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May 1, 2013

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PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

**VIA FEDERAL EXPRESS**

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2nd Floor  
Harrisburg, PA 17120

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

Dear Secretary Chiavetta:

Per the Secretarial Letter issued in this proceeding on January 3, 2013, we are enclosing an unbound original of the **Petition of PECO Energy Company For Approval Of Its Customer Assistance Program Shopping Plan** in the above-referenced matter (the "Plan"). In support of PECO's Petition, the following Statements and accompanying exhibits are also included:

**PECO Statement No. 1 - Direct Testimony of Brian D. Crowe**

**PECO Statement No. 2 - Direct Testimony of John J. McCawley**

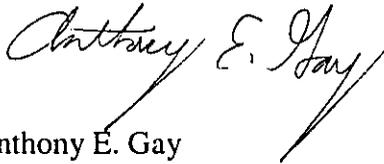
**PECO Statement No. 3 - Direct Testimony of Alan B. Cohn**

Copies of the Plan will be served on the parties indicated on the enclosed Certificate of Service. The Certificate of Service also includes all parties to Docket No. M-2012-2290911, PECO Energy Company Universal Service and Energy Conservation Plan for 2013-2015, submitted in compliance with 52 Pa. Code §§ 54.74 and 62.4.

Rosemary Chiavetta, Secretary  
May 1, 2013  
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If you have any questions regarding this filing, please do not hesitate to contact me at 215-841-4635.

Sincerely,

A handwritten signature in cursive script that reads "Anthony E. Gay". The signature is written in black ink and is positioned above the typed name.

Anthony E. Gay  
Associate General Counsel

Enclosures

cc: Certificate of Service

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

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**PETITION OF PECO ENERGY COMPANY FOR  
APPROVAL OF ITS CUSTOMER ASSISTANCE  
PROGRAM SHOPPING PLAN**

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**PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU**

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*For PECO Energy Company*

May 1, 2013

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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 :**

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**PETITION OF PECO ENERGY COMPANY FOR  
APPROVAL OF ITS CUSTOMER ASSISTANCE  
PROGRAM SHOPPING PLAN**

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Pursuant to the October 12, 2012 Order (“October 2012 Order”) issued by the Pennsylvania Public Utility Commission (the “Commission”) in this proceeding directing that low income customers participating in PECO Energy Company’s (“PECO’s” or “the Company’s”) Customer Assistance Program (“CAP” or the “Program”) be allowed to shop for electric generation supply, PECO hereby petitions the Commission for approval of its plan to facilitate shopping by CAP customers (the “Plan” or “CAP Shopping Plan”). In particular, the Company requests that the Commission issue an Order: (1) approving the CAP Shopping Plan; (2) approving the proposed changes to the Company’s Electric Tariff and Electric Generation Supplier Coordination Tariff (the “Supplier Tariff”) to implement the Plan and achieve full and current recovery of Plan costs; (3) granting a waiver of the quarterly reconciliation provisions of the Commission’s regulations (52 Pa. Code §§ 54.187(i) and (j)), to the extent necessary, to implement an annual reconciliation of the over/under collection component of the Generation Supply Adjustment (“GSA”) for residential customers; and (4) approving a short delay in the commencement date of the Plan from April 1, 2014 to April 15, 2014 to accommodate the Company’s information technology (“IT”) programming and integrated software schedule.

PECO carefully designed its Plan to support shopping by CAP customers in Pennsylvania's competitive retail electricity market, maintain consumer protections for CAP customers, and contain costs for the residential customers who pay for CAP. Under PECO's Plan, CAP customers will be able to shop for electric generation service in the same manner as non-CAP residential customers with the additional assurance that electric generation suppliers ("EGSs") may not charge the CAP customers rates in excess of PECO's residential Price-to-Compare ("PTC"). Consistent with other retail market enhancements, Plan costs will be divided equally between EGSs and residential customers.

## I. INTRODUCTION

1. PECO is a corporation organized and existing under the laws of the Commonwealth of Pennsylvania with its principal office in Philadelphia, Pennsylvania. PECO provides electric delivery service to approximately 1.6 million customers.

2. On January 13, 2012, PECO filed a Petition, pursuant to Section 2807(e) of the Pennsylvania Public Utility Code (the "Public Utility Code" or "Code"), 66 Pa.C.S. § 2807(e), requesting that the Commission approve its Default Service Program for the period from June 1, 2013 to May 31, 2015 ("DSP II"). In the Petition, the Company proposed a variety of retail market enhancements to be implemented as part of DSP II in accordance with the Orders of the Commission in its Investigation of Pennsylvania's Retail Electricity Market (the "Retail Markets Investigation").<sup>1</sup>

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<sup>1</sup> These orders include *Investigation of Pennsylvania's Retail Electricity Market: Recommendations Regarding Upcoming Default Service Plans*, Docket No. 1-2011-2237952 (Order entered December 16, 2011) and *Investigation of Pennsylvania's Retail Electricity Market: Intermediate Work Plan* (Order entered March 2, 2012).

3. In the October 2012 Order, the Commission approved DSP II, with several revisions. Regarding CAP customers, the Order stated as follows:

18. That PECO Energy Company is directed to develop a plan that will allow its CAP customers to purchase their generation supply from EGSs by January 1, 2014. Toward this end, we shall direct OCMO to work with PECO to: (1) ensure that, to the extent possible, . . . [the] Standard Offer Program [is] available to CAP customers; and (2) provide a path that allows both CAP credits and LIHEAP funds to be used by customers that choose an EGS to supply their generation service.

See October 2012 Order, p. 156. The October 2012 Order also directed PECO to submit proposals, in collaboration with EGSs and other interested parties, addressing several retail market enhancement issues. *Id.* at pp. 155-157.<sup>2</sup>

4. On October 31, 2012, the Company filed a Petition for Clarification and Reconsideration (“Clarification Petition”) requesting that the Commission, among other things, clarify whether the January 1, 2014 deadline related to filing a CAP shopping plan or implementing that plan.

5. On November 21, 2012, the Commission issued an Opinion and Order (the “November 21 Order”) in response to the Clarification Petition clarifying, among other things, that the January 1, 2014 deadline was intended to apply to the implementation of a shopping plan for PECO’s CAP customers. See November 21 Order, pp. 21-23.

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<sup>2</sup> PECO made a series of compliance filings (December 11, 2012; February 28, 2013; and April 15, 2013) to address Commission directives regarding retail market enhancements contained in the October 2012 Order and subsequent Orders issued on February 14, 2013 in this proceeding. See Order (February 14, 2013) (the *February 2013 Order*) (addressing PECO’s Revised Default Service Plan) and Opinion and Order (February 14, 2013) (addressing Petition for Reconsideration by the Retail Energy Supply Association). In its February 28, 2013 compliance filing, and consistent with the Commission’s directives in the *February 2013 Order*, the Company proposed to recover costs for the Standard Offer Customer Referral Program (“Standard Offer Program”) through a fee to participating EGSs equal to the lesser of \$30 or the actual cost per referred customer, with 50% of any remaining program costs recovered through a discount on EGS receivables purchased by PECO under its Purchase of Receivables (“POR”) program and 50% from residential and small commercial default service customers.

6. In a separate docket, the Commission was considering PECO's proposed Three Year Plan, which included the Company's CAP plan for the period 2013-2015.<sup>3</sup> On November 8, 2012, the Commission issued a Tentative Order in the Three Year Plan proceeding seeking comments on specific aspects of PECO's CAP, including whether significant design changes should be made.

7. On January 3, 2013, the Commission issued a Secretarial Letter in both the DSP II and Three Year Plan dockets discussing the importance of entering a Final Order on PECO's CAP in the Three Year Plan proceeding before a CAP shopping plan is submitted in DSP II. The Commission stated that it intended to adopt a Final Order on the Three Year Plan by April 4, 2013, and that the Company should file a CAP shopping plan on or around May 1, 2013, designed to allow CAP customers to shop by April 1, 2014.

8. On April 4, 2013, the Commission issued the *2013 Universal Service Order* partially approving the Company's amended Three Year Plan and requiring the Company to file a second amended plan within 30 days.

9. This Petition summarizes PECO's proposed CAP Shopping Plan and mechanisms to recover all reasonable costs on a full and current basis. This Petition also incorporates the following statements, which are attached hereto:

**PECO Statement No. 1 – Direct Testimony of Brian D. Crowe**

Mr. Crowe is PECO's Vice President of Energy Acquisition. His testimony provides an overview of PECO's CAP, the CAP Shopping Plan, PECO's proposed litigation schedule and customer notice.

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<sup>3</sup> See *PECO Energy Company Universal Service and Energy Conservation Plan for 2013-2015, Submitted in Compliance with 52 Pa. Code §§ 54.74 and 62.4*, Docket No. M-2012-2290911 (Order entered April 4, 2013) ("*2013 Universal Service Order*"). PECO submitted its original Universal Services Three Year Plan for the 2013-2015 period ("Three Year Plan") on February 28, 2012 and an amended plan on October 15, 2012.

### **PECO Statement No. 2 – Direct Testimony of John J. McCawley**

Mr. McCawley is PECO's Director of Energy Acquisition. He describes the design of the CAP Shopping Plan and proposed changes to PECO's Supplier Tariff.

### **PECO Statement No. 3 – Direct Testimony of Alan B. Cohn**

Mr. Cohn is PECO's Manager of Regulatory Strategy. Mr. Cohn discusses Plan costs, cost recovery and proposed changes in the Electric Tariff.

10. To ensure that CAP customers are able to shop by April 15, 2014, PECO is requesting an expedited litigation schedule and certification of the record of this proceeding to the Commission on August 12, 2013.

## **II. PECO'S EXISTING CUSTOMER ASSISTANCE PROGRAM**

11. In accordance with the universal service obligations set forth in the Public Utility Code, PECO's CAP program is designed to provide assistance to low income customers in PECO's service territory through lower energy bills. PECO's CAP is a special rate rider for customers with an annual household gross income level at or below 150% of the poverty level established under Federal law. Approximately 140,000 residential customers in PECO's service territory – almost 9% of all PECO residential electric customers – participate in CAP. PECO's Program is by far the largest low income assistance program in Pennsylvania, with other EDCs serving between 10,000 and 40,000 CAP customers.

12. CAP customers pay for the utility service they receive at a rate that is lower than the rate charged to higher income residential customers. The Company's tiered rate discount is designed to help ensure that the cost of electricity in proportion to household income is

affordable for 90% of CAP customers.<sup>4</sup> PECO's current CAP has seven tiers corresponding to various income levels; the lower a customer's income, the greater the discount provided (ranging from 27% to 93%). In addition, a nominal bundled rate is available for low income customers that demonstrate the inability to pay their energy bill – even with the 93% discount – due to extenuating circumstances (e.g., injury or illness, sudden loss of employment and household with at risk individuals).

13. The value of discounts provided to low income customers through the electric CAP rider was approximately \$75 million in 2012 and is projected to approximate \$84.8 in 2013. As described in Section IV, the annual cost of these benefits not recovered in base rates (referred to as the "CAP shortfall") is recovered from all residential customers through PECO's Universal Service Fund Charge ("USFC").

