



COMMONWEALTH OF PENNSYLVANIA

April 4, 2016

E-FILED

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
Default Service Program for the Period from June 1, 2017 through
May 31, 2019 - Docket No. P-2016-2534980**

Dear Secretary Chiavetta:

I am delivering for filing today the original of the Answer of the Office of Small Business Advocate to Petition of PECO Energy Company for Approval of its Fourth Default Service Program, in the above-captioned proceeding.

Copies have been served today on all known parties in this proceeding. A Certificate of Service to that effect is also enclosed.

If you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in cursive script that reads "Elizabeth Rose Triscari".

Elizabeth Rose Triscari
Deputy Small Business Advocate
Attorney ID No. 306921

Enclosures

cc: The Honorable Cynthia W. Fordham
Mr. Brian Kalcic
Parties of Record

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**PETITION OF PECO ENERGY COMPANY :
FOR APPROVAL OF ITS DEFAULT : Docket No. P-2016-2534980
SERVICE PROGRAM FOR THE PERIOD :
FROM JUNE 1, 2017 THROUGH MAY 31, 2019 :**

**ANSWER OF THE OFFICE OF SMALL BUSINESS ADVOCATE
TO PETITION OF PECO ENERGY COMPANY FOR
APPROVAL OF ITS FOURTH DEFAULT SERVICE PROGRAM**

PROCEDURAL HISTORY

On or about March 17, 2016, PECO Energy Company (“PECO” or “the Company”) filed the Petition of PECO Energy Company for Approval of Its Default Service Program for the Period From June 1, 2017 Through May 31, 2019 (“Petition”) with the Pennsylvania Public Utility Commission (“Commission”) pursuant to Section 2807(e) of the Public Utility Code, the Default Service Regulations,¹ and the Commission’s Policy Statement on Default Service. The Petition seeks approval of PECO’s proposed fourth Default Service Program (“DSP IV”) to secure default service supply for the Company’s customers for the period from June 1, 2017 through May 31, 2019.

The Office of Small Business Advocate (“OSBA”) is filing a Notice of Intervention and Public Statement concurrently with this Answer.

The OSBA files the following Answer in response to the corresponding numbered averments in the Company’s Petition.

¹ All capitalized terms used herein and not otherwise defined shall have the meaning ascribed to them in the Petition.

ANSWER

Un-numbered paragraphs on pages one, two, and three

The first un-numbered paragraph describes the filing made by the Company, and constitutes a prayer for relief to which no response is required.

The second un-numbered paragraph makes several assertions about the success of PECO's second default service program ("DSP III"). To the extent a response is deemed necessary, the averments of this paragraph are denied.

The third un-numbered paragraph states several conclusions of law to which no response is required, including that the Company's DSP IV is "In accordance with the Competition Act, the Commission's Default Service Regulations, and the Default Service Policy Statement" and is designed to enable PECO to obtain a "prudent mix" of procurement contracts and thereby ensure that default service customers have access to an "adequate and reliable" supply of generation at "least cost over time." To the extent a response to any of these conclusions of law is deemed necessary, those averments are denied. The third un-numbered paragraph also constitutes a prayer for relief to which no response is required

I. INTRODUCTION

1. Admitted.
2. Admitted.
3. The averments of this paragraph cite provisions of section 2807(e) of the Competition Act, 66 Pa. C.S. § 2807(e), which, being a writing, speaks for itself, and therefore no response is required.

4. The averments of this paragraph cite provisions of section 54.185 of the Commission's Default Service Regulations, 52 Pa. Code §54.185, which, being a writing, speaks for itself, and therefore no response is required.

5. The averments of this paragraph cite to *Default Service and Retail Electric Markets*, Docket No. L-2009-2095604, Order entered October 4, 2011, which, being a writing, speaks for itself, and therefore no response is required.

6. The averments of this paragraph cite to *Investigation of Pennsylvania's Retail Electricity Market: End State of Default Service*, Docket No. I-2011-2237952, Order entered February 15, 2013 ("End State Order"), which, being a writing, speaks for itself, and therefore no response is required. The last sentence of this paragraph states that PECO's limited changes to its default service program and the products previously approved by the Commission in its DSP II complies with the End State Order, which is a conclusion of law to which no response is required. To the extent a response is deemed necessary, the averments of this sentence are denied.

7. Paragraph 7 contains a statement of the contents of the Petition, which requires no response. The first sentence of this paragraph states that PECO is proposing limited changes to its default service program and the products previously approved by the Commission in its DSP III. To the extent a response is deemed necessary, the averments of this sentence are denied.

8. The averments of this paragraph requests that the Commission act upon the Petition by a certain date, and as such, the averments of this paragraph constitute a prayer for relief to which no response is required.

