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January 27, 2012

**VIA E-FILING &  
OVERNIGHT MAIL**

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

**Re: Petition for Approval of PECO Energy Company's Initial Dynamic Pricing and Customer Acceptance Plan, Docket No. M-2009-2123944**

Dear Secretary Chiavetta:

The purpose of this letter is to inform the Commission of the steps PECO Energy Company ("PECO") is taking to implement the Commission's recommendation that EDCs contemplate contracting with an EGS to provide time of use ("TOU") rates. PECO is also providing this letter to propose a procedural course that will enable it to obtain Commission approval of its EGS contractor no later than April 6, 2012. PECO is proposing an April 6 date as it is critical to enabling PECO to take full advantage of its U.S. Department of Energy ("DOE") Smart Grid Stimulus Grant.

**Background**

In August 2009, PECO filed an application for assistance with the DOE under its Smart Grid Investment Grant Program for \$200 million in matching federal funds. PECO's grant application included commitments to test dynamic pricing options with customers. By letter dated October 27, 2009, the DOE notified PECO that its application had been selected for the full \$200 million Smart Grid matching award.

PECO filed its Initial Dynamic Pricing and Customer Acceptance Plan ("Dynamic Pricing Plan") with the Commission on October 28, 2010. PECO's DOE dynamic pricing commitments were reflected in the plan. Following a proceeding before an administrative law judge consistent with the Commission's rules and the requirements of Act 129 of 2008, the Commission approved PECO's Dynamic Pricing Plan by order entered April 15, 2011.<sup>1</sup>

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<sup>1</sup> *Petition for Approval of PECO Energy Company's Initial Dynamic Pricing and Customer Acceptance Plan, Opinion and Order, Docket No. M-2009-2123944 (Order entered April 15, 2011).*

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### **Developments Related to the Commission's Retail Markets Investigation**

On April 29, 2011, the Commission launched an investigation into Pennsylvania's retail electricity market. As part of the investigation, the Commission recommended that "EDCs contemplate contracting with a retail EGS to help satisfy [Act 129's TOU] statutory requirement."<sup>2</sup>

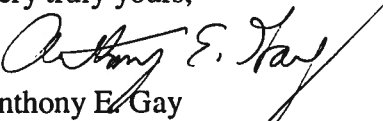
Consistent with the Commission's recommendation, in November 2011 PECO conducted an EGS webinar and conference call to determine EGS interest in partnering with PECO to offer dynamic pricing to smart meter-enabled customers. Following the Commission's issuance of its Final Order containing recommendations regarding upcoming default service plans, on January 17, 2012 PECO issued a request for interested EGSs to provide non-binding notice of their intent to bid as a contractor for PECO's Dynamic Pricing Plan. A number of suppliers responded, and on January 24 PECO issued a Request for Proposals ("RFP") to these EGSs.

### **Proposed Procedural Course**

Responses to PECO's RFP are due on February 15 and PECO plans to complete its vendor selection process by March 1. PECO plans to file a petition for expedited approval of its vendor selection on March 8 and, as noted above, will request approval by the Commission of its vendor selection by April 6 so that PECO will be able to maximize its Smart Grid Stimulus Grant funding. Consistent with its longstanding practice, PECO will discuss its plans with stakeholders at its next regularly scheduled stakeholder meeting on February 22 in Harrisburg. If the EGSs do not express further interest in partnering with PECO to offer dynamic rates to customers, PECO will notify the Commission and seek expedited approval to implement its program under the originally approved approach, with certain modifications.

Please feel free to contact me at the above number if you have any questions or require additional information.

Very truly yours,

  
Anthony E. Gay  
Associate General Counsel

cc: Karen Oill Moury, Director of Regulatory Operations

Certificate of Service

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<sup>2</sup> See *Investigation of Pennsylvania's Retail Electricity Market: Recommended Directives on Upcoming Default Service Plans*, Tentative Order, Docket No. I-2011-2237952 at 7 (Order Entered October 14, 2011); see also *Investigation of Pennsylvania's Retail Electricity Market: Recommendations Regarding Upcoming Default Service Plans*, Final Order, Docket No. I-2011-2237952 at 44-48 (Order Entered December 16, 2011).

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

<b>PETITION OF PECO ENERGY</b>	<b>:</b>	
<b>COMPANY FOR APPROVAL OF ITS</b>	<b>:</b>	
<b>SMART METER TECHNOLOGY</b>	<b>:</b>	<b>DOCKET NO. M-2009-2123944</b>
<b>PROCUREMENT AND INSTALLATION</b>	<b>:</b>	
<b>PLAN – PETITION FOR APPROVAL OF</b>	<b>:</b>	
<b>PECO ENERGY COMPANY’S INITIAL</b>	<b>:</b>	
<b>DYNAMIC PRICING AND CUSTOMER</b>	<b>:</b>	
<b>ACCEPTANCE PLAN</b>	<b>:</b>	

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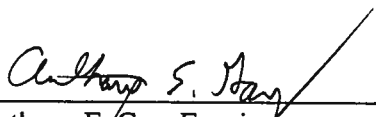
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Dated: January 27, 2012

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