

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission :

v.

Docket No. R-2010-2161575

PECO Energy Company – Electric Division :

**STATEMENT IN SUPPORT OF
JOINT PETITION FOR PARTIAL SETTLEMENT
OF THE CITY OF PHILADLEPHIA**

**TO ADMINISTRATIVE LAW JUDGES MARLANE R. CHESTNUT AND
CHRISTOPHER PELL:**

The City of Philadelphia ("City"), one of the signatory parties to the Joint Petition for Partial Settlement of Rate Investigation ("Joint Petition"), submits that the terms and conditions of the partial settlement embodied in the Joint Petition ("Partial Settlement") are in the public interest. The City **respectfully** requests that Administrative Law Judges ("ALJs") **Marlane R. Chestnut** and **Christopher Pell** and the Public Utility Commission ("Commission") approve the Joint Petition and deem the Partial Settlement to be in the public interest.

I. Background

On March 31, 2010, PECO Energy Company ("PECO or "Company") requested the Commission to approve an increase in its distribution and transmission electric rates. On May 20, 2010, the Commission instituted a formal investigation of the lawfulness, justness and reasonableness of **PECO's** rates. The Commission assigned the case to two administrative law judges for a hearing and recommended decision. The City of Philadelphia and other parties intervened in the proceeding. The parties attended a prehearing conference on June 9, 2010, exchanged written testimony, and responded to numerous discovery requests.

The City, PECO, and other parties have participated in several settlement discussions. The Partial Settlement reflects those discussions and represents a balance of the interests of the parties to this proceeding. For the reasons stated below, the City maintains that the proposed Partial Settlement is in the public interest and requests that the **ALJs** and Commission approve the Joint Petition.

II. Discussion of the Terms and Conditions of the Settlement

A. Revenue Requirement

The City did not comment on the Company's total annual revenue requirement, except as discussed below with respect to revenue allocation and rate design. The discussion below also addresses the rate design aspects of specific rates in the revised tariff supplement annexed to the Joint Petition as Exhibit 1.

B. Revenue Allocation and Rate Design

Numerous parties, including the City, reviewed and commented on the Company's cost of service study and proposed revenue allocation among various rates

and rate classes. The City's testimony on these issues focused on the assignment of costs for street-lighting service and recommended ~~further~~ reductions in the street-lighting rate. Other Joint Petitioners advocated **an** increase in allocation of costs to the rates comprising the lighting class.¹ The Partial Settlement resolves this potentially contentious issue in a manner that is reasonable given the positions of all Joint Petitioners.

The tariff supplement annexed to the Joint Petition as Exhibit 1 also addresses some of the rate design issues of concern to the City. Specifically, the revised Rate SL-E for street lighting **shifts** a portion of the distribution charges from a fixed distribution charge to a variable distribution charge, thereby addressing the City's concern that a street lighting rate based entirely on a per-unit fixed distribution charge would not encourage reduced **consumption**.² In addition, the Company's proposal to modify Rate AL by removing the reference to incandescent lamps resolves the City's concern that the tariff supplement as initially proposed might move the City's alley lights from Rate AL (Alley Lighting) to Rate SL-E, which if it were to occur, would result in a significantly higher charge to the **City**.³

C. Other Settlement Issues

The City did not present testimony on smart meters, universal services, **tax** accounting, customer deposits, rate case expenses, depreciation rates, unbundling generation-related uncollectibles, or other issues addressed in the Joint Petition.

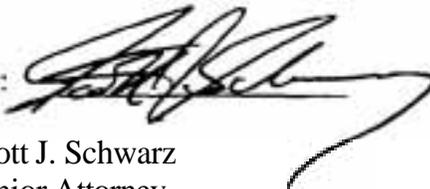
¹ The Company **defined** the lighting class under the proposed rates schedules as including street lighting - customer owned facilities (Rate SL-E), street lighting - suburban counties (Rate SL-S), **traffic** lighting and constant load devices (Rate TLCL), alley lighting in the City of Philadelphia (Rate AL), and private outdoor lighting (Rate POL). See PECO Statement 8, p. 6 and PECO Statement 9, pp. 18-22.

² City Statement No. 1 at 6.

³ City Statement No. 1 at 4; PECO Statement 9-R at 16; and PECO Exhibit **ABC-1R**.

III. Conclusion

For the reasons set forth in this statement and the additional factors enumerated in the Joint Petition, the City supports the proposed Partial Settlement and **respectfully** requests that the **ALJs** and the Commission approve the Joint Petition in its entirety.

By: 

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Dated: August **26,2010**