



100 Pine Street • PO Box 1166 • Harrisburg, PA 17108-1166
Tel: 717.232.8000 • Fax: 717.237.5300

Adeolu A. Bakare
Direct Dial: 717.237.5290
Direct Fax: 717.260.1744
abakare@mwn.com

February 13, 2012

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

VIA HAND DELIVERY

**RE: Petition of PECO Energy Company for Approval of Its Default Service Program;
Docket No. P-2012-2286341**

Dear Secretary Chiavetta:

Enclosed for filing with the Pennsylvania Public Utility Commission are the original and three (3) copies of the Petition to Intervene and Answer of the Philadelphia Area Industrial Energy Users Group ("PAIEUG") in the above-referenced proceeding.

As shown by the attached Certificate of Service, all parties to this proceeding are being duly served. Please date stamp the extra copy of this transmittal letter, and kindly return it to our messenger for our filing purposes.

Sincerely,

McNEES WALLACE & NURICK LLC

By 
Adeolu A. Bakare

Counsel to the Philadelphia Area Industrial Energy Users Group

AAB/lmc
Enclosures

c: Administrative Law Judge Dennis J. Buckley (via E-mail and First-Class Mail)
Certificate of Service

RECEIVED
2012 FEB 13 PM 3:52
SECRETARY'S BUREAU

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of PECO Energy Company :
for Approval of Its Default Service Program : Docket No. P-2012-2283641

**PETITION TO INTERVENE AND ANSWER
OF THE PHILADELPHIA AREA INDUSTRIAL
ENERGY USERS GROUP**

Pursuant to Sections 5.71 through 5.74 of the Pennsylvania Public Utility Commission's ("PUC" or "Commission") Regulations, 52 Pa. Code §§ 5.71 - 5.74, the Philadelphia Area Industrial Energy Users Group ("PAIEUG") hereby files this Petition to Intervene in the above-captioned proceeding. In addition, pursuant to Section 5.61(a) of the Commission's Regulations, 52 Pa. Code § 5.61(a), PAIEUG hereby files this Answer in response to the above-captioned filing of PECO Energy Company ("PECO" or "Company").

PECO has petitioned the Commission for approval of the Company's second Default Service Program ("DSP II"). PECO's Petition for Approval of DSP II ("Petition") outlines the Company's proposed procurement plan, implementation plan, and contingency plan for acquiring default service energy supply for all PECO customers who, upon expiration of DSP I on May 31, 2013, do not take generation service from an alternative electric generation supplier ("EGS") or who contract for energy, with an EGS, which is not delivered. Petition, p. 1. The Company's filing includes proposals for revising the procurement plans established through DSP I for the four designated rate classes and sets forth a rate design plan that both incorporates a number of new rates and modifies existing rates.

The proposed DSP II would apply to all retail customers in PECO's service territory. PECO proposes separate treatment for the four customer rate classes established by DSP I:

Residential; Small Commercial; Medium Commercial; and Large Commercial and Industrial ("C&I"). Id. at 7. The Large C&I class consists of customers taking service on rate schedules GS, HT, PD, and EP that have a peak load greater than 500 kW. See id.

As under DSP I, PECO's proposed DSP II offers Large C&I customers spot-priced generation service; however, DSP II modifies the procurement plan for Large C&I customers by eliminating the competitive bidding process and procuring Large C&I supply directly from the PJM Day-Ahead market through PECO's subaccount. See id. at 10. Any differences between supply purchased in the day-ahead market and actual load will be addressed through purchases or sales in PJM's Real Time market. PECO Stmt. No. 2, p. 4. This proposal exposes Large C&I customers to market volatility, but eliminates the profit component recovered by default service suppliers. Administrative and ancillary costs would still be recovered by PECO. PECO Stmt. No. 3, Ex. ABC-2.

Aside from procurement costs, the Petition also includes proposals to recover costs related to Alternative Energy Portfolio Standards Act ("AEPS") compliance and various Retail Market Enhancements from Large C&I customers. Because these measures may impact the costs allocated to PECO's largest customers, it is imperative that these costs be allocated in a just and reasonable manner.

