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September 10, 2012

VIA E-FILING

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
P.O. Box 3265
Harrisburg, PA 17105-3265

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

Dear Secretary Chiavetta:

Enclosed is an unbound original of the **Exception of PECO Energy Company (“Exception”)** to the Recommended Decision of Administrative Law Judge Dennis J. Buckley issued on August 29, 2012 in the above-referenced matter.

As evidenced by the attached Certificate of Service, a copy of the Exception has been served upon Administrative Law Judge Dennis J. Buckley and all parties.

Should you have any questions, please contact me directly at 215.963.5234. Thank you.

Sincerely,

Thomas P. Gadsden

TPG/tp
Enclosure

c: Per Certificate of Service

Almaty Beijing Boston Brussels Chicago Dallas Frankfurt Harrisburg Houston Irvine London Los Angeles Miami
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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PETITION OF PECO ENERGY COMPANY :
FOR APPROVAL OF ITS DEFAULT : **DOCKET NO. P-2012-2283641**
SERVICE PROGRAM :

CERTIFICATE OF SERVICE

I hereby certify and affirm that I have this day served copies of the **Exception of PECO Energy Company** on the following persons in the matter specified in accordance with the requirements of 52 Pa. Code § 1.54.

VIA ELECTRONIC MAIL AND FEDERAL EXPRESS

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Dated: September 10, 2012

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PETITION OF PECO ENERGY :
COMPANY FOR APPROVAL OF ITS : **DOCKET NO. P-2012-2283641**
DEFAULT SERVICE PROGRAM :

**EXCEPTION OF
PECO ENERGY COMPANY**

**To the Recommended Decision of
Administrative Law Judge
Dennis J. Buckley**

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September 10, 2012

I. INTRODUCTION

This proceeding was initiated on January 13, 2012, when PECO Energy Company (“PECO”) filed a Petition (“Petition”) pursuant to Section 2807(e) of the Pennsylvania Public Utility Code, 66 Pa.C.S. § 2807(e), requesting that the Pennsylvania Public Utility Commission (the “Commission”) approve PECO’s Default Service Program for the period from June 1, 2013 to May 31, 2015 (“DSP II”).

DSP II is PECO’s second default service program and is designed to ensure that PECO’s default service customers continue to have access to adequate, reliable electric generation supply at the least cost over time and to enable PECO to recover its costs of furnishing that service. PECO’s Petition also included proposals for a variety of retail market enhancements in accordance with the orders of the Commission in its Investigation of Pennsylvania’s Retail Electricity Market, including a “Standard Offer” Customer Referral Program for existing default service customers as well as other initiatives to encourage new and moving customers to select competitive electric supply from EGSs.

The Commission initiated an investigation of DSP II and assigned the matter to Administrative Law Judge Dennis J. Buckley (“ALJ”). The subsequent history of this proceeding is described in PECO’s Initial Brief, dated June 18, 2012, and in its Reply Brief, dated July 3, 2012.

On August 29, 2012, the ALJ issued a Recommended Decision (“RD”) in which he recommended that the Commission approve PECO’s DSP II subject only to a limited modification (reducing the “load cap” on the amount of default service supply in any customer procurement class that may be served by a single supplier from 67% to 50%). The ALJ’s comprehensive Recommended Decision provides the Commission with a thorough analysis of

the issues and arguments presented in this proceeding, and PECO respectfully excepts only to a single statement in the RD relating to PECO's proposal to initiate a collaborative with EGSs regarding system changes required to permit residential and commercial customers to change their address of service and maintain EGS service ("seamless moves").

II. EXCEPTION AND ARGUMENT

Exception: The Commission should clarify that RESA failed to demonstrate that PECO was under any obligation to construct "seamless moves" functionality thirteen years ago at the commencement of retail choice.

In DSP II, PECO has proposed to initiate a collaborative with interested EGSs to develop technical requirements and cost estimates for seamless moves functionality. Under PECO's proposal, if more than 50% of participating EGSs express interest in the program, PECO will initiate implementation with costs recovered through a temporary discount on EGS receivables purchased from all EGSs in PECO's Purchase of Receivables ("POR") program. PECO St. No. 2, p. 30; PECO Initial Br., pp. 72 & 76.

This collaborative was supported by the Retail Energy Supply Association ("RESA"), Dominion Retail, Inc. and Interstate Gas Supply, Inc. d/b/a IGS Energy ("Dominion"), and First Energy Solutions ("FES"). RESA Initial Br., pp. 88-89; Dominion Initial Br., p. 17; FES Initial Br., pp. 33-34. However, RESA argued that the costs for implementation of seamless moves should be recovered from all customers and not through the POR program based, in part, on the assertion that the functionality should have been "built into PECO's systems at the initiation of [retail choice]," and FES agreed. *Id.*¹ In opposing recovery of such costs from all customers,

¹ Dominion did not expressly address cost recovery of seamless move enhancements, but generally opposed collection of the costs of retail enhancements through the POR program. *See* Dominion Initial Br., p. 18.

PECO explained that RESA's assertion regarding an earlier obligation to install seamless moves functionality (or more extensive "switch on connect" technology to enroll new customers directly with EGSs) was entirely unsubstantiated, since RESA had provided no evidence of any such obligation or justification for why all customers should have paid for such a feature earlier. PECO Initial Br., p. 76.

In the RD, the ALJ clearly considered and rejected the arguments of RESA and FES, concluding that the costs of seamless moves should be recovered through the POR program. RD, p. 87; *see also* RD, p. 80 (rejecting "switch on connect" proposal). In his recommended disposition of this issue, however, the ALJ included a sentence stating that "PECO was obligated to construct the functionality associated with seamless moves thirteen years ago." *Id.*, p. 80.

In light of the ALJ's approval of the seamless moves collaborative and recommendation that the costs of that program and other retail market enhancements be recovered through a POR discount and not from all customers, PECO believes that the suggestion of an earlier affirmative obligation to install such functionality may have been a typographical error. In any event, a conclusion that PECO had such an obligation is unsupported by any evidence in this proceeding, and no party has provided any citation to any law or other directive of the Commission imposing such an obligation upon PECO thirteen years ago. PECO therefore respectfully requests that the Commission clarify that RESA failed to demonstrate that PECO was under any obligation to construct seamless moves functionality in the past.

III. CONCLUSION

For the reasons set forth above and in PECO's Initial and Reply Briefs, the Commission should grant PECO's Exception and adopt the Recommended Decision with the modification requested herein.

Respectfully submitted,



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