

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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March 11, 2013

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17101

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

Dear Secretary Chiavetta:

Enclosed please find the Office of Consumer Advocate's Comments to the Second Revised Default Service Plan Compliance Filing of February 28, 2013 in the above-referenced proceeding.

Copies have been served on the parties listed on the attached Certificate of Service.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Christy M. Appleby".

Christy M. Appleby
Assistant Consumer Advocate
PA Attorney I.D. #85824

Attachment

cc: Honorable Dennis J. Buckley, ALJ
Office of Special Assistants
Certificate of Service

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Based on the record before us, this Commission is persuaded that a very reasonable accommodation of all the party's [sic] positions should be incorporated into this resolution. As to the Retail Opt-in program, we agree with RESA that a fee of the lesser of \$1 per assigned customer or actual program costs to EGS participants is appropriate. Any remaining costs should be recovered in either one of two ways- through a non-bypassable surcharge, as proposed by RESA, or shared with 50% from the POR [Purchase of Receivables] discount and 50% from residential and small commercial default service customers.

As to the SOP [Standard Offer Program], we agree with RESA that a fee of the lesser of \$30/customer or actual costs per referred customer is appropriate. Any remaining costs should be recovered in either one of two ways – through a non-by-passable surcharge, as proposed by RESA, or shared with 50% from the POR discount and 50% from residential and small commercial default service customers.

It is the opinion of this Commission that participant costs must be capped in order to attract participation in these programs, and also to provide proper cost incentives for EDCs to minimize implementation costs. It is also clear that these programs have the potential to benefit all residential and small commercial customers who avail themselves of the myriad of EGS offers. Specifically, these programs are mainly targeted at default service customers, yet it is also true that all customer groups can participate- even if they are already shopping. Moreover, these programs are designed to enhance the competitive market, from which all customers will benefit over time.

February 14 Order at 13-14. The Commission ordered PECO to file a second revised plan within sixty days. Id. at Ordering ¶ 2.

On February 28, 2013, PECO filed its Second Revised Default Service Plan Compliance Filing (Second Revised Plan) addressing the cost recovery mechanism. The OCA files these Comments in response to the Second Revised Plan.

II. COMMENTS

In its February 14 Order, the Commission proposed new cost recovery mechanisms for each of the RME Programs. The Commission established a cap on the program costs that were to be paid by participating EGSs for the programs and then allowed for any costs in excess of the participating EGS cap to be paid for by ratepayers, or shared between ratepayers and all EGSs. In its filing, PECO has selected the approach that calls for any excess costs not recovered through the direct payments by participating EGSs to be shared between ratepayers and all EGS. The OCA remains concerned with any cost recovery for these programs from customers.¹ If there are costs above the EGS cap, PECO's proposal to effectuate a 50/50 sharing of reasonable costs above the cap is less harmful. More importantly, however, the OCA submits that PECO must take all steps to design programs that can be implemented within the recovery cap established by the Commission.

At this juncture, the OCA submits that there is no evidence to determine whether any cost recovery from customers for PECO's proposed RME programs is reasonable. PECO has not provided any final cost estimates for these programs and has not identified any efforts to reduce the program costs in light of the Commission's establishment of the capped charges. The OCA submits that default service customers should not be asked to pay any sum that happens not to be covered by the EGSs' capped charge. The Commission specifically stated:

It is the opinion of this Commission that participant costs must be capped in order to attract participation in these programs, and also to provide proper cost incentives for EDCs to minimize implementation costs.

¹ The OCA respectfully disagrees with the Commission's conclusion that ratepayers should be asked to fund these programs to any degree, as these programs are designed to increase market share for participating EGSs without incurring substantial one-on-one acquisition costs. As a replacement for acquisition costs, the programs should move forward only to the extent that the program costs are absorbed by the EGSs and are less than what the EGS would incur to acquire customers.

February 14 Order at 13-14. The OCA submits that at this time, there has been no further collaborative discussion since the February 14 Order and no indication that PECO has reconsidered its program design in light of the caps that have been put in place. The OCA submits that these programs should be designed to remain within the capped amounts identified by the Commission for payment by participating suppliers without resorting to default service customers to pay the difference. If the programs require costs above that amount, significant questions arise as to whether the program as designed is the most efficient means of increasing the market share of participating EGSs.

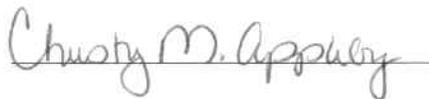
The Commission should not approve the Second Revised Plan until the Commission and the parties know the precise amounts that they will be expected to pay and whether such amounts are reasonable. As to the Opt-In Program, it appears as if the Company intends for this program to remain within the \$1 per assigned customer identified by the Commission for the program. The Company should confirm, however, that this program will cost \$1 or less per assigned customer before the Second Revised Plan is approved.

As to the Standard Offer Referral Program, PECO has not provided any indication of the final cost of this program or of any further steps to minimize the cost of this program. The OCA submits that once the Commission capped the participating EGS charge at \$30 per customer referred, it was incumbent upon PECO to revisit the program design and to seek to implement the program within this cost cap. At this time, the OCA is unaware of any further discussions as to whether the program will be implemented within this capped level or as to how to further streamline the program to remain within the budget cap. The OCA is greatly concerned that default service customers are now exposed to an unknown level of program costs that could far exceed any benefits to customers from the programs.

III. CONCLUSION

For all of the foregoing reasons, the Office of Consumer Advocate respectfully submits that the Second Revised Default Service Plan Compliance Filing should not be approved until further information on program cost is provided and addressed.

Respectfully Submitted,



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DATE: March 11, 2013

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CERTIFICATE OF SERVICE

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

I hereby certify that I have this day served a true copy of the foregoing document, the Office of Consumer Advocate's Comments to the Second Revised Default Service Plan Compliance Filing of February 28, 2013, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 11th day of March 2013.

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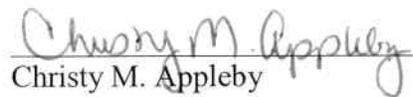
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