### III. THE CAP SHOPPING PLAN

14. As described in the testimony of Mr. Crowe, the CAP Shopping Plan reflects a balance of the following design principles (the "CAP Shopping Design Principles"):

- Ensuring the Plan is based upon the competitive shopping program that is in place for non-CAP customers;
- Maintaining consumer protections for CAP customers;
- Containing Plan costs for the residential customers who pay for CAP;
- Ensuring CAP shopping costs and benefits are clear and measurable; and

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<sup>4</sup> In accordance with the Commission's direction in the *2013 Universal Service Order*, PECO is preparing analyses of the potential use of a Percentage of Income approach, or "PIP", instead of the current tiered rate discount approach. However, the Commission has made clear that PECO should continue to use its tiered rate discount approach through 2015, and PECO's Plan for CAP customer shopping is based on that approach. *2013 Universal Service Order*, pp. 22-25, 52.

- Ensuring full and current recovery of Plan costs.

15. The CAP Shopping Design Principles continue implementation of the universal service policies set forth in the Electricity Generation Customer Choice and Competition Act, 66 Pa.C.S. § 2801 *et seq.* (the “Competition Act”) and the directives in the Commission’s more recent orders approving PECO’s DSP II and Three Year Plan. *See, e.g.*, October 2012 Order, p. 131 (“The Commission is committed to ensuring that all customers, including CAP customers, are eligible to participate in the competitive retail electricity market.”); 66 Pa. C.S. § 2802(10) (“The Commonwealth must, at a minimum, continue the protections, policies, and services that now assist customers who are low-income to afford electric service”); *2013 Universal Service Order*, p. 15 (discussing CAP goals of improving affordability, reducing mis-targeting of benefits, balancing affordability for program participants with rate reasonableness for program non-participants, and serving as a retail choice platform); *February 2013 Order*, p. 13 (providing for full and current recovery of PECO’s costs to implement retail market enhancements through either a non-bypassable charge to all distribution customers or a POR discount and charge to residential and small commercial default service customers).

16. In light of the continuing evolution of the retail electricity market in Pennsylvania, PECO believes that the Commission should adopt the CAP Shopping Design Principles as part of its approval of PECO’s CAP Shopping Plan to provide a strong foundation for development of future retail market initiatives for CAP customers in PECO’s service territory as well as any alternative CAP designs.

17. PECO’s CAP Shopping Plan is designed to allow CAP customers to purchase electric generation supply from EGSs beginning April 15, 2014. Once the Plan is implemented, the appropriate CAP discount percentage level will be applied to a CAP customer’s total bill

whether or not the CAP customer chooses to shop. The billing approach will be the same as PECO's current practice, except that the CAP discount will be applied to EGS charges instead of PECO's PTC for CAP customers who shop.

18. As part of the Plan, the Company will implement a variety of customer education initiatives focused on the benefits of the competitive market for low income customers, the promotion of shopping, and tools to help CAP customers understand and manage their energy bills. As described by Mr. McCawley, these initiatives will utilize a broad range of communication methods, including PECO's call center, mailings, customer outreach efforts, web support, community workshops and advocate-sponsored events for low income customers.

19. Any EGS serving residential customers in PECO's service territory will have the opportunity to enroll CAP customers and provide them with electric generation service, subject to the following provisions which implement the CAP Shopping Design Principles.

20. First, participating EGSs must charge CAP customers a rate that is at or below the PECO PTC for residential customers. This will ensure that the affordability of service will be preserved and avoids higher CAP costs for the residential customers that fund the Program. No other limitations are proposed on the EGS product offered to CAP customers or the means of marketing that product and EGSs will be free to offer discounts or impose termination fees (although EGSs will be solely responsible for collecting any such fees).

21. Second, participating EGSs must publish their CAP rates on [PAPowerSwitch.com](http://PAPowerSwitch.com) and in a customer mailing (upon a customer's request via EGS call centers) to promote rate transparency and help simplify the shopping process for CAP customers.

22. Third, participating EGSs must electronically submit a notice of intent to participate as a CAP supplier (a “CAP Notice”), at least five business days before publishing CAP rates.

23. Fourth, participating EGSs that submit a CAP Notice must enroll any CAP customer who requests service from that EGS, and cannot discriminate among CAP customers.

24. Fifth, participating EGSs must provide the Commission and PECO periodic confidential reports on the number of CAP customers served and the rates charged in order to facilitate the measurement of benefits from shopping that are flowing to CAP customers.

25. Finally, participating EGSs must use EDC consolidated billing for all shopping CAP customers. The use of EDC consolidated billing will allow the Company to ensure that each customer’s CAP benefits are properly applied to customer charges and track information regarding CAP customers to meet its on-going obligations to the Commission with respect to universal service programs, including reporting on cost effectiveness and affordability. The Company does not expect this provision to create any difficulty for EGSs interested in serving CAP customers as more than 85% of the EGSs currently serving residential customers in PECO’s service territory use EDC consolidated billing, which includes PECO’s POR program.<sup>5</sup>

26. As explained by Mr. Crowe, PECO is proposing a short (i.e., fourteen day) delay in the current Plan commencement date to ensure adequate testing and effective integration of

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<sup>5</sup> As discussed by Mr. McCawley, PECO is not proposing to extend the Standard Offer Program (as proposed and pending Commission approval) to CAP customers at this time because the Standard Offer Program’s 7% price discount from the PTC is not compatible with the Plan. To address future integration of CAP customers in the Standard Offer Program and other retail market enhancements such as the time-of-use rate program, PECO proposes to conduct a collaborative among interested parties within 30 days of a final Order in this proceeding to evaluate the proper integration of CAP benefits, the Standard Offer Program, and time-of-use rate programs and identify potential future changes that would be appropriate. PECO proposes to file any modifications or recommendations resulting from this collaborative process within 90 days of a final Order.

CAP Shopping Plan programming with PECO's other IT applications already scheduled to be deployed in mid-April 2014. PECO therefore requests a waiver, to the extent necessary, to postpone the commencement date for the CAP Shopping Plan from April 1, 2014 to April 15, 2014.

27. In light of the April 2014 date established by the Commission for implementation of CAP shopping, any significant delay in the expedited litigation schedule proposed for this proceeding, the adoption of substantial changes to the above Plan, or extended approval proceedings for recovery of implementation costs will hinder PECO's ability to achieve full implementation of the Plan by April 15, 2014.

#### **IV. PLAN COSTS AND COST RECOVERY**

28. Under PECO's current CAP, a portion of the value of CAP discounts and other CAP-related costs are recovered through base rates paid by residential distribution service customers. In 2012, this amount totaled \$80.6 million. In 2013, approximately \$82.3 million of the projected total value of the CAP discounts and other CAP-related costs will be recovered through base rates. The CAP Shortfall (i.e., \$2.5 million for 2013) is recovered on an ongoing basis from PECO's residential customers under the USFC, with annual reconciliation of any over/under collections.<sup>6</sup>

29. The current Commission-approved USFC rate of \$0.0013 per kilowatt-hour for Rate R is designed to recover the Company's projected \$15.7 million in universal service

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<sup>6</sup> Pursuant to the settlement in PECO's most recent base rate case, the USFC is adjusted so that the non-CAP residential customers pay 73% of the total CAP shortfall amount. The remaining 27% of the CAP shortfall is absorbed by PECO shareholders. See *Pennsylvania Public Utility Commission v. PECO Energy Company – Electric Division*, Docket No. R-2010-2161575 (Order entered December 21, 2010).

program costs, including a \$2.5 million CAP Shortfall (prior to reduction in accordance with the settlement in PECO's most recent base rate case).

30. The Company estimates the cost to implement the CAP Shopping Plan will approximate \$4.6 million. The costs fall into three categories. The first category (i.e., approximately \$300,000) is related to the customer education initiatives described in Section III above. The second category (i.e., approximately \$3.8 million) is related to training and IT changes to the Company's billing and customer information system to facilitate CAP shopping and to appropriately calculate the CAP discount. The third category (i.e., approximately \$500,000) is related to business readiness, including training and business process modifications.

31. PECO is proposing to recover the costs associated with the customer education initiatives from residential customers in the current Customer Education Charge ("CEC") approved by the Commission in Docket No. P-2011-2279773.

32. For all remaining implementation expenditures, the Company is proposing to allocate costs between EGSs and residential customers (including shopping customers) in a manner generally consistent with the recovery mechanism approved by the Commission for the costs associated with the Standard Offer Program.<sup>7</sup> Specifically, PECO is proposing to recover 50% of the costs from EGSs (in addition to Standard Offer Program costs) through a 0.3% POR discount and 50% from residential customers, on a non-bypassable basis, through the USFC.<sup>8</sup>

33. PECO also expects to have offsetting expense savings associated with the implementation of CAP shopping. Assuming, among other things, that a CAP customer who

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<sup>7</sup> See Docket No. P-2012-2283641 (Order entered February 14, 2013), p. 13.

<sup>8</sup> The 0.3% POR discount level represents a 0.1% increase from the proposed 0.2% discount level proposed in PECO's February 28, 2013 Second Revised Compliance Filing, which is pending Commission approval.

shops receives, on average, a 10% discount off the PTC from EGSs, PECO anticipates an eventual \$1 million reduction in overall CAP costs which will be reflected as a reduction in the CAP shortfall recovered in the USFC.

34. After the Plan implementation costs are fully recovered over one year, the average residential customer (under the above assumptions) will experience a monthly bill reduction of approximately \$0.04 per month.

## V. TARIFF CHANGES

### A. The Generation Supply Adjustment (“GSA”) For Residential Customers

35. In accordance with its Electric Tariff, PECO compares its actual default service supply costs to the billed revenue it receives from customers under the GSA for default service. PECO currently reconciles its costs and billed revenue on a quarterly basis, which means that any over or under difference arising in one quarter will be refunded or recovered beginning three months after the end of the quarter which gave rise to the difference.

36. In light of the need for EGSs participating in the CAP Shopping Plan to track PECO’s default service rate and ensure the price charged to CAP customers is at or below the PTC, PECO proposes to reconcile the GSA over/under collections for residential customers on an annual basis instead of a quarterly basis. By using an annual, rather than quarterly, reconciliation schedule, potentially significant fluctuations in default service rates will be smoothed out and clearer pricing signals will be sent to both customers and EGSs.

37. The Commission’s Regulations (52 Pa. Code §§ 54.187(i) and (j)) require adjustment of default service rates on a quarterly basis, or more frequently, for customers with load requirements up to 500 kW. PECO therefore requests a waiver, to the extent necessary, to

implement an annual reconciliation of the over/under collection component of the GSA for residential customers.

38. Finally, PECO is also proposing to file its residential PTC filing 30 days earlier than it does currently (i.e., 75 days instead of 45 days before its effective date) to provide ample time for EGSs to accommodate quarterly PTC fluctuations.

**B. The CAP Rider And USFC**

39. PECO is proposing two changes to its CAP Rider to implement the CAP Shopping Plan. First, the language precluding CAP customers from obtaining competitive energy supply while enrolled in the CAP will be eliminated. Second, PECO will modify the calculation of the CAP discount level to address CAP customers that shop.

40. The current tariff specifies a maximum discount based upon the quarterly PTC, a usage threshold per month, and the percentage discount for the applicable CAP tier. PECO applies to the total customer electric bill the lesser of: (1) the actual CAP discount; or (2) the maximum monthly discount delineated in the tariff. Currently, the maximum CAP discount is the same for all CAP customers given the existing requirement that such customers remain on default service.

41. In light of the different rates that may be paid by shopping CAP customers, PECO proposes to remove the specified maximum discount level from the CAP Rider and clarify that the maximum discount will be calculated based on EGS charges for shopping CAP customers and the PTC for non-shopping CAP customers. Applying the discount in this manner encourages economically efficient shopping by CAP customers, while providing a share of shopping savings to all residential customers that pay the CAP shortfall.

