9. The Company anticipates that the application of this grant money will reduce the Plan costs by approximately 48%. Id. The balance of Plan costs will be recovered through default service cost recovery mechanisms, specifically the Company’s Generation Supply Adjustment (GSA) filings. Pet. at 8. The Company also proposes that common costs be allocated to the appropriate GSA mechanism based on the proportion of the associated procurement class’ projected GSA sales to the total projected GSA sales for Procurement Classes 1, 2 and 3.⁴ Id.

C. OCA Concerns

The OCA has preliminarily reviewed the Company’s Petition and is concerned with the specific programs proposed by PECO. Specifically, the OCA submits that the two programs selected by PECO may not appeal to a broad array of customers given the risk of substantial bill increases. As a result, the testing and learning aspect of the Plan may be of limited usefulness. The OCA submits, especially in light of the \$11.6 million that will be spent

⁴ No costs will be assigned to Procurement Class 4 (large commercial and industrial customers) as customers in this class are not eligible to enroll in the Plan.

on these programs, that the Company may be better served by selecting or adding alternative program(s) designed to appeal to a wide array of participants without the risk of unduly increasing bills. The OCA also submits that appropriate consumer protections and screening procedures must be utilized, regardless of the programs offered, so that customers are informed of the practical implications of enrolling in a dynamic pricing plan. Further, the OCA questions whether limiting cost recovery to default service customers for these pilot programs is appropriate since the programs will have an extensive educational component that will assist customers in understanding new dynamic pricing alternatives – whether offered by the default service provider or competitive electric generation service providers.

WHEREFORE, the Office of Consumer Advocate respectfully requests that the Commission review the Plan for its appropriateness.

Respectfully Submitted,


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CERTIFICATE OF SERVICE

Petition of PECO Energy Company for :
Approval of its Smart Meter Technology : Docket No. M-2009-2123944
Procurement and Installation Plan - Petition :
for Approval of PECO Energy Company's :
Initial Dynamic Pricing and Customer :
Acceptance Plan :

I hereby certify that I have this day served a true copy of the foregoing document, the Answer of the Office of Consumer Advocate, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code Section 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 29th day of November 2010.

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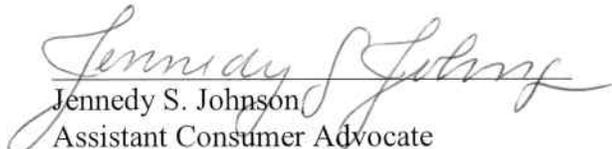
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