



Exelon Business Services Company

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April 29, 2013

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

**Re: PECO Energy Company's Request for Approval of a Contract Affiliated Interest
for the Purchase of Retail Electric or Gas Service to Serve PECO's Main Office
Building and Other Facilities**

Dear Ms. Chiavetta:

PECO Energy Company's request for Approval of Affiliate Agreement is enclosed for filing.

Please let me know if you have any questions.

Very truly yours,

A handwritten signature in blue ink that reads "Ward L. Smith".

Ward L. Smith
Counsel for PECO Energy Company
WS/lo

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PECO ENERGY COMPANY'S :
REQUEST FOR APPROVAL OF A :
CONTRACT WITH AN AFFILIATED : **DOCKET NO. G- _____**
INTEREST FOR THE PURCHASE OF :
RETAIL ELECTRIC OR GAS :
SERVICE TO SERVE PECO'S MAIN :
OFFICE BUILDING AND OTHER :
FACILITIES

REQUEST FOR APPROVAL OF AFFILIATE AGREEMENT

PECO Energy Company ("PECO") requests that the Pennsylvania Public Utility Commission ("PUC" or the "Commission") grant its approval pursuant to 66 Pa. C.S. §2102(b) and any other provisions of the Public Utility code the Commission deems applicable, of the affiliate agreement described in this filing. The proposed agreement will allow PECO's affiliate, Constellation NewEnergy LLC, to participate in competitive bidding processes to serve retail electric and/or gas load at PECO's main office building and other facilities and, if it is the successful bidder, to provide such service to PECO. With this filing, PECO is requesting that the Commission allow PECO to treat its affiliates the same as any other bidder that participates in PECO's competitive procurement process. In support of its request, PECO provides the information set forth below.

1. PECO Energy Company is a Pennsylvania public utility corporation with its principal office located at 2301 Market Street, Philadelphia, Pennsylvania. PECO furnishes electric and natural gas service to customers within its authorized service territory in

Southeastern Pennsylvania. PECO is a wholly owned, indirect subsidiary of Exelon Corporation (“Exelon”).

2. Constellation NewEnergy, Inc. (“CNE”) is a corporation organized and existing under the laws of Delaware and is licensed by the Pennsylvania Public Utility Commission as an Electric Generation Supplier (“EGS”) (License No. A-110036). Constellation New Energy – Gas Division, LLC (“CNE Gas”) is a limited liability corporation, organized and existing under the laws of Kentucky, and is licensed by the Pennsylvania Public Utility Commission as a Natural Gas Supplier (“NGS”) (License No. A-125095). CNE and CNE Gas (collectively, “Constellation”) are subsidiaries of Exelon Generation Company, LLC, which is a wholly owned subsidiary of Exelon and, as such, CNE and CNE Gas are affiliated interests of PECO Energy, as defined in 66 Pa. C.S. §2101(a).

3. PECO owns and operates a main office building (the “MOB”) located at 2301 Market Street, Philadelphia, PA. In addition, PECO owns and operates numerous buildings and other facilities throughout its service territory in Southeast Pennsylvania (the “Other Facilities”).

4. The MOB and the Other Facilities utilize electric generation and/or natural gas commodity service. Since the end of the competitive transition period in December 2010, PECO has purchased its electric generation commodity via competitive bidding on the open retail market from EGSs, and it desires to further purchase from time to time the electricity and natural gas it consumes in its facilities via competitive bidding.

5. CNE and/or CNE Gas may be among the successful bidders in PECO’s competitive bidding processes and thus each may potentially be the supplier of retail electric generation and/or natural gas commodity service to some or all of PECO’s facilities.

6. In March 2012, PECO's parent corporation Exelon and Constellation's parent corporation Constellation Energy Group, Inc. merged. At that point in time, PECO and Constellation became "affiliates" as that term is defined in 66 Pa. C.S. §2101.

7. PECO desires to continue to purchase retail electric generation and/or natural gas commodity service from the retail marketplace in a competitive bidding process, and to pay the lowest price available for such service.

8. It is PECO's experience that having multiple participants in a competitive bidding process increases the likelihood of obtaining a low price.

9. It is PECO's experience that the lowest bids are proffered in a competitive bidding process if there is a small or no time gap between the time that an EGS and/or NGS makes its price offer and the time that the EGS and/or NGS purchase the electric generation and/or natural gas on the wholesale market. Conversely, when an EGS and/or NGS knows that it must keep a bid open for an extended period of days, the EGS and/or NGS must typically increase the offered price as a hedge against wholesale market volatility during any period that the bid is open. Consequently, the lowest bids are achieved when an EGS or NGS can make a price bid in the competitive process and contemporaneously purchase generation and/or natural gas in the wholesale market to meet that commitment.

10. The Commission's normal process for approval of affiliate agreements pursuant to 66 Pa. C.S §2101 et seq., while nominally a 30-day process, is typically extended and takes 60-90 days to complete.