42. PECO also proposes to clarify the USFC definition of reconcilable CAP costs to specifically reference 50% of the costs incurred by PECO to implement the CAP Shopping Plan to the extent the costs are not recovered in other surcharges approved by the Commission, such as the Consumer Education Charge.

43. Finally, PECO proposes to revise the residential GSA to use annual reconciliation of over/under collections to replace the existing quarterly mechanism and to modify the filing schedule for the quarterly adjustments to PECO's residential default service rates from 45 days to 75 days before the effective date.

### **C. The Supplier Tariff**

44. PECO is proposing four revisions to the Supplier Tariff to implement the CAP Shopping Plan. First, provisions relating to EGS customer arrangements have been revised to provide that EGSs must charge CAP customers a rate that does not exceed PECO's PTC.

45. Second, the competitive billing provisions of the Supplier Tariff have been revised to provide that EGSs must offer consolidated EDC billing to CAP customers in order to participate as a supplier to CAP customers in PECO's service territory.

46. Third, to provide the Commission and PECO with timely information for analysis of the benefits of CAP shopping, EGSs serving CAP customers must submit confidential reports, on a semiannual basis, detailing the number of CAP customers served and CAP rates charged during the reporting period.

47. Finally, sections governing PECO's POR program have been revised to add a 0.3% discount on all purchased EGS receivables to collect 50% of the CAP Shopping Plan costs.

## VI. LITIGATION SCHEDULE

48. In order to ensure that all CAP Plan components are in place so that CAP customers may shop by April 15, 2014, PECO is proposing the following expedited schedule:

May 1, 2013	Petition Filing
May 28, 2013	Prehearing Conference
June 12, 2013	Other Parties Direct Testimony Due
June 26, 2013	Rebuttal Testimony Due
July 2, 2013	Surrebuttal Testimony Due
July 10-11, 2013	Hearings
July 26, 2013	Main Briefs
August 9, 2013	Reply Briefs
August 12, 2013	Certification of Record to the Commission

## VII. NOTICE

49. PECO is serving copies of this filing on the Pennsylvania Office of Consumer Advocate, the Pennsylvania Office of Small Business Advocate, the Commission's Bureau of Investigation and Enforcement, and all other parties to the Company's DSP II proceeding and Three Year Plan proceeding at Docket No. M-2012-2290911.

50. PECO respectfully requests the Commission publish notice of this filing in the May 11, 2013 edition of the *Pennsylvania Bulletin*, with intervention required before May 27,

2013. Should the Commission conclude that further notice of this filing is appropriate, PECO will provide such additional notice as directed by the Commission.

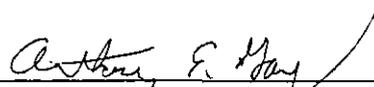
### VIII. CONCLUSION

Based upon the foregoing, including the attached testimony and exhibits, PECO respectfully requests that the Commission grant this Petition and enter an Order:

- (1) Approving the CAP Shopping Plan and adopting the CAP Shopping Design Principles;
- (2) Approving the proposed changes to the Company's Electric Tariff and Supplier Tariff to implement the Plan and achieve full and current recovery of Plan costs;
- (3) Granting a waiver of the quarterly reconciliation provisions of the Commission's regulations (52 Pa. Code §§ 54.187(i) and (j)), to the extent necessary, to implement an annual reconciliation of the over/under collection component of the GSA for residential customers; and

(4) Providing that the deadline for implementation of CAP shopping in PECO's service territory will be April 15, 2014 instead of April 1, 2014.

Respectfully submitted,



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*For PECO Energy Company*

May 1, 2013

PECO Statement No. 1

**RECEIVED**

MAY 01 2013

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

**PECO ENERGY COMPANY  
STATEMENT NO. 1**

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**PETITION OF PECO ENERGY COMPANY  
FOR APPROVAL OF ITS DEFAULT SERVICE  
PROGRAM**

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**DOCKET NO. P-2012-2283641**

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**DIRECT TESTIMONY**

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**WITNESS: BRIAN D. CROWE**

**SUBJECTS: OVERVIEW OF PECO'S CUSTOMER  
ASSISTANCE PROGRAM AND SHOPPING  
PLAN, PROPOSED SCHEDULE AND  
CUSTOMER NOTICE**

**DATED: MAY 1, 2013**

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**DIRECT TESTIMONY  
OF  
BRIAN D. CROWE**

**I. INTRODUCTION AND PURPOSE OF TESTIMONY**

1. **Q. Please state your full name and business address.**

A. My name is Brian D. Crowe. My business address is PECO Energy Company, 2301 Market Street, 15th Floor, Philadelphia, Pennsylvania, 19103.

2. **Q. By whom are you employed and in what capacity?**

A. I am employed by PECO Energy Company ("PECO" or the "Company") as its Vice President of Energy Acquisition.

3. **Q. What are your current duties and responsibilities as PECO's Vice President of Energy Acquisition?**

A. As Vice President of Energy Acquisition, I oversee the design and execution of PECO's procurement of electric supply, the Company's interface with retail electric generation suppliers ("EGSs"), and its procurement of renewable energy in compliance with Pennsylvania's Alternative Energy Portfolio Standards Act ("AEPS" or the "AEPS Act").

4. **Q. Please summarize your professional experience in the energy industry.**

A. I joined PECO in October 1987 as an engineer in the Company's Controls Branch. Since that time, I have been promoted through various positions of increasing responsibility, including Account Manager in the Marketing Department, Account

1 Executive in the Marketing Department, Corporate Strategist in the Company's  
2 Corporate Planning and Development Department, and Director, Customer Choice  
3 Implementation.

4 I joined PECO's Regulatory and External Affairs Department in October 2000. Since  
5 that time I have held the positions of Director of Regulatory and Governmental  
6 Affairs, Director of Rates and Regulatory Affairs, and Director of Retail Rates. In  
7 March of 2009, I was promoted to my current position of Vice President, Energy  
8 Acquisition.

9 **5. Q. What is your educational background?**

10 A. I earned my Bachelor of Science degree in Electrical Engineering in 1986 and my  
11 Masters of Business Administration in Finance in 1992, both from Drexel University.

12 **6. Q. What is the purpose of your testimony?**

13 A. The purpose of my testimony is to provide an overview of PECO's plan (the "Plan")  
14 to facilitate shopping for electric generation supply by PECO customers who  
15 participate in PECO's Customer Assistance Program ("CAP" or the "Program").  
16 CAP is a component of PECO's Universal Services Program, which is designed to  
17 assist low income residential customers through the continued provision of electric  
18 service in exchange for reduced monthly payments based on total household size and  
19 gross income.

20

1 7. Q. How is your testimony organized?

2 A. My testimony is divided into three parts. First, I provide an overview of the Program  
3 as reviewed by the Commission in its recent order approving PECO's Universal  
4 Services Three Year Plan for 2013 through 2015 ("Three Year Plan").<sup>1</sup>

5 Second, I describe the principles (the "CAP Shopping Design Principles") PECO  
6 used in designing the Plan. These principles include continued support for expansion  
7 of the competitive retail market in Pennsylvania, maintenance of consumer  
8 protections as required by the Electricity Generation Customer Choice and  
9 Competition Act (the "Competition Act"), and continued safeguards for PECO's  
10 residential customers who subsidize the costs of CAP. PECO is requesting that the  
11 Commission adopt these principles as part of its approval of PECO's CAP Shopping  
12 Plan.

13 Third, I provide an overview of the Plan through an introduction of the other  
14 witnesses who will provide testimony about its components in this proceeding. Mr.  
15 John J. McCawley, PECO's Director of Energy Acquisition, will testify regarding the  
16 Plan's features that are intended to implement the principles I describe and education  
17 for CAP customers to enhance their understanding of the potential benefits of  
18 shopping for generation service. Mr. Alan Cohn, Manager of Regulatory Strategy,  
19 will describe PECO's proposed mechanism for full and current recovery of the costs

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<sup>1</sup> See *PECO Energy Company Universal Service and Energy Conservation Plan for 2013-2015 Submitted in Compliance with 52 Pa. Code §§ 54.74 and 62.4*, Docket No. M-2012-2290911 (Order entered April 4, 2013) ("2013 Universal Service Order").

1 that will be incurred to implement the Plan so that CAP customers may shop for  
2 electric generation.

3 Finally, I describe PECO's proposed litigation schedule for consideration of the Plan  
4 and discuss the actions PECO is taking to provide notice of this filing.

5 **II. PECO'S CUSTOMER ASSISTANCE PROGRAM ("CAP")**

6 **9. Q. Mr. Crowe, please describe PECO's current CAP program for electric**  
7 **customers.**

8 A. In accordance with the universal service obligations set forth in the Public Utility  
9 Code, PECO's CAP program is designed to provide assistance to low income  
10 customers in PECO's service territory through lower energy bills. PECO's CAP  
11 program is a special rate rider for customers with an annual household gross income  
12 level at or below 150% of the poverty level established under Federal law.  
13 Approximately 140,000 residential customers in PECO's service territory – almost  
14 9% of all PECO residential electric customers – participate in CAP. PECO's  
15 Program is the largest low income customer assistance program by far in  
16 Pennsylvania.<sup>2</sup>

17 Of the two types of CAP structures employed in Pennsylvania, PECO uses a tiered  
18 rate discount approach. Under this approach, CAP customers pay for the utility  
19 service they receive at a rate that is lower than the rate charged to higher income

---

<sup>2</sup> By comparison, the number of customers participating in other large Pennsylvania electric distribution companies' ("EDCs") customer assistance programs ranges from approximately 10,000 customers to 40,000 customers: Pennsylvania Electric Company (40,100), Duquesne Light Company (36,800), PPL Electric Utilities Corporation (36,000), Metropolitan Edison Company (30,300), West Penn Power Company (21,290) and Pennsylvania Power Company (10,100).

1 residential customers. The discounted rate is designed to help ensure that the  
2 electricity “burden” – the cost of electricity in proportion to household income – is  
3 affordable for 90% of CAP customers.<sup>3</sup>

4 PECO’s current CAP has seven tiers corresponding to various income levels; the  
5 lower a customer’s income, the greater the discount provided (ranging from 27% to  
6 93%). In addition, a nominal bundled rate is available for low income customers that  
7 demonstrate inability to pay their energy bill even with the 93% discount due to  
8 extenuating circumstances (e.g., injury or illness, sudden loss of employment and  
9 household with at risk individuals).

10 **10. Q. What is the cost of the Program, and how are those costs recovered?**

11 A. In 2013, the total amount of benefits that are expected to flow to low income  
12 customers in PECO’s service territory in the form of discounts through PECO’s  
13 electric CAP rider will be approximately \$84.8 million. A portion of the cost of these  
14 benefits (i.e., \$82.3 million)<sup>4</sup> is recovered through base rates and the shortfall (i.e.,  
15 \$2.5 million) is recovered from all residential customers through PECO’s Universal  
16 Service Fund Charge (“USFC”).<sup>5</sup>

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<sup>3</sup> In accordance with the Commission’s direction in the 2013 Universal Service Order, PECO is preparing analyses of the potential use of a Percentage of Income approach, or “PIP”, instead of the current tiered rate discount approach. However, the Commission has made clear that PECO should continue to use its tiered rate discount approach through 2015, and PECO’s Plan for CAP customer shopping is based on that approach.

<sup>4</sup> In 2012, the portion of CAP discount and other CAP-related costs recovered in base rates totaled \$80.6 million.