In support of its Petition to Intervene and Answer, PAIEUG asserts the following:

I. PETITION TO INTERVENE

1. PAIEUG is an ad hoc group of energy-intensive customers receiving electric service from PECO under Rates HT and PD. PAIEUG members use substantial volumes of electricity in their manufacturing and operational processes, and these electric costs are a significant element of their respective costs of operation. Any modification to PECO's electric rates may impact PAIEUG members' cost of operations.

2. For purposes of this proceeding, PAIEUG includes the members listed in Attachment A hereto. As necessary, PAIEUG will update Attachment A during the course of this proceeding as needed to reflect any changes in its membership.

3. PAIEUG members are concerned with issues regarding the terms and conditions of their electricity service and are closely monitoring PECO's proposed DSP II. The Commission's final disposition of this proceeding will directly affect the rates PECO charges to PAIEUG members for default service. As some of PECO's largest customers, PAIEUG members are in a unique position to comment to the Commission on the customer impact of PECO's filings and their consequences for Large C&I customers.

4. PAIEUG members thus have an interest in this proceeding that is not represented by any other party of record; consequently, PAIEUG satisfies the standards for intervention under Section 5.72 of the Commission's Regulations, 52 Pa. Code § 5.72.

5. The names and address of PAIEUG's attorneys are:

Charis Mincavage (I.D. No. 82039)
Adeolu A. Bakare (I.D. No. 208541)
McNEES WALLACE & NURICK LLC
100 Pine Street
P.O. Box 1166
Harrisburg, PA 17108-1166
Phone: (717) 232-8000
Fax: (717) 237-5300
cmincavage@mwn.com
abakare@mwn.com

II. ANSWER

6. PAIEUG has concerns with certain aspects of PECO's DSP II. For example, as originally proposed in PECO's DSP I proceeding, PAIEUG again encourages PECO to consider adding long term supply options for Large C&I default customers, in addition to the current hourly priced default service.

7. Moreover, PECO's proposed DSP II continues to provide spot-priced generation service for Large C&I customers, but replaces the competitive bidding process with direct procurement from the PJM Day-Ahead market through PECO's subaccount. See id. at 10. Any differences between supply purchased in the day-ahead market and actual load will be addressed through purchases or sales in PJM's Real Time market. PECO Stmt. No. 2, p. 4. Also, PECO's proposed DSP II continues to reconcile procurement costs on a monthly basis, but permits consolidation of monthly under/overcollections to avoid volatile price fluctuations. Petition, p. 4. Overall, PECO's proposal continues to expose Large C&I customers to market volatility, but may result in reduced transaction expenses following the transition to direct wholesale procurement. PAIEUG submits that the modifications to PECO's Large C&I procurement plan must be further reviewed to ensure that the associated costs are just and reasonable.

8. In addition, PECO's DSP II proposes to retire the AEPS Surcharge and consolidate recovery of all AEPS-related costs within the Generation Supply Adjustment ("GSA") for each customer class. For Residential, Small Commercial, and Medium Commercial customers, PECO proposes to reconcile current period AEPS-related costs through the "C" factor of the GSA and historic AEPS-related costs through the "E" factor. PECO Stmt. No. 3, p. 13. For Large C&I customers, PECO will recover AEPS related costs through the ancillary service component of the Large C&I cost factor. PECO Stmt. No. 3, Ex. ABC-2. Considering the comparatively large number of Residential, Small C&I, and Medium C&I customers remaining on default service, PAIEUG believes that the consolidation of AEPS-related charges into the GSA surcharges should be closely monitored to ensure that cost are allocated appropriately.

9. PECO's proposed DSP II also presents additional cost allocation issues related to the various Retail Market Enhancements proposed in the filing. On December 16, 2011, the Commission issued its Default Service Recommendations Order, recommending improvements

to EDCs implementing new DSP plans. Petition, p. 5. PECO's proposed DSP II includes several programs designed to incorporate the Commission's recommendations. The programs include an Opt-in EGS Offer Program, a Standard Offer Customer Referral Program, and a Seamless Moves Program. Id. at 19-24. Costs for the Opt-In EGS Offer Program are recovered from the winning EGS, but will be recovered by PECO through a POR discount if no winner is selected. Id. at 20. Cost for both the Standard Offer Customer Referral Program and the Seamless Moves Program will be recovered solely through POR discounts. Id. at 23-24. The proposed DSP II also adds tariff language allowing for recovery of administrative costs related to Retail Market Enhancements through the Large C&I GSA if such costs are not recovered from an EGS. Of the Retail Market Enhancements proposed through PECO's DSP II, only the Seamless Moves Program offers any potential benefit to Large C&I customers. Id. at 19, 21. Accordingly, PAIEUG requires more information regarding the proposed cost recovery methodologies to ensure that any form of the DSP II approved by the Commission properly allocates the costs underlying PECO's proposed Retail Market Enhancements.

