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January 7, 2013

VIA ELECTRONIC FILING

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

RE: Petition of PECO Energy Company For Approval of its Default Service Program; Docket No. P-2012-2283641; **REPLY COMMENTS OF DOMINION RETAIL, INC. AND INTERSTATE GAS SUPPLY, INC. TO REVISED DEFAULT SERVICE PLAN COMPLIANCE FILING**

Dear Secretary Chiavetta:

Enclosed for filing with the Commission is the original Reply Comments of Dominion Retail, Inc. and Interstate Gas Supply, Inc. to Revised Default Service Plan Compliance Filing in the above-captioned docket.

Thank you for your attention to this matter. If you have any questions, please do not hesitate to contact the undersigned.

Very truly yours,

Todd S. Stewart
*Counsel for Dominion Retail, Inc., Interstate
Gas Supply, Inc. and Shipley Choice, LLC*

TSS/jld/152324.1

Enclosures

cc: Honorable Dennis J. Buckley (via email and via first class mail)
Per Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing document upon the parties, listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a party).

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Todd S. Stewart

Dated: January 7, 2013

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

**REPLY COMMENTS
OF DOMINION RETAIL, INC.
AND INTERSTATE GAS SUPPLY, INC.
TO REVISED DEFAULT SERVICE PLAN COMPLIANCE FILING**

Dated: January 7, 2013

I. INTRODUCTION

On October 12, 2012, the Pennsylvania Public Utility Commission (“Commission”) issued an Opinion and Order in the above-captioned matter, which among other things approved PECO Energy Company’s (“PECO” or the “Company”) Default Service Plan II (“DSP II”). PECO’s DSP II was intended to address PECO’s requirements for default service for the period June 1, 2013 through May 31, 2015. Importantly, PECO’s DSP II also contained proposals for a number of competitive enhancements known collectively and generically as the Retail Market Enhancements (“RME”) that are intended to spur an increase in competitiveness of the retail electricity market in PECO’s service territory. As part of its October 12, 2012 Order, the Commission modified PECO’s RME programs, thus necessitating the convening of a collaborative process to address the newly required changes for these programs. The collaborative process was able to address a number of peripheral matters, but no resolution was reached on the major issue of cost recovery.

On December 11, 2012, as required by the Commission’s October 12 Order, PECO filed its Revised Default Service Plan Compliance Filing, which addressed the revisions to the RME programs in a fashion that was not supported by the majority of parties.

On December 27, 2012, a number of parties filed comments that contest certain portions of PECO’s filing as being inappropriate or potentially detrimental. Interstate Gas Supply, Inc. d/b/a IGS Energy (“IGS”) and Dominion Retail, Inc. d/b/a Dominion Energy Solutions (“DES”) (collectively the “EGS Parties”), were among those filing comments. The EGS Parties hereby offer their responses to the Comments filed by several other Parties, including: the Pennsylvania Office of Consumer Advocate (“OCA”), the Retail Energy Supply Association (“RESA”) and First Energy Solutions (“FES”).

In the EGS Parties' Comments, the main issue they address is PECO's insistence on recovering the costs of its standard offer program ("SOR") through the purchase of receivables ("POR") discount, and to use that same POR discount as a backstop collection mechanism for costs not recovered from suppliers in its opt-in program ("ROI"). The EGS Parties strenuously oppose PECO's proposal to recover any RME program costs through a POR discount, because of the inherently anti-competitive nature of such recovery - - forcing existing suppliers with larger customer basis to subsidize new entrants. The EGS Parties note that both RESA and FES filed comments providing similar view points on PECO's proposed collection mechanism. The EGS Parties agree with those Comments and continue to believe that if POR discount recovery is mandated for the costs of the SOR, existing suppliers in the PECO service territory may leave that service territory or simply scale back their operations in PECO's service territory, which is the exact opposite of the intention of the Commission in promoting these programs in the first instance. If POR discount recovery is approved, it will simply redistribute funds and customers between suppliers and will not encourage growth in the retail supply market.

RESA, in particular, also submitted Comments on several other subjects, the vast majority of which are acceptable to the EGS Parties, but with a single exception, which will be discussed further below. The OCA also filed Comments, which will be addressed below as well.

II. RESPONSES TO THE OCA

A. THE OCA'S REQUEST FOR INCREASED REPORTING REQUIREMENTS SHOULD BE REJECTED.

In its Comments, beginning on page 2, the OCA comments favorably on PECO's ROI program, and in particular, the reporting requirements of that program, wherein PECO would require that EGSs participating in the ROI program would provide detailed information to PECO, in a report submitted 30 days after the conclusion of the opt-in program, that would allow

PECO to provide that same information to the Commission and also to the OCA and the Office of Small Business Advocate (“OSBA”).