11. Therefore, under normal Commission processes for approving affiliate arrangements, if CNE or CNE Gas were to be the successful bidder to provide retail electric generation and/or natural gas service to PECO's MOB or other facilities, there would be a 60-90

day period before the affiliate arrangement with Constellation would be approved. For the reasons noted above, Constellation therefore would need to raise its offered price to create a hedge against market volatility during the approval period. This would mean that PECO might pay a higher price for such service, regardless of whether it obtained it from Constellation or from some other EGS or NGS, because Constellation's lowest price would not be available in the bidding process.

12. This phenomenon can be avoided by taking steps so that Constellation is placed on even footing with all other EGSs or NGSs that may participate in a PECO competitive bidding processes, so that Constellation does not need to include a volatility hedge in its bid price. That, in turn, can be accomplished by not creating a 60-90 day gap that is unique to Constellation's bids. This would allow Constellation to provide its lowest price bids, thus increasing the likelihood that PECO will be able to obtain retail electric generation and/or natural gas commodity service for the MOB and Other Facilities at the lowest price.

13. Constellation can be placed on even footing with other EGSs and NGSs if in this docket the Commission pre-approves PECO to enter into an affiliate agreement with Constellation, if and when CNE or CNE Gas is a successful bidder in a PECO competitive bidding process for retail electric generation and/or natural gas commodity service to the MOB or Other Facilities.

14. Such pre-approval would place Constellation on an even footing because, upon being informed that it is the successful competitive bidder, it could contemporaneously procure generation and/or natural gas on the wholesale market without waiting 60-90 days for the affiliate arrangement to be approved. Constellation therefore would be able to give PECO its lowest bids without a volatility hedge.

15. Such pre-approval would not create a risk that PECO would pay a higher price for retail electric generation and/or natural gas commodity service to the MOB or Other Facilities. PECO uses an open competitive bidding process for these services and awards the contract to the lowest bidder. By definition, if CNE or CNE Gas were to be a successful bidder, then the price provided to PECO would be the lowest market price available.

16. PECO also notes that, in most reviews of affiliate transactions, a utility is only allowed to acquire services from an affiliate if it pays the lower of cost or market. In this case, the competitive bidding process will, by definition, result in PECO acquiring the service at market, without reference to cost. PECO therefore requests that the Commission grant a specific waiver that, if CNE or CNE Gas is a successful bidder in a competitive bidding process as described above, then PECO be allowed to procure retail electric generation and/or natural gas commodity service to the MOB or Other Facilities at the market price resulting from that competitive bidding process.

17. In addition, PECO proposes that, if CNE or CNE Gas is the successful bidder to supply retail electric generation and/or natural gas commodity service to the MOB or Other Facilities, PECO will within 10 days file with the Commission a report of that transaction, including pricing and a copy of the executed contract terms and conditions. PECO will also serve a copy of that report on the Office of Consumer Advocate and Office of Small Business Advocate. This will provide complete transparency of the transaction to the Commission and stakeholders.

WHEREFORE, for the reasons set forth above, the Commission should find and determine that (1) it is in the public interest to allow PECO to purchase retail electric generation and/or natural gas commodity service to the MOB or Other Facilities from its affiliate CNE and/or CNE Gas if and when CNE or CNE Gas is a successful bidder in a competitive bidding process; (2) that in order to facilitate the lowest bid price, it is appropriate and necessary to pre-approve PECO to enter into affiliate arrangements with CNE or CNE Gas if it is a successful bidder; (3) that such pre-approval is hereby granted pursuant to 66 Pa. C.S. §2101 et seq. and such other provisions of the Public Utility Code as are necessary; and (4) that if CNE or CNE Gas is a successful bidder and PECO enters into an affiliate agreement with CNE or CNE Gas for the supply of retail electric generation and/or natural gas commodity service to the MOB or Other Facilities, then within 10 days thereafter PECO shall file with the Commission and statutory parties the price and contract terms and conditions of such transaction.

Respectfully submitted,



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Counsel for PECO Energy Company

Dated: April 29, 2013

VERIFICATION

I, Richard G. Webster, hereby declare that I am Vice-President Regulatory Policy and Strategy of PECO Energy Company; that, as such, I am authorized to make this verification on its behalf; that the facts set forth in the foregoing Request for Approval of Affiliate Agreement are true and correct to the best of my knowledge, information and belief; and that I make this verification subject to the penalties of 18 Pa.C.S. §4904 pertaining to false statements to authorities.



Richard G. Webster

Date: April 29, 2013

CERTIFICATE OF SERVICE

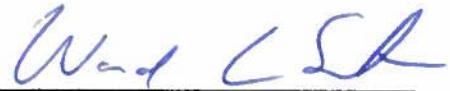
I hereby certify that a true and correct copy of the foregoing has been served upon the following persons in the manner indicated, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

VIA First Class Mail

Johnnie E. Simms
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P.O. Box 3265
Harrisburg, PA 17105-3265

Tanya McCloskey
Office of Consumer Advocate
555 Walnut Street
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John Evans
Office of Small Business Advocate
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