<sup>5</sup> Pursuant to the settlement in PECO’s most recent base rate case, the USFC is adjusted so that the non-CAP residential customers pay 73% of the total CAP shortfall amount. The remaining 27% of the CAP shortfall is absorbed by PECO shareholders. See *Pennsylvania Public Utility Commission v. PECO Energy Company – Electric Division*, Docket No. R-2010-2161575 (Order entered December 21, 2010).

1 11. Q. Is PECO proposing any changes to its CAP in this proceeding?

2 A. No. The only changes to the Program being implemented at this time are those  
3 directed by the Commission in the 2013 Universal Service Order.

4 III. DESIGN PRINCIPLES FOR PECO'S CAP SHOPPING PLAN

5  
6 12. Q. Mr. Crowe, are CAP customers now able to shop for electric generation supply?

7 A. No. However, in accordance with the Commission's direction in its October 12, 2012  
8 Order approving PECO's second default service program ("DSP II") and its January  
9 3, 2013 Secretarial Letter addressing CAP customer shopping, PECO has developed  
10 the Plan to facilitate shopping by CAP customers.

11 13. Q. What principles did PECO use in designing its Plan to facilitate shopping by  
12 CAP customers?

13 A. PECO applied the following principles (the "CAP Shopping Design Principles") in  
14 designing the Plan:

- 15 • *Ensure a CAP shopping plan is based upon the competitive shopping program*  
16 *that is in place for non-CAP customers.* PECO strongly supports the  
17 development of Pennsylvania's competitive retail electricity market, and the  
18 Commission has emphasized its commitment in this proceeding to ensuring that  
19 all customers, including low-income customers, have the ability to avail

1 themselves of the full benefits of retail electric competition.<sup>6</sup> CAP customers  
2 should therefore be provided the greatest opportunity possible to capture the  
3 benefits of Pennsylvania's rapidly growing competitive retail electricity market.  
4 Variations from this market approach should be allowed as necessary to  
5 accomplish other principles, but these variations should be limited. Accordingly,  
6 the existing, successful shopping framework for non-CAP customers is the  
7 appropriate starting point for designing a CAP shopping platform.

- 8 • ***Maintain consumer protections for CAP customers.*** When the Pennsylvania  
9 legislature enacted Chapter 28 of the Public Utility Code, one of its declared  
10 policies was that, in the move to retail electric competition, the "Commonwealth  
11 must, at a minimum, continue the protections, policies and services that now  
12 assist customers who are low income to afford electric service."<sup>7</sup> The  
13 Commission has recently affirmed, in the 2013 Universal Service Order (p. 15),  
14 that it considers affordability of low-income service in PECO's service territory to  
15 be an important goal. Likewise, in its Retail Market Investigation, the  
16 Commission stated that affordability is a CAP program goal.<sup>8</sup> Shopping for CAP  
17 customers therefore should be designed to deliver additional economic benefits  
18 and enhance affordability while not exposing CAP customers to the risk of  
19 additional costs.

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<sup>6</sup> See *Petition of PECO Energy Company for Approval of its Default Service Program II*, Docket No. P-2012-2283641 at 131-132 (Opinion and Order entered October 12, 2012) ("PECO DSP II Order").

<sup>7</sup> 66 Pa.C.S. § 2802(9).

<sup>8</sup> *Investigation of Pennsylvania's Retail Electricity Market: End State of Default Service*, Docket No. I-2011-2237952 (Final Order entered February 15, 2013), p. 55.

1           • ***Containing plan costs to protect residential customers who pay for CAP.***

2           Generally, the Commission seeks to ensure that universal service programs are  
3           cost-effective.<sup>9</sup> The Commission has recently affirmed, in the 2013 Universal  
4           Service Order (p. 15), that it considers cost-effectiveness of PECO's CAP  
5           program to be an important goal. This cost-effectiveness is important to the  
6           residential class as a whole, because PECO's CAP program is paid for by the  
7           entire residential class of customers through the USFC. CAP shopping therefore  
8           should not result in an increase in the USFC charge paid by residential customers;  
9           to the contrary, CAP shopping should be designed so that it provides benefits to  
10          the residential customers who pay for the CAP program.

11          • ***Ensure CAP customer shopping costs and benefits are clear and measurable.***

12          EGSs should publish their available offers directed to CAP customers so that CAP  
13          customers can compare offers among EGSs and to the published PECO Price-To-  
14          Compare ("PTC") in order to maximize customer savings and increase  
15          affordability.

16          • ***Ensure full and current recovery of program costs.*** PECO should be entitled to  
17          full and current recovery of CAP shopping implementation and administration  
18          costs, with such recovery evenly divided between EGSs and residential customers  
19          who are obligated to pay for CAP customer services.<sup>10</sup> The Commission recently  
20          approved full and current cost recovery through a similar sharing mechanism for

---

<sup>9</sup> See 66 Pa.C.S. § 2804(9) (Universal service programs "shall be subject to the administrative oversight of the Commission which shall ensure the programs are operated in a cost-effective manner.")

<sup>10</sup> See 66 Pa.C.S. §§ 2804(9), 2807(e)(3.9).

1 the Standard Offer Program for those costs that are not directly recovered from  
2 participating EGSs.<sup>11</sup>

3 **IV. OVERVIEW OF PECO'S CAP SHOPPING PLAN**

4 **13. Q. Mr. Crowe, please describe PECO's Plan to facilitate shopping for generation**  
5 **service by CAP customers.**

6 A. In PECO Statement No. 2, Mr. McCawley provides detailed testimony regarding the  
7 components of the Plan. Upon implementation of the Plan, CAP customers will be  
8 able to purchase competitive generation supply from EGSs in the same manner as  
9 non-CAP residential customers in PECO's service territory. EGSs in PECO's service  
10 territory will not be required to serve CAP customers. However, if they choose to  
11 serve CAP customers, they cannot discriminate between CAP customers and must  
12 enroll any CAP customer who applies for service.

13  
14 **14. Q. Are there any restrictions on the price that EGSs can charge a CAP customer**  
15 **for generation service?**

16 A. Yes, just one. EGS rates charged to CAP customers must be equal to or lower than  
17 the PECO residential PTC in effect. Consistent with the design principles I have  
18 described, this limitation on rates is intended to promote shopping and access to the  
19 benefits of the competitive market by CAP customers without undermining the  
20 affordability of utility service for those customers or increasing the USFC costs paid  
21 by PECO residential customers.

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<sup>11</sup> See *Petition of PECO Energy Company for Approval of its Default Service Program II*, Docket No. P-2012-2283641 (Order entered February 14, 2013).

1 15. Q. Is PECO proposing any other restrictions on pricing or product offerings for  
2 CAP customers?

3 A. No. Significantly, the Plan does not restrict the form of rates, rate discounts or other  
4 promotions offered by EGSs. For example, EGSs may offer fixed or variable pricing,  
5 “green” products with a renewable energy component, incentives such as initial  
6 period discounts, and signing bonuses, including gift cards, as long as the overall rate  
7 charged to a CAP customer for generation service does not exceed the PTC. EGSs  
8 are also not prohibited from requiring CAP customers to remain with that EGS for a  
9 specified period of time. However, the EGS will be solely responsible for all  
10 collection activities relating to termination fees or other switching penalties.

11 16. Q. Is PECO proposing any other obligations for EGSs who choose to serve CAP  
12 customers?

13 A. Yes, but they are limited. As Mr. McCawley explains, EGSs serving CAP customers  
14 must use PECO’s EDC consolidated billing option for CAP customers, as well as  
15 report periodically to the Commission and to PECO on the number of CAP customers  
16 they serve and the applicable rates. This will help ensure that each customer’s CAP  
17 benefits are properly applied to their bill and that PECO will be able to meet its on-  
18 going obligations to the Commission with respect to universal service programs,  
19 including reporting on cost effectiveness and affordability. In addition, to facilitate  
20 customer education efforts along with clear and measureable CAP customer costs and  
21 benefits, EGSs serving CAP customers must publish their CAP rates on

1 PAPowerSwitch.com and in a customer mailing upon customer request via EGS call  
2 centers.

3 **17. Q. How is PECO proposing to recover the costs of the CAP Shopping Plan?**

4 A. As described in detail by Mr. Cohn, in PECO Statement No. 3, half of the incremental  
5 costs to implement the CAP Shopping Plan, exclusive of customer education costs,  
6 will be recovered by PECO from residential customers (including shopping  
7 customers) on a non-bypassable basis through PECO's USFC. The remaining half of  
8 those costs will be recovered by PECO through a discount on all EGS receivables  
9 purchased through PECO's POR program until such costs are fully recovered. This  
10 proposed recovery mechanism is generally consistent with the recovery mechanism  
11 approved by the Commission for costs associated with PECO's Standard Offer  
12 Program ("SOP"). In light of the restrictions and obligations I have described, as well  
13 as to encourage the offering of competitive products to CAP customers, PECO does  
14 not believe that EGSs should be required to pay a customer enrollment charge as  
15 under the SOP.

16 **18. Q. Is PECO making any changes to its tariffs to facilitate shopping by CAP**  
17 **customers?**

18 A. As discussed by Messrs. McCawley and Cohn, PECO is proposing changes in its  
19 Electric Service Tariff and in its Electric Generation Supplier Tariff to implement the  
20 Plan and the features I have described.

21

1 19. Q. Does PECO propose to extend the SOP to CAP customers?

2 A. Not at this time because the SOP, as proposed by PECO and pending before the  
3 Commission, is not compatible with the Plan. Under the Commission-approved  
4 product design for the SOP, EGSs may offer a twelve-month product with a fixed-  
5 price at least 7% below the applicable PTC in effect at the time of the standard offer  
6 that does not involve continued tracking of the PTC. As a result, CAP customers  
7 must be treated differently from other customers participating in the SOP to ensure  
8 that the CAP customer's standard offer rate does not exceed the PTC during the  
9 twelve month term of the contract. Given these incompatible program designs, PECO  
10 proposes to conduct a collaborative as described by Mr. McCawley to evaluate the  
11 proper integration of CAP benefits and retail market enhancements such as the  
12 Standard Offer Program and the time-of-use rate program and identify potential  
13 future changes that would be appropriate.

14 20. Q. Please describe the customer education initiatives included in the CAP Shopping  
15 Plan.

16 A. Customer education under the Plan will focus on the benefits of the competitive  
17 market for low income customers, will promote shopping, and will provide tools to  
18 help CAP customers understand and manage their energy bills. First, PECO will  
19 enhance its CAP call center scripts to notify CAP customers of their eligibility to  
20 shop with EGSs for electric generation beginning April 15, 2014, with  
21 implementation scheduled for no later than the end of the fourth quarter of 2013,  
22 assuming no delay in the expedited procedural schedule proposed for this proceeding.

1 Second, PECO will revise its 2013 Consumer Education Plan mailings to explain that  
2 EGSs may not charge rates for generation service in excess of the PTC. In addition,  
3 PECO will promote CAP shopping through mailings, postcards, brochures, PECO  
4 press releases, PECO Universal Services web pages and existing CAP literature (i.e.  
5 CAP enrollment letter, etc.). The CAP customer education campaign will also  
6 include customer outreach efforts, web support, community workshops and low  
7 income advocate-sponsored events for low income customers. In addition, PECO  
8 will promote the PAPowerSwitch website as a central independent source of CAP  
9 customer offers.