II. PECO'S DEFAULT SERVICE PROCUREMENT AND IMPLEMENT PLANS

A. Procurement Classes, Program Term and Supply Portfolio

9. The averments of this paragraph describe PECO'S DSP III, to which no response is required. The last sentence of this paragraph outlines the Company's proposal and reasons therefore to maintain the same Residential and Small Commercial procurement group in DSP IV as in DSP III, and as such, these averments constitute a prayer for relief to which no response is required. To the extent a response is deemed necessary, the averments of this paragraph are denied.

10. The averments of this paragraph propose consolidating the Large Commercial and Industrial procurement group with the Medium Commercial procurement group and the reasons therefore, and as such, these averments constitute a prayer for relief to which no response is required. To the extent a response is deemed necessary, the averments of this paragraph are denied.

11. The averments of this paragraph make an assertion about the success of the DSP III procurement strategy and the Company's proposal to maintain the basic procurement strategy established in prior default service programs, and as such, these averments constitute a prayer for relief to which no response is required. To the extent a response is deemed necessary, the averments of this paragraph are denied.

12. The averments of this paragraph describe the nature of full-requirements, load-following contracts and are admitted.

13. The averments of this paragraph describe the treatment of certain PJM transmission-related charges in prior default service programs and the Commission's DSP III Order. The DSP Order, being a writing, speaks for itself, and therefore no response is required.

14. The first four sentences of this paragraph describe PECO'S current default service portfolio for the Residential class, to which no response is required. The remaining averments of this paragraph outline the Company's proposal for the Residential class supply portfolio; to procure a mix of one-year (approx. 40%) and two-year (approx.. 60%) fixed-price full requirements, load-following products for 96% of the supply and the remaining 4% a mix of 5-year fixed-price full requirements (approx. 3%) products and spot energy purchases (approx. 1%), and as such, these averments constitute a prayer for relief to which no response is required. To the extent a response is deemed necessary, the averments of this paragraph are denied.

15. The first sentence of this paragraph describes PECO's current default service portfolio for the Small Commercial class, namely, laddered one-year fixed-price full requirements products, to which no response is required. The remaining averments of this paragraph outline the Company's proposal to replace the current mix of products with equal shares of one-year and two-year fixed-price full requirements products to provide price stability benefits for all small non-residential customers who may not have the knowledge or resources to elect a competition EGS offering that provides the price stability they seek, and as such, these averments constitute a prayer for relief to which no response is required. To the extent a response is deemed necessary, the averments of this paragraph are denied.

16. The averments of this paragraph outline the Company's proposal to continue to procure all the Consolidated Large Commercial and Industrial class default service supply

thought spot-priced full requirements contracts, and as such, these averments constitute a prayer for relief to which no response is required. To the extent a response is deemed necessary, the averments of this paragraph are denied.

17. The averments of this paragraph state the term of PECO's DSP IV, June 1, 2017 through May 31, 2019, and, that such term is consistent with the Commission's recommendations, and are admitted.

18. The first sentence of this paragraph describes the timing of recommended solicitations for Residential and Small Commercial class supply products that extend beyond the end of the DSP IV period, and as such, these averments constitute a prayer for relief to which no response is required. The remaining averments of this paragraph make assertions about the appropriateness of such an approach and its consistency with the approach approved by the Commission in DSP II and DSP III, and as such, are conclusions of law to which no response is required. To the extent a response is deemed necessary, the averments of this paragraph are denied.

19. This paragraph contains a table summarizing the proposed procurement plan for each customer class, and as such, constitutes a prayer for relief to which no response is required. To the extent a response is deemed necessary, the averments of this paragraph are denied.

20. The averments of this paragraph outline the Company's proposal to use the uniform SMA developed through the Office of Competitive Market Oversight SMA Stakeholder Process, with a few technical revisions, and as such, constitute a prayer for relief to which no response is required. The OSBA is without sufficient first-hand knowledge or information to

form a belief concerning the truth of any averment regarding the uniform SMA and PECO's proposed SMA, and as such, the averments of this paragraph are denied.

B. Competitive Bid Solicitation Process and Independent Evaluator

21. The averments of this paragraph outline the Company's plan to solicit bids for default service supply beginning in February 2017 and extending over the DSP IV term, and as such, these averments constitute a prayer for relief to which no response is required. To the extent a response is deemed necessary, the averments of this paragraph are denied.

22. The first two sentences of this paragraph outline the Company's plan to obtain bids for default service supply through a request for proposals ("RFP") process conducted by NERA as independent third-party evaluator and also describe proposed limited changes to the RFP rules for DSP IV to streamline the electronic solicitation process. The third sentence describes PECO's proposal to maintain the DSP III 50% "load cap." As such, these averments constitute a prayer for relief, to which no response is required. To the extent a response is deemed necessary, the averments of this paragraph are denied.

23. The averments of this paragraph state several conclusions of law regarding PECO's proposed competitive procurement process to which no response is required. The averments of this paragraph also request that the Commission approve the revised uniform SMA as an affiliated interest agreement, and as such, these averments constitute a prayer for relief to which no response is required. To the extent a response is deemed necessary, the averments of this paragraph are denied.