Not satisfied with PECO’s extensive proposed reporting requirements, the OCA suggested that additional information should be required of EGSs and, in particular, that EGSs should be required to “track the number of opt-in program customers that remain in the program each month for the duration of the program.” (OCA Comments p. 3).

The OCA’s proposed additional requirement should be rejected. Suggesting that this type of information would allow for analysis and/or the drawing of conclusions about which portion of the ROI product was most valuable to customers (*i.e.* 5% discount versus \$50 bonus) is wishful thinking at best. Knowing the timeframe in which customers exited the program would allow for only vague inferences as to the reasons they left, if indeed they exit the program at all. Coupled with the significant burden and costs that such a requirement would impose upon suppliers, it can lead only to the conclusion that the request is superfluous and unneeded.

Every additional requirement added onto the program increases the cost to EGSs, and decreases their potential willingness to participate in the program. Requiring suppliers to substantially modify the processes they currently use in their business, and requiring them to create various reports, merely to satisfy the OCA’s curiosity about how many customers may be in the program during each of the subsequent months, does not justify the additional cost and effort that would be required. Accordingly, the EGS Parties recommend strongly that the OCA’s additional reporting requirement be rejected.

B. THE OCA’S COST RECOVERY RECOMMENDATION SHOULD BE REJECTED AS WELL.

In its Comments, beginning on page 5, the OCA supports PECO’s proposal to recover the costs of the referral program through the POR discount. As discussed in substantially more detail in their Comments, the EGS Parties strongly disagree with this notion. While the EGS Parties agree that suppliers could reasonably be required to shoulder at least some of the burden of these programs, they also believe that customers do benefit substantially, and that it is reasonable for customers to likewise share in the costs with suppliers.

Nonetheless, even with cost sharing, the chosen recovery mechanism should not be anti-competitive. A recovery scheme such as that proposed by PECO, which pits the established suppliers against newcomers (via POR discount recovery), and which forces subsidization and redistribution of wealth as between suppliers, is simply untenable. The only fair way to recover the costs of the program is to have the cost-causers pay for their share of the costs of the program on a per switch basis. Accordingly, the OCA’s suggestion that POR discount recovery for any costs of the retail market enhancement programs should be rejected.

III. RESA’S PROPOSAL TO MODIFY THE RETAIL OPT-IN AND STANDARD OFFER PROGRAM REQUIREMENTS SHOULD BE REJECTED.

Beginning on page 10 of its Comments, RESA suggests that one “possible modification... might be to structure the existing products in ways that would reasonably address the concerns that have been raised by the Office of Consumer Advocate (“OCA”) in exchange for allocating some of the costs to customers.” (RESA Comments p. 10)(*emphasis added*). While the EGS Parties appreciate RESA’s attempt to propose a compromise by which it would agree to modify the proposed ROI and SOR programs in exchange for cost sharing with customers, the EGS Parties, nonetheless, disagree with RESA’s proposed changes. The notion

that customers should be asked to share in the costs of at least the standard offer program, which is discussed more extensively in the Comments of the EGS Parties filed December 27 in this matter, is rational and reasonable, and acceptance of the concept need not rely upon a compromise that would modify the terms of those RME programs. RESA's "compromise" would unnecessarily complicate the programs, by creating differences across the Commonwealth. While the EGS Parties sympathize with the OCAs desire to have "guaranteed savings" as part of the RME programs, the EGS Parties continue to disagree with the notion that guaranteed savings are necessary or appropriate. Those types of savings will only increase the risk to suppliers and lessen the likelihood that customers will receive the benefits to which they aspire; namely, lower energy costs. Accordingly, the EGS Parties disagree with RESA's suggestion that these types of programs will be acceptable to suppliers other than those who are members of RESA. The EGS Parties believe that the Commission's original proposals are appropriate, and the approved product structure should be maintained as is. The notion of cost sharing should stand on its own and should be approved.

IV. CONCLUSION

The EGS Parties appreciate this opportunity to provide the Commission with their views on PECO's Revised Compliance filing. Apart from their opposition to few changes to those programs as proposed by other parties, and their strenuous opposition to the cost recovery proposals put forth by PECO in its compliance filing, the EGS Parties are otherwise generally amenable to PECO's filing. However, the EGS Parties urge the Commission to seriously consider the issue of the cost of these programs because it is absolutely clear that if the programs are too expensive or impose undue burdens on existing suppliers in PECO service territory, the

programs are doomed to fail. More importantly, the gains that have already made in increasing the competitiveness of those markets will likely be reversed.

Respectfully submitted,



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Dated: January 7, 2013