10 **21. Q. Did PECO consider other arrangements to facilitate CAP shopping in**  
11 **developing its Plan?**

12 A. Yes. PECO considered a customer opt-out aggregation program in which all CAP  
13 customers would be transferred to one or more winning EGSs through a competitive  
14 bidding process, through an opt-out mail offer. However, PECO has noted the  
15 Commission's strong preference for individual choice with respect to shopping and  
16 its concerns regarding the use of "opt-out" programs.<sup>12</sup> Accordingly, PECO believes  
17 that a shopping mechanism for CAP customers that is as close as possible to the  
18 shopping mechanism for all other residential customers, as proposed here, strikes the  
19 best balance among the different design principles I have discussed.

20

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<sup>12</sup> See Declaratory Order, *In Re: Retail Energy Supply Association*, Docket No. P-2010-2207062, *In Re: Dominion Retail, Inc.*, Docket No. P-2010-2207953, and *In Re: FirstEnergy Solutions Corp.*, Docket No. P-2010-2209253, (March 17, 2011), p. 5 ("The Public Utility Code and Commission regulations express a strong preference for individual choice in regard to electric generation supply.").

1 22. Q. Is PECO seeking a waiver of Commission Orders previously entered in this  
2 proceeding to implement the CAP Shopping Plan commencing April 15, 2014?

3 A. Yes. Following its Opinion and Order approving PECO's default service program for  
4 the period from June 1, 2013 to June 1, 2015, issued in this proceeding on October  
5 12, 2012, the Commission directed PECO to develop a plan that enables CAP  
6 customers to begin shopping in its service territory by April 1, 2014.<sup>13</sup>

7 PECO is proposing a short delay in implementation of its CAP Shopping Plan in light  
8 of its extensive information technology ("IT") programming process, which is linked  
9 to all other PECO IT applications. PECO's 2014 IT implementation schedule  
10 includes six already-scheduled IT "pushes" where the Company will aggregate a  
11 variety of IT system changes and activate them in a coordinated fashion to ensure  
12 appropriate testing and system integration. Programming and testing necessary for  
13 the CAP Shopping Plan will not be ready for implementation until the "push"  
14 scheduled for early April 2014. PECO therefore requests a waiver, to the extent  
15 necessary, to provide a brief extension of the commencement date for the CAP  
16 Shopping Plan from April 1, 2014 to April 15, 2014.

17

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<sup>13</sup> See Letter of Rosemary A. Chiavetta, *Petition of PECO Energy Company for Approval of its Default Service Program*, Docket No. P-2012-2283641 and *PECO Energy Company Universal Service and Energy Conservation Plan for 2013-2015 Submitted in Compliance with 52 Pa. Code §§ 54.74 and 62.4*, Docket No. M-2012-2290911 (January 3, 2013); 2013 Universal Service Order, p. 32.

1 23. Q. Mr. Crowe, if the Commission does not approve the Plan by the date proposed in  
2 this filing, will there be any implications on PECO's ability to achieve full  
3 implementation of the Plan by April 15, 2014?

4 A. Yes. This implementation timeline is contingent on the expedited schedule I describe  
5 later in my testimony and PECO's proposed Plan design. Significant litigation delay,  
6 substantial changes to Plan design, or extended proceedings for final approval of cost  
7 recovery for plan implementation will require extension of the commencement date  
8 beyond April 15, 2014.

9 V. PROPOSED LITIGATION SCHEDULE AND NOTICE

10 24. Q. Mr. Crowe, what procedural schedule is PECO proposing for this proceeding?

11 A. In order to ensure that the IT upgrades, consumer education and other components of  
12 the Plan are in place so that CAP customers may shop by April 15, 2014, PECO is  
13 proposing the following expedited schedule for this proceeding with certification of  
14 the record to the Commission for decision on August 12, 2013. A similar expedited  
15 schedule was used in consideration of PECO's Three Year Plan, as reflected in the  
16 Universal Service 2013 Order.

17

May 1, 2013	Petition Filing
May 28, 2013	Prehearing Conference
June 12, 2013	Other Parties Direct Testimony Due
June 26, 2013	Rebuttal Testimony Due
July 2, 2013	Surrebuttal Testimony Due
July 10-11, 2013	Hearings
July 26, 2013	Main Briefs
August 9, 2013	Reply Briefs
August 12, 2013	Certification of the Record to the Commission

1

2 25. Q. How will PECO provide notice of this filing?

3 A. PECO is serving copies of the Petition on the Pennsylvania Office of Consumer  
4 Advocate, the Pennsylvania Office of Small Business Advocate, the Commission's  
5 Bureau of Investigation and Enforcement, and all other parties to the Company's DSP  
6 II and Three Year Plan proceedings in this docket and Docket No. M-2012-2290911.

7

## VI. CONCLUSION

8 26. Q. Does this conclude your direct testimony?

9 A. Yes.

PECO Statement No. 2

**RECEIVED**

MAY 01 2013

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

**PECO ENERGY COMPANY  
STATEMENT NO. 2**

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**PETITION OF PECO ENERGY COMPANY  
FOR APPROVAL OF ITS DEFAULT SERVICE  
PROGRAM**

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**DOCKET NO. P-2012-2283641**

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**DIRECT TESTIMONY**

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**WITNESS: JOHN J. McCAWLEY, P. E.**

**SUBJECTS: DESIGN OF CUSTOMER ASSISTANCE  
PROGRAM SHOPPING PLAN AND  
CHANGES TO ELECTRIC GENERATION  
SUPPLIER TARIFF**

**DATED: MAY 1, 2013**

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**DIRECT TESTIMONY  
OF  
JOHN J. McCAWLEY**

5  
**I. INTRODUCTION AND PURPOSE OF TESTIMONY**

6 1. **Q. Please state your full name and business address.**

7 A. My name is John J. McCawley. My business address is 2301 Market Street,  
8 Philadelphia, PA, 19103.

9 2. **Q. By whom are you employed and in what capacity?**

10 A. I am employed by PECO Energy Company ("PECO" or the "Company") as Director  
11 of Energy Acquisition.

12 3. **Q. Mr. McCawley, what are your current duties and responsibilities as Director of  
13 Energy Acquisition?**

14 A. As Director of Energy Acquisition for PECO, I am responsible for the administration  
15 of wholesale power supply contracts and purchase agreements for PECO's default  
16 service obligations. I also am responsible for the administration of PECO's retail  
17 electric generation and natural gas supplier coordination functions as they relate to  
18 electric and gas customer choice. I have been performing these functions since 1998.  
19 In addition, I am responsible for the administration of PECO's procurement of  
20 alternative energy credits necessary for compliance with Pennsylvania's Alternative  
21 Energy Portfolio Standards Act (the "AEPS Act").

1    **4. Q. Please summarize your professional experience.**

2        A. I have been employed by PECO and Exelon Corporation since 1984. Over that  
3        period, I have held engineering and management positions in the areas of nuclear,  
4        fossil fuel, and hydroelectric generation, corporate strategy, planning and budgeting,  
5        in addition to my current responsibilities described above.

6    **5. Q. What is your educational background?**

7        A. I hold a BS degree in Electrical Engineering from Lehigh University; an MBA from  
8        Villanova University; and a MS Finance degree from Drexel University. I am also a  
9        Registered Professional Engineer in the Commonwealth of Pennsylvania.

10   **6. Q. What is the purpose of your testimony?**

11       A. The purpose of my testimony is to describe PECO's plan (the "Plan") to facilitate  
12       shopping for electric generation supply by PECO customers who participate in  
13       PECO's Customer Assistance Program ("CAP" or the "Program"). PECO developed  
14       this Plan in compliance with the direction of the Pennsylvania Public Utility  
15       Commission (the "Commission") in its Opinion and Order approving PECO's default  
16       service program for the period from June 1, 2013 to May 31, 2015 ("DSP II") issued  
17       in this proceeding on October 12, 2012 ("October 2012 Order").<sup>1</sup>

18

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<sup>1</sup> Following the October 2012 Order, the Commission directed that PECO develop a plan to permit CAP customer shopping by April 2014. See Letter of Rosemary A. Chiavetta, *Petition of PECO Energy Company for Approval of its Default Service Program*, Docket No. P-2012-2283641 and *PECO Energy Company Universal Service and Energy Conservation Plan for 2013-2015 Submitted in Compliance with 52 Pa. Code §§ 54.74 and 62.4*, Docket No. M-2012-2290911 (January 3, 2012) ("January 3, 2013 Secretarial Letter").

1 **7. Q. How is your testimony organized?**

2 A. I will first explain the design of PECO's Plan, including: (i) provisions for electric  
3 generation supplier ("EGS") offers to CAP customers for competitive generation  
4 supply; (ii) EGS billing for CAP customers; (iii) the CAP customer enrollment  
5 process; and (iv) CAP customer education initiatives. I will then describe proposed  
6 revisions to PECO's Electric Generation Supplier Tariff ("Supplier Tariff") necessary  
7 to implement the Plan.

8 **8. Q. Have you prepared any exhibits to accompany your testimony?**

9 A. Yes. PECO Exhibits JJM-1 through JJM-3 were prepared at my direction and under  
10 my supervision and are described in detail in my testimony.

11 **II. DESIGN OF PECO'S CUSTOMER ASSISTANCE PROGRAM SHOPPING PLAN**

12  
13 **9. Q. When will CAP customers be able to shop for electric generation supply?**

14 A. Under PECO's Plan, CAP customers will be able to enroll with an EGS for  
15 competitive generation supply beginning April 15, 2014.<sup>2</sup>

16 **10. Q: Are EGSs required to serve CAP customers?**

17 A. No. However, under the Plan, any EGS serving residential customers in PECO's  
18 service territory will have the opportunity, but not the obligation, to enroll CAP

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<sup>2</sup> As discussed in Mr. Crowe's testimony, PECO is requesting a waiver of the Commission's requirement in its January 3, 2013 Secretarial Letter that CAP customers in PECO's service territory be able to shop beginning April 1, 2014. PECO is requesting a brief extension to April 15, 2014 to enable its information technology system to accommodate the updates necessary to properly implement CAP shopping.

1 customers and provide electric generation service to those customers. The following  
2 is a summary of the Plan provisions for participating EGSs:

- 3 • EGSs must charge a rate for CAP customers that is at or below the PECO  
4 “Price-to-Compare” (“PTC”) that is in effect, at all times.
- 5 • EGSs that choose to serve CAP customers must publish their CAP rates on  
6 PAPowerSwitch.com, provide a customer mailing with CAP rates upon  
7 request via EGS call centers, and provide periodic reports on the number of  
8 CAP customers served and applicable rates to the Commission and to PECO.
- 9 • EGSs must electronically submit a Notice of Intent to Participate as a CAP  
10 supplier, in the form attached as Exhibit JJM-1, at least five business days  
11 before publishing CAP rates (“CAP Notice”).
- 12 • EGSs that submit a CAP Notice must enroll any CAP customer who requests  
13 service from that EGS, and cannot discriminate among CAP customers.
- 14 • EGSs must use electric distribution company (“EDC”) consolidated billing for  
15 all CAP customers they serve.

16 **11. Q. Mr. McCawley, why is PECO requiring EGSs to charge CAP customers a price**  
17 **for generation service that is at or below PECO’s PTC?**

18 A. As explained by Mr. Crowe in PECO Statement No. 1, PECO employed several  
19 principles in designing its Plan, including a principle that the Plan must support the  
20 development of Pennsylvania’s competitive retail market. However, PECO believes

1 that additional principles associated with universal service and maintaining  
2 affordability also require protections for the CAP customers who shop and cost  
3 containment measures for the residential customers who pay for CAP discounts  
4 through PECO's Universal Service Fund Charge ("USFC"). An EGS rate for CAP  
5 customers that is always at or below PECO's PTC helps ensure that affordability for  
6 CAP customers will be maintained (and may increase through competition), while  
7 also avoiding higher USFC costs for residential customers.