C. Consistency With Regional Transmission Organization Requirements

24. The averments of this paragraph state several conclusions of law to which no response is required. To the extent a response is deemed necessary, the averments of this paragraph are denied.

D. AEPS Compliance

25. The averments of this paragraph outline PECO's plans with regards to its Alternative Energy Portfolio Standards ("AEPS") requirements, and as such, these averments constitute a prayer for relief, to which no response is required. The OSBA is without sufficient first-hand knowledge or information to form a belief concerning the truth of any averment that PECO is currently meeting its AEPS requirements, and any such averment is denied.

III. CONTINGENCY PLANS

26. The averments of this paragraph outline the Company's proposed contingency plans in the event PECO does not obtain sufficient supply through its procurement processes or experiences a supplier default under the SMA, and as such, these averments constitute a prayer for relief, to which no response is required. Any averment that these proposed contingency plans are in accordance with the Commission's Default Service Regulations is a conclusion of law to which no response is required. To the extent a response is deemed necessary, the averments of these paragraphs are denied.

27. The averments of this paragraph further outline the Company's proposed contingency plans in the event of a supplier default under the SMA, and as such, these averments constitute a prayer for relief, to which no response is required. To the extent a response is deemed necessary, the averments of these paragraphs are denied.

IV. RATE DESIGN AND COST RECOVERY

28. The averments of this paragraph describes the Company's proposal to continue its existing rate design approved by the Commission in DSP III, with certain modifications to streamline the recovery of hourly-priced default service costs, and as such, these averments constitute a prayer for relief to which no response is required. To the extent a response is deemed necessary, the averments of these paragraphs are denied.

29. The averments of this paragraph describe PECO's proposal to revise its GSA procurement classes to reflect the proposed consolidation of all commercial and industrial customers receiving hourly-priced default service into a single Consolidated Large Commercial and Industrial procurement group, which is a prayer for relief to which no response is required. To the extent a response is deemed necessary, the averments of these paragraphs are denied.

30. The averments of this paragraph describe PECO's proposal for a quarterly default service rate filing schedule for the Consolidated Large Commercial and Industrial Class, with semi-annual reconciliation of the over/undercollection component of the GSA, which is a prayer for relief to which no response is required. To the extent a response is deemed necessary, the averments of these paragraphs are denied.

31. The first averment of this paragraph describes PECO's current GSA reconciliation methodology of comparing actual default service supply costs to billed revenue and reconciling the differences in these amounts monthly for commercial and industrial customers receiving hourly-priced default service, to which no response is required. The second averment states that the timing of reconciliation in combination with billing cycle lag can result in substantial swings in the over/under collection component of the GSA. The OSBA is without sufficient first-hand

knowledge or information to form a belief concerning the truth of this averment, and as such, this averment is denied. The third averment proposes to reconcile the over/under collection component of the GSA on a semi-annual basis in order to reduce significant fluctuations in default service rates and provide better information for customer shopping decisions. The OSBA is without sufficient first-hand knowledge or information to form a belief concerning the truth of this averment, and as such, this averment is denied.

32. The averments of this paragraph request that the Commission expressly affirm that PECO has a right to full and current recovery of all costs to implement DSP IV, and as such, these averments constitute a conclusion of law and a prayer for relief to which no response is required. To the extent a response is deemed necessary, the averments of this paragraph are denied.

V. RETAIL MARKET ENHANCEMENTS

33. The averments of this paragraph describe programs implemented under DSP II and DSP III and propose continuing to offer PECO's Standard Offer Program during DSP IV, using the same method of cost recovery as under DSP II, and as such, these averments constitute a prayer for relief to which no response is required. To the extent a response is deemed necessary, the averments of this paragraph are denied.

VI. PROCEDURAL ISSUES AND COMMISSION APPROVAL

34. The averments of this paragraph constitute a proposed procedural schedule for this proceeding, to which no response is required. To the extent a response is deemed necessary, these averments are denied. The OSBA will work diligently with the other parties to this proceeding to come up with a mutually agreeable procedural schedule.

VII. NOTICE

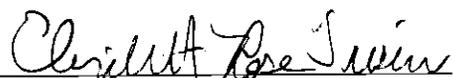
35-37. The averments of these paragraphs regarding notice requirements constitute a prayer for relief, and as such, no response is required. To the extent a response is deemed necessary, these averments are denied.

VII. CONCLUSION

The averments of this un-numbered paragraph constitute a prayer for relief and conclusions of law. Therefore, no response is required. To the extent a response is deemed necessary, these averments are denied.

WHEREFORE, the OSBA respectfully requests that the Commission refer PECO's Petition to the Office of Administrative Law Judge for hearings and the preparation of an Initial Decision.

Respectfully submitted,



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For:

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Dated: April 4, 2016