10. PAIEUG reserves the right to raise and address additional issues of concern during the course of the proceeding based on further review of the Petition, issues identified via discovery, and issues raised by other parties.

III. CONCLUSION

WHEREFORE, the Philadelphia Area Industrial Energy Users Group respectfully requests that the Pennsylvania Public Utility Commission grant this Petition to Intervene, providing PAIEUG with full-party status in this proceeding, and provide such other relief as it deems necessary.

Respectfully submitted,

McNEES WALLACE & NURICK LLC

By 
Charis Mincavage (I.D. No. 82039)
Adeolu A. Bakare (I.D. No. 208541)
McNEES WALLACE & NURICK LLC
100 Pine Street
P.O. Box 1166
Harrisburg, PA 17108-1166
Phone: (717) 232-8000
Fax: (717) 237-5300
cmincavage@mwn.com
abakare@mwn.com

Counsel to the Philadelphia Area Industrial Energy Users Group

Dated: February 13, 2012

RECEIVED
2012 FEB 13 PM 3:52
SECRETARY'S BUREAU

ATTACHMENT A

PHILADELPHIA AREA INDUSTRIAL ENERGY USERS GROUP

Air Liquide Industrial U.S. LP
Boeing Company, The
Building Owners & Managers Association of Philadelphia
Drexel University
Franklin Mills Associates Limited Partnership
GlaxoSmithKline
Jefferson Health System
Kimberly-Clark Corporation
Merck & Co., Inc.
Philadelphia College of Osteopathic Medicine
Saint Joseph's University
Sunoco, Inc.
Temple University
United States Steel Corporation
Villanova University

RECEIVED
2012 FEB 13 PM 3:52
P.A. IUC
SECRETARY'S BUREAU

CERTIFICATE OF SERVICE

I hereby certify that I am this day serving a true copy of the foregoing document upon the participants listed below in accordance with the requirements of Section 1.54 (relating to service by a participant).

VIA E-MAIL AND FIRST CLASS MAIL

Carrie B. Wright, Esq.
Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
P.O. Box 3265
Harrisburg, PA 17105-3265
carwright@pa.gov

Jeanne Dworetzky, Esq.
Exelon Business Services Company
2301 Market Street, S23-1
PO BOX 8699
Philadelphia, PA 19101-8699
jeanne.dworetzky@exeloncorp.com

Stephen L. Huntoon, Esq.
NextEra Energy, Inc.
801 Pennsylvania Ave NW, Suite 220
Washington, DC 20004
shuntoon@fpl.com

Tori L. Giesler, Esq.
FirstEnergy
2800 Pottsville Pike
P.O. Box 16001
Reading, PA 19612-6001
tgiesler@firstenergycorp.com

Todd S. Stewart, Esq.
HAWKE McKEON & SNISCAK LLP
100 North Tenth Street
Harrisburg, PA 17101
tsstewart@hmslegal.com

Thomas P. Gadsden, Esq.
MORGAN LEWIS and BOCKIUS LLP
1701 Market Street
Philadelphia, PA 19103
tgadsden@morganlewis.com

Melanie J Elatieh, Esq.
UGI Corporation
460 North Gulph Road
King of Prussia, PA 19406
melanie.elatieh@ugicorp.com

Irwin A. Popowsky, Esq.
Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101
spopowsky@paoca.org

Stephen C. Gray, Esq.
Elizabeth Rose Triscari, Esq.
Office of Small Business Advocate
Commerce Building, Suite 1102
300 North Second Street
Harrisburg, PA 17101
sgray@pa.gov
etriscari@pa.gov

RECEIVED

2012 FEB 13 PM 3:52

PA 100
SECRETARY'S BUREAU



Adeolu A. Bakare

Dated this 13th day of February, 2012, in Harrisburg, Pennsylvania.