8 **12. Q. How does PECO propose to support limiting EGS prices charged to CAP**  
9 **customers to no more than PECO's PTC, which changes each quarter?**

10 A. In order to allow for ample time for EGSs to develop CAP products, calculate any  
11 change to a currently offered CAP rate, and provide notice to existing CAP customers  
12 of any rate change, PECO will advance its residential PTC filing schedule by 30 days.  
13 Accordingly, PECO will file the residential PTC for each quarter 75 days before the  
14 effective date. PECO, however, will maintain its 45-day filing schedule for all other  
15 customer classes with peak loads up to 500 kW (i.e., small and medium commercial  
16 customers). As explained by Mr. Cohn in PECO Statement No. 3, PECO believes  
17 that if the Commission permits reconciliation of under and overcollections of  
18 residential generation rates on an annual basis instead of on a quarterly basis, then the  
19 PTC will be more predictable and therefore easier to manage.

1 13. Q. Is PECO proposing any other limitations on the product offered to CAP  
2 customers by EGSs?

3 A. No. Other than the single limitation on the price that EGSs can charge CAP  
4 customers, the Plan does not restrict the form of pricing, discounts, or other  
5 promotions offered by EGSs to those customers. For example, EGSs may offer  
6 products with fixed or variable pricing, "green products" with a renewable energy  
7 component and signing bonuses, including gift cards, as long as the CAP rate  
8 charged, exclusive of any bonus or gift card, does not exceed PECO's PTC in effect.  
9 EGSs are also not prohibited from requiring CAP customers to remain with that EGS  
10 for a specified period of time. However, an EGS is solely responsible for all  
11 collection activities relating to termination fees or other switching penalties.

12 14. Q. How does PECO propose to promote visibility and awareness regarding the  
13 rates offered by EGSs to CAP customers?

14 A. Any EGS offering a current rate to CAP customers must post that rate on the  
15 Commission's PAPowerSwitch.com shopping website and also provide it to a  
16 customer after a customer request via EGS call centers. Through those mechanisms,  
17 CAP customers will be able to shop more effectively for available rates, supported by  
18 customer education activities. Participating EGSs (i.e., EGSs submitting the CAP  
19 Notice) also cannot discriminate between CAP customers and must enroll any CAP  
20 customer who applies for service.

21

1 15. Q. Does PECO propose any additional reporting for EGSs serving CAP customers?

2 A. Yes. In order to facilitate a means of stakeholder assessment of the benefits from  
3 shopping that are flowing to CAP customers, each EGS serving CAP customers will  
4 provide a confidential report to the Commission and to PECO, on a semi-annual  
5 basis, regarding the number of CAP customers served and the applicable rates for  
6 those customers.

7 16. Q. Why must EGSs who serve CAP customers bill those customers through EDC  
8 consolidated billing?

9 A. The use of EDC consolidated billing will ensure that each customer's CAP benefits  
10 are properly applied to CAP customer charges. In addition, EDC consolidated billing  
11 will enable PECO to track information regarding CAP customers to meet its on-going  
12 obligations to the Commission with respect to universal service programs, including  
13 reporting on cost effectiveness and affordability. I note that more than 85% of the  
14 EGSs currently serving residential customers in PECO's service territory use EDC  
15 consolidated billing, which includes PECO's Purchase of Receivables ("POR")  
16 program, so PECO does not expect this obligation will create any difficulty for EGSs  
17 interested in serving CAP customers.

18 17. Q. Please describe the enrollment procedure for CAP customers who accept an  
19 EGS' competitive offering.

20 A. The customer enrollment process for CAP customers is the same as for non-CAP  
21 customers. An EGS seeking to enroll a CAP customer will submit an enrollment

1 request via the appropriate Electronic Data Interchange transaction for the CAP  
2 customer consistent with PECO's current Supplier Tariff and Electric Data Exchange  
3 Working Group protocols.

4 In accordance with the Commission's regulations at 52 Pa. Code § 57.173(2), PECO  
5 will send a confirmation letter confirming the CAP customer's request to switch to an  
6 EGS. PECO will continue its current practice of designating the effective date for the  
7 change in the customer's supplier, the name of the selected EGS and the date PECO  
8 may issue the first bill showing the new EGS charges.

9 **18. Q. Will the CAP discount percentage level change if a CAP customer shops?**

10 A. No. The CAP discount percentage level will be applied equally whether a CAP  
11 customer is shopping or not. PECO will apply the discount levels approved by the  
12 Commission in its review of PECO's Universal Service Plan at Docket No. M-2012-  
13 2290911. The discount level will be applied to the customer's bill for PECO  
14 distribution charges and EGS charges, up to the applicable usage threshold for the  
15 month and CAP tier. This billing approach is the same as PECO's current practice,  
16 except that the CAP discount is applied to EGS charges instead of PECO's PTC for  
17 shopping CAP customers.

18 **19. Q. Please describe the customer education initiatives included in the CAP Shopping**  
19 **Plan.**

20 A. Customer education under the Plan will focus on the benefits of the competitive  
21 market for low income customers, the promotion of shopping, and will provide tools

1 to help CAP customers understand and manage their energy bills. First, PECO will  
2 enhance its CAP call center scripts to notify CAP customers of their eligibility to  
3 shop with EGSs who have submitted a CAP Notice to PECO beginning April 15,  
4 2014, with implementation scheduled for no later than the end of the fourth quarter of  
5 2013, assuming no delay in the expedited procedural schedule proposed for this  
6 proceeding. Second, PECO will revise its 2013 Consumer Education Plan mailings to  
7 explain that CAP Suppliers may not charge rates for generation service in excess of  
8 PECO's PTC. In addition, PECO will promote CAP shopping through mailings,  
9 postcards, brochures, PECO press releases, PECO Universal Services web pages and  
10 existing CAP literature (i.e. CAP enrollment letter, etc.). The CAP customer  
11 education campaign will also include customer outreach efforts, web support,  
12 community workshops and advocate sponsored events for low income customers. In  
13 addition, PECO will promote [www.PAPowerSwitch.com](http://www.PAPowerSwitch.com) as the central independent  
14 source of CAP customer offers.

15 **20. Q. Does PECO propose to extend the EGS Standard Offer Program ("SOP") to**  
16 **CAP customers?**

17 A. At this time, the SOP, as proposed and pending before the Commission, is not  
18 compatible with the Plan principle that an EGS should always charge a price at or  
19 below the PECO PTC. Under the Commission-approved product design for the SOP,  
20 EGSs may offer residential customers a twelve-month product with a fixed-price that  
21 is 7% below the PTC in effect at the time of the standard offer. Under the SOP, this  
22 fixed price product could exceed the PTC during the 12-month term, depending on  
23 quarterly PTC fluctuations. As a result, CAP customers would have to be treated

1 differently from other customers participating in the SOP to ensure that the CAP  
2 customer's standard offer rate does not exceed the PTC at any time during the twelve  
3 month term of the contract. For this reason, it may be appropriate to develop a  
4 standard offer that would apply exclusively to CAP customers. Therefore, PECO  
5 proposes to conduct a stakeholder collaborative, within 30 days of a final Order, to  
6 develop and file modifications to the Standard Offer Program and other retail market  
7 enhancements such as the time-of-use rate program, within 90 days of a final Order,  
8 addressing CAP shopping.

9 **III. PROPOSED CHANGES TO THE ELECTRIC GENERATION**  
10 **SUPPLIER TARIFF**

11 **22. Q. Mr. McCawley, please describe the Supplier Tariff.**

12 A. The Supplier Tariff sets forth the rights and obligations of PECO and all EGSs  
13 providing generation service in PECO's service territory. The Supplier Tariff  
14 includes detailed provisions relating to billing options, load scheduling and other  
15 coordination services, EGS customer arrangements, data exchange, payment  
16 obligations, switching requests, discontinuance of service, charges for coordination  
17 services provided by PECO (e.g., load data supply), default, limitation of liability,  
18 and dispute resolution.

19 **23. Q. Is PECO proposing any changes to the Supplier Tariff?**

20 A. Yes. A copy of PECO's Supplier Tariff with changes to implement CAP customer  
21 shopping is attached as Exhibit JJM-2 to my testimony. A "redline" showing changes

1 to the current tariff is attached as Exhibit JJM-3. As reflected in these exhibits,  
2 PECO is proposing the following revisions to implement the CAP Shopping Plan:

- 3 • **Restrictions on CAP Rates.** Sections relating to EGS customer arrangements  
4 have been revised to provide that EGSs must charge the CAP customers they  
5 serve a rate than does not exceed PECO's PTC.
  
- 6 • **CAP Customer Billing.** Sections relating to EGS customer arrangements  
7 have been revised to provide that EGSs must offer consolidated EDC billing  
8 for CAP customers in order to participate as a supplier to CAP customers in  
9 PECO's service territory.
  
- 10 • **Reporting Obligations.** To provide the Commission and PECO with timely  
11 information for analysis of the benefits of CAP shopping, EGSs serving CAP  
12 customers must submit confidential reports, on a semiannual basis, detailing  
13 the number of CAP customers served and CAP rates charged during the  
14 reporting period.
  
- 15 • **POR Discount.** Sections governing PECO's POR program have been revised  
16 to increase the POR discount level from 0.2% (pending Commission approval  
17 for SOP cost recovery) to 0.3% on all purchased EGS receivables to collect  
18 50% of the CAP Shopping Plan costs in addition to SOP costs.

19

IV. CONCLUSION

1

2 24. Q. Does this conclude your direct testimony?

3 A. Yes.

PECO Exhibit JJM-1

**NOTICE OF INTENT TO PARTICIPATE OR DISCONTINUE PARTICIPATION AS A  
CUSTOMER ASSISTANCE PROGRAM SUPPLIER**

Name of EGS:			
Contact:		Title:	
E-mail:		Phone:	
Address:	City:	State:	Zip Code:
<p><b><u>INSTRUCTIONS</u></b></p> <p><b>Please check one box below and provide an effective date that is at least five (5) business days from the date this Notice is transmitted to PECO by electronic mail to ECG@peco-energy.com.</b></p>			
<p>Notice of intent to enroll Customer Assistance Program customers beginning xx/xx/xxx.</p> <p>Notice of intent to discontinue Customer Assistance Program products beginning xx/xx/xxx.</p>			
<p><b><u>SIGNATURE OF AUTHORIZED REPRESENTATIVE</u></b></p>			
I am an officer or other authorized representative of the EGS and certify that all of the information in this Notice is true.			
Signature:		Date:	
Name:		Title:	

**PECO Exhibit JJM-2**

Supplement No. xx to  
Tariff Electric Pa. P.U.C. No. 1S

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## PECO Energy Company

### ELECTRIC GENERATION SUPPLIER COORDINATION TARIFF

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#### COMPANY OFFICE LOCATION

2301 Market Street  
Philadelphia, Pennsylvania 19103

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Issued: May 1, 2013

Effective: April 15, 2014

ISSUED BY: C.L. Adams – President & C.E.O.  
PECO Energy Distribution Company  
2301 MARKET STREET  
PHILADELPHIA, PA. 19103

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# NOTICE.

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Supplement No. xx to  
Tariff Electric Pa. P.U.C. No. 1S  
xxxxx Revised Page No. 1A

PECO Energy Company Superseding xxxxx Revised Page No. 1A

**LIST OF CHANGES MADE BY THIS SUPPLEMENT**

**Title Page**

C.L. Adams replaces D.P. O'Brien as the Officer responsible for the issuance of the tariff to reflect a change in the Company's management structure.

**Provisions Relating to an EGS's Customers – 3rd Revised Page No. 22**

Reflects provisions regarding EGS arrangements with the Company's Customer Assistance Program customers for compliance with the Order at Docket No. P-2012-2283641 issued on October 12, 2012.

**EDC Consolidated Billing – 3rd Revised Page No. 92**

Reflects provisions for compliance with the Order at Docket No. P-2012-2283641 issued on October 12, 2012.

preceding process is complete, the Company will notify the Customer's prior EGS, via an EDI transaction, of the discontinuance of service to the Customer from that prior EGS.

#### **5.3.4**

(a) If a Customer contacts the Company to discontinue electric service at the Customer's then current location, and initiates a request for service at a new location in the Company's service territory, the Company will notify the current EGS, via an EDI transaction, of the Customer's discontinuance of service for the account at the Customer's old location.

(b) If a Customer contacts the Company to discontinue electric service and indicates that the Customer will be relocating outside of the Company's service territory, the Company will notify the current EGS, via an EDI transaction, of the Customer's discontinuance of service for the account at the Customer's location.

### **5.4 Provisions relating to an EGS's Customers.**

**5.4.1 Arrangements with EGS Customers.** EGSs shall be solely responsible for having appropriate contractual or other arrangements with their Customers necessary to implement Direct Access consistent with all applicable laws, PaPUC requirements, and this Tariff. The Company shall not be responsible for monitoring, reviewing or enforcing such contracts or arrangements.

**5.4.2 Transfer of Cost Obligations Between EGSs and Customers.** Nothing in this Tariff is intended to prevent an EGS and a Customer from agreeing to reallocate between them any charges that this Tariff imposes on the EGS, provided that any such agreement shall not change in any way the EGS's obligation to pay such charges to the Company, and that any such agreement shall not limit the right of the Company to seek recourse directly from the EGS's Customer for any charges owed to the Company by the EGS Customer or preclude the termination or reconnection of the EGS Customer by the Company as provided in the Company's tariffs.

**5.4.3 Arrangements with EGS Customers Participating in PECO Energy Company's Customer Assistance Program ("CAP Customers").** (C) The Tariff provisions in the following sections apply to EGSs who provide Competitive Energy Supply to low-income Customers participating in PECO Energy Company's Customer Assistance program.

(C) Denotes Change

(C)

**5.4.3.1.1 Restrictions on CAP Customer Competitive Energy Supply**

**Pricing.** On a monthly basis, via an EDI 814 change transaction, the Company will notify each EGS of any Customers currently served by that EGS who have enrolled in the Company's Customer Assistance Program ("CAP") during the current billing cycle and also provide the CAP rate to be effective at the end of the current billing period for such Customers ("CAP Change Notice"). An EGS who receives a CAP Change Notice may: (1) discontinue service to the Customer in a manner consistent with applicable PaPUC rules, and the customer will be transferred to the Company's Default PLR Service, effective on the next scheduled Meter Read Date; or (2) continue to provide Competitive Energy Supply to the CAP Customer, provided that, within sixty (60) days (i.e., two billing cycles) of the CAP Change Notice, the EGS charges the CAP Customer a rate that does not exceed PECO's Price-to-Compare and complies with all other restrictions on arrangements with CAP Customers outlined in this Tariff. Thereafter, EGSs who provide Competitive Energy Supply to CAP Customers must charge the CAP Customers they serve a rate that does not exceed PECO's Price-To-Compare for any monthly billing period.

**5.4.3.1.2 Restrictions on CAP Customer Billing Options.** EGSs who provide Competitive Energy Supply to CAP Customers must bill using Consolidated EDC Billing with Purchase of Receivables (POR).

**5.4.3.1.3 Reporting Obligations for EGSs serving CAP Customers.** EGSs who provide Competitive Energy Supply to CAP Customers must submit confidential reports to the Commission and the Company, on a semiannual basis, detailing the number of CAP customers served monthly over the six-month period and the rates charged to those CAP customers. Reporting periods shall be for June through November; and December through May, and must be provided within 90 days following the end of the reporting period.

(C) Denotes Change

resulting calculation ("EGS Charges") to PECO Energy via VAN or Internet protocol.

4. PECO Energy will provide the EGS up to two lines, each 80 characters in length, on its standard bill for messages directly related to the calculation or understanding of the EGS portion of the bill.

5. PECO Energy and EGSs will transmit Meter Data and billing charges to each other in accordance with the attached interim monthly billing schedule (Attachment E - Data Transfer Schedule.) PECO Energy will provide 60 days advance notice to EGSs before any modification takes effect so that parties that disagree with the discontinuance of the Data Transfer Schedule may request the Commission to overrule or modify PECO's decision. PECO and EGSs will transmit data in accordance with existing EDI standards as adopted by the Commission's Electronic Data Exchange Working Group.

6. EGS Charges must be received by PECO Energy in accordance with the Data Transfer Schedule.

7. If EGS Charges are not received by PECO Energy in accordance with the Data Transfer Schedule, PECO Energy will not place the EGS Charges into the next billing cycle. The Customer's bill for the current billing period will state that the EGS Charges for the current billing period are not available. The remittance period for EGS charges will begin when EGS charges actually appear on the bill. Any transactions with EGS charges sent to PECO Energy after the time periods outlined in the Data Transfer Schedule will be rejected and the EGS will need to resubmit data the following month.

8. PECO Energy will collect Customer's payments and will process payments in accordance with the Commission's payment priority set forth in Docket No. M-00960890F.001 and Rule 17 of PECO's EDC Tariff.

9. PECO Energy will purchase the account receivable of each Consolidated EDC Billing Customer by paying the EGS for the amount owed for all undisputed Customer EGS Charges regardless of whether the Customer has paid PECO. The payment for the account receivable shall be without recourse and without discount, provided, however, that PECO shall discount the payment by an amount not to exceed 0.3% until it has recovered fifty percent of: (1) the implementation and ongoing costs of the Standard Offer Program approved by the Commission at Docket No. P-2012-2283641 that have not been otherwise recovered through fees paid by EGSs participating in the program and (2) the implementation costs, exclusive of customer education costs, of the CAP Shopping Plan approved by the Commission at Docket No. P-2012-2283641. Upon termination of those programs, the Company shall refund any over recovery of implementation and ongoing costs. (C)

(C) Denotes Change

# PECO Exhibit JJM-3

Supplement No. ~~[9]~~xx to  
Tariff Electric Pa. P.U.C. No. 1S

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## PECO Energy Company

### ELECTRIC GENERATION SUPPLIER COORDINATION TARIFF

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#### COMPANY OFFICE LOCATION

2301 Market Street  
Philadelphia, Pennsylvania 19103

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Issued: ~~[January 30, 2012]~~May 1, 2013

Effective: ~~[January 31, 2012]~~April 15, 2014

ISSUED BY: ~~[D. P. O'BRIEN-]~~C.L. Adams – President & C.E.O.  
PECO Energy Distribution Company  
2301 MARKET STREET  
PHILADELPHIA, PA. 19103

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# NOTICE.

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Supplement No. [9]xx to  
Tariff Electric Pa. P.U.C. No. 1S  
[Eighth]xxxxx Revised Page No. 1A

PECO Energy Company Superseding [Seventh]xxxxx Revised Page No. 1A

**LIST OF CHANGES MADE BY THIS SUPPLEMENT**

**Title Page**

**C.L. Adams replaces D.P. O'Brien as the Officer responsible for the issuance of the tariff to reflect a change in the Company's management structure.**

**Provisions Relating to an EGS's Customers – 3rd Revised Page No. 22**

**Reflects provisions regarding EGS arrangements with the Company's Customer Assistance Program customers for compliance with the Order at Docket No. P-2012-2283641 issued on October 12, 2012.**

**EDC Consolidated Billing – 3rd Revised Page No. 92**

~~[Revised the Purchase of Receivables ("POR") discount factor from 0.2% to 0.0% in accordance with partial settlement agreement and the Final]~~

**Reflects provisions for compliance with the Order at Docket No. [P-2009-2143607.] P-2012-2283641 issued on October 12, 2012.**

[\_\_\_\_\_]  
[Issued January 30, 2012 Effective January 31, 2012

[LIST OF CHANGES MADE BY THIS SUPPLEMENT (continued)]

[EDC Consolidated Billing - 1<sup>st</sup> Revised Page No. 101]

[EGS Consolidated Billing: 12.d.1]

[Deleted reference to Attachment D]

[EDC Consolidated Billing - 1<sup>st</sup> Revised Page 103]

[Attachment A Deleted - page is withdrawn]

[Informal PUC Complaint to EDC - 1<sup>st</sup> Revised Page 104]

[Attachment B Deleted - page is withdrawn]

[EGS Consolidated Billing - 1<sup>st</sup> Revised Page 105]

[Attachment C Deleted - page is withdrawn]

[Informal PUC Complaints to EGS - 1<sup>st</sup> Revised Page 106]

[Attachment D Deleted - page is withdrawn]

[Billing Specifications - 1<sup>st</sup> Revised Page 107]

[Attachment E - This matrix is modified and updated.]

\_\_\_\_\_

Issued [~~October 15, 2010~~

~~Effective~~

~~January 1, 2011]~~ **May 1, 2013**

**Effective April 15, 2014**

preceding process is complete, the Company will notify the Customer's prior EGS, via an EDI transaction, of the discontinuance of service to the Customer from that prior EGS.

[(C)]

#### 5.3.4

(a) If a Customer contacts the Company to discontinue electric service at the Customer's then current location, and initiates a request for service at a new location in the Company's service territory, the Company will notify the current EGS, via an EDI transaction, of the Customer's discontinuance of service for the account at the Customer's old location.

(b) If a Customer contacts the Company to discontinue electric service and indicates that the Customer will be relocating outside of the Company's service territory, the Company will notify the current EGS, via an EDI transaction, of the Customer's discontinuance of service for the account at the Customer's location.

### 5.4 Provisions relating to an EGS's Customers.

**5.4.1 Arrangements with EGS Customers.** EGSs shall be solely responsible for having appropriate contractual or other arrangements with their Customers necessary to implement Direct Access consistent with all applicable laws, PaPUC requirements, and this Tariff. The Company shall not be responsible for monitoring, reviewing or enforcing such contracts or arrangements.

#### 5.4.2 [~~5.4.2~~—**Transfer of Cost Obligations Between EGSs and Customers.**

Nothing in this Tariff is intended to prevent an EGS and a Customer from agreeing to reallocate between them any charges that this Tariff imposes on the EGS, provided that any such agreement shall not change in any way the EGS's obligation to pay such charges to the Company, and that any such agreement shall not limit the right of the Company to seek recourse directly from the EGS's Customer for any charges owed to the Company by the EGS Customer or preclude the termination or reconnection of the EGS Customer by the Company as provided in the Company's tariffs. [\_\_\_\_\_ (C)]

#### 5.4.3 Arrangements with EGS Customers Participating in PECO Energy Company's Customer Assistance Program ("CAP Customers"). The Tariff provisions in the following sections apply to EGSs who provide Competitive Energy Supply to low-income Customers participating in PECO Energy Company's Customer Assistance program.

5.4.3.1.1 Restrictions on CAP Customer Competitive Energy Supply (C) Pricing. On a monthly basis, via an EDI 814 change transaction, the Company will notify each EGS of any Customers currently served by that EGS who have enrolled in the Company's Customer Assistance Program ("CAP") during the current billing cycle and also provide the CAP rate to be effective at the end of the current billing period for such Customers ("CAP Change Notice"). An EGS who receives a CAP Change Notice may: (1) discontinue service to the Customer in a manner consistent with applicable PaPUC rules, and the customer will be transferred to the Company's Default PLR Service, effective on the next scheduled Meter Read Date; or (2) continue to provide Competitive Energy Supply to the CAP Customer, provided that, within sixty (60) days (i.e., two billing cycles) of the CAP Change Notice, the EGS charges the CAP Customer a rate that does not exceed PECO's Price-to-Compare and complies with all other restrictions on arrangements with CAP Customers outlined in this Tariff. Thereafter, EGSs who provide Competitive Energy Supply to CAP Customers must charge the CAP Customers they serve a rate that does not exceed PECO's Price-To-Compare for any monthly billing period.

5.4.3.1.2 Restrictions on CAP Customer Billing Options. EGSs who provide Competitive Energy Supply to CAP Customers must bill using Consolidated EDC Billing with Purchase of Receivables (POR).

5.4.3.1.3 Reporting Obligations for EGSs serving CAP Customers. EGSs who provide Competitive Energy Supply to CAP Customers must submit confidential reports to the Commission and the Company, on a semiannual basis, detailing the number of CAP customers served monthly over the six-month period and the rates charged to those CAP customers. Reporting periods shall be for June through November; and December through May, and must be provided within 90 days following the end of the reporting period.

(C) Denotes Change

PECO Energy Company

resulting calculation ("EGS Charges") to PECO Energy via VAN or Internet protocol.

4. PECO Energy will provide the EGS up to two lines, each 80 characters in length, on its standard bill for messages directly related to the calculation or understanding of the EGS portion of the bill.

5. PECO Energy and EGSs will transmit Meter Data and billing charges to each other in accordance with the attached interim monthly billing schedule (Attachment E - Data Transfer Schedule.) PECO Energy will provide 60 days advance notice to EGSs before any modification takes effect so that parties that disagree with the discontinuance of the Data Transfer Schedule may request the Commission to overrule or modify PECO's decision. PECO and EGSs will transmit data in accordance with existing EDI standards as adopted by the Commission's Electronic Data Exchange Working Group.

6. EGS Charges must be received by PECO Energy in accordance with the Data Transfer Schedule.

7. If EGS Charges are not received by PECO Energy in accordance with the Data Transfer Schedule, PECO Energy will not place the EGS Charges into the next billing cycle. The Customer's bill for the current billing period will state that the EGS Charges for the current billing period are not available. The remittance period for EGS charges will begin when EGS charges actually appear on the bill. Any transactions with EGS charges sent to PECO Energy after the time periods outlined in the Data Transfer Schedule will be rejected and the EGS will need to resubmit data the following month.

8. PECO Energy will collect Customer's payments and will process payments in accordance with the Commission's payment priority set forth in Docket No. M-00960890F.001 and Rule 17 of PECO's EDC Tariff.

9. PECO Energy will purchase the account receivable of each Consolidated EDC Billing Customer by paying the EGS for the amount owed for all undisputed Customer EGS Charges regardless of whether the Customer has paid PECO. The payment for the account receivable shall be without recourse and without discount, provided, however, that PECO shall discount the payment by [0.2]an amount not to exceed 0.3% until ~~[PECO has recovered the costs of implementing revisions to its POR program consistent with the partial settlement agreement]~~it has recovered fifty percent of: (1) the implementation and ongoing costs of the Standard Offer Program approved by the Commission at Docket No. P-2012-2283641 that have not been otherwise recovered through fees paid by EGSs participating in the program and (2) the implementation costs, exclusive of customer education costs, of the CAP Shopping Plan approved by the Commission~~'s final order in Docket No. P-2009-2143607.~~ PECO shall notify the Commission and all active EGSs in its service territory upon completion of the recovery of such costs. Effective January 30, 2012, the discount to EGS payments was set at Docket No. P-2012-2283641. Upon

termination of those programs, the Company shall refund any over recovery of implementation and ongoing costs. (C)

[~~to 0% as a result of the completion of recovery of the POR program implementation costs.~~  
]

(C) Denotes Change

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Issued [~~January 30, 2012~~ May 1, 2013]

Effective [~~January 31, 2012~~ April 15, 2014]

PECO Energy Company Superseding Original Page No. 1B

**[LIST OF CHANGES MADE BY THIS SUPPLEMENT (continued)]**

**[Rules and Regulations – 1st Revised Page No. 24 (continued)]**

[Section 6, Load Backcasting, 6.2.2 Hourly Metered Customer Backcasts. — An EGS now has the option of providing a backcast for its hourly metered Customers but may decline this option and accept the Company provided backcast. — PECO will not override an EGS provided backcast with its own. — Section rewritten to accommodate this.]

[Section 6, Load Backcasting, 6.2.3 Typical Load Curve Data — Removed language indicating that the Company provides all necessary information required for an EGS to develop backcasts for any future period using the same methodology as the Company. — Also removed language indicating that the Company provides all “data” necessary to calculate hourly backcasts for monthly metered Customers.]

**[Section 6, Load Backcasting, 6.2.4 Right to Aggregate — 2nd Revised Page No. 25]**

Deleted this section as it is not applicable. — PECO does not have the capabilities necessary for permitting EGSs to aggregate their Customers’ loads.]

[Section 6, Load Backcasting, 6.2.6, Purchase of Energy and Capacity from More Than One EGS — Deleted this section as it is not applicable. — PECO does not have the capabilities necessary for permitting Customers to split load or capacity between more than one EGS.]

**[Rules and Regulations — 2<sup>nd</sup> Revised Page No. 26]**

[Section 6, Load Backcasting, 6.3.1 Business Days and Scheduling Window — Simplified language to indicate that the process aligns with PJM daily accounting deadlines, including the finality of the backcast. — For brevity, removed example explaining when process is conducted for given business days. — Removed language indicating that the Company shall provide week-ahead hourly forecasts for monthly metered Customers with each daily process, as PECO system capabilities and the process’s alignment with PJM daily accounting deadlines do not permit the Company to provide this information.]

[Section 6, Load Backcasting, 6.3.2 Process Description for Backcasting, Step 1 — Added a seasonal scaling factor based on Customer historical usage to the calculation process for load backcasts. — Scaling factors are used in PECO’s pre-existing load forecast process and will be used similarly in its backcasting process.]

**[Rules and Regulations — 1<sup>st</sup> Revised Page No. 27]**

[Section 6, Load Backcasting, 6.3.2 Process Description for Backcasting, Step 2a — An EGS now has the option of providing a backcast for its hourly metered Customers but may decline this option and accept the Company provided backcast. — PECO will not override an EGS provided backcast with its own but will consider Company provided values binding for any EGS not electing to provide backcasts in this manner. — Section rewritten to accommodate this.]

[Section 6, Load Backcasting, 6.3.2 Process Description for Backcasting, Step 2b — Simplified language to indicate Company’s retention of right to reject an EGS submitted backcast. — ]

\_\_\_\_\_  
[Issued October 15, 2010] \_\_\_\_\_ Effective January  
1, 2011

**PECO Energy Company Superseding Original Page No. 1C**

**LIST OF CHANGES MADE BY THIS SUPPLEMENT (continued)**

**Rules and Regulations — 2<sup>nd</sup> Revised Page No. 28**

[Section 6, Load Backcast, 6.3.2 Process Description for Backcasting, Step 3 (First Revised Page No. 28)— Clarified language to indicate that rejections are potentially applicable to only EGS submitted backcasts and that resolution of backcast problems must occur earlier than one hour prior to the current day's PJM daily accounting deadline.]

[Section 6, Load Backcast, 6.4 Real-Time Load Following]

[Deleted this section as it is not applicable.— PECO does not have the capabilities necessary for permitting EGSs to follow their Customers' loads in real time.]

[Section 6, Load Backcast, 6.5 Adequacy of Backcast— Removed language indicating that EGSs may provide its own backcasts for monthly metered Customers.— PECO does not currently provide this capability to EGSs.]

**Rules and Regulations — 2<sup>nd</sup> Revised Page No. 29**

[Section 6, Load Backcast, 6.6. Line Losses— Updated line loss percentages and wording for clarity.]

**Rules and Regulations — 2<sup>nd</sup> Revised Page No. 30**

[Section 7, Load Scheduling, 7.2 Rounding to Whole Kilowatts— Modified note on value being rounded to 1.0kW to read "is greater than 0.0 kW but less than 1.0kW" because PJM will not accept a load schedule equal to 0.0 kW.]

[Section 7, Load Scheduling, 7.3 Unaccounted-For Energy— Added new section on UFE noting PECO application of UFE to all load schedules for both EGS load and Company default service load based on load ratio share prior to PJM submittal.— Renumbered all subsequent chapters of Section 7 appropriately to accommodate.]

[Section 7, Load Scheduling, 7.4.1 Submitting Schedules— Generalized to read "Submitting" rather than "Uploading".— Added "unilaterally" to submit and approval process, as is the current practice today, and removed last sentence of section due to resulting redundancy.— Replaced 12:00 noon submission time and replaced with reference to PJM daily accounting deadlines, as is the process today.]

[Section 7, Load Scheduling, 7.4.2 PJM Duration of Schedules— Added new section based upon PJM implementation of Marginal Loss pricing in 2007.— Renumbered all subsequent portions of Section 7 appropriately to accommodate.]

[Section 7, Load Scheduling, 7.4.3 Load Schedule Changes— Modified to indicate that an EGS may not initiate changes to load schedules after the Company has submitted final schedules to PJM.]

**Rules and Regulations — 2<sup>nd</sup> Revised Page No. 31**

[Section 8.1 General Description]

[Added the word backcast and removed the reference to a PJM provided imbalance service]

[Section 8.2 Billing.—]

[Removed reference to old implementation date.]

[Section 8.3 The Company's Role]

[Removed the words 'and data']

**Rules and Regulations — 2<sup>nd</sup> Revised Page No. 32**

[Section 8.4.1 Monthly Metered Customers]

[Added will use actual weather]

\_\_\_\_\_]

[Issued October 15, 2010

Effective

January 1, 2011.]

[LIST OF CHANGES MADE BY THIS SUPPLEMENT (continued)]

[Rules and Regulations—2<sup>nd</sup> Revised Page No. 33]

[Section 8.5—Determination of Reconciliation Quantities, Step 4]

[Added the word backcast]

[Section 8.6—Monthly Reconciliation]

[Changed quantity to quantities]

[Rules and Regulations—2<sup>nd</sup> Revised Page No. 34]

[Section 9.1—Participation Through a Scheduling Coordinator]

[Deleted sentence to accurately reflect operations]

[Section 9.3—Change in or Termination of Scheduling Coordinator]

[Added the word ‘a’ in front of Scheduling in title]

[Rules and Regulations—1<sup>st</sup> Revised Page No. 37]

[Section 11.2 Customer Information.—]

[Added verbiage around EGS role in Customer confidential information]

[Rules and Regulations—1<sup>st</sup> Revised Page No. 38]

[Changed the word “for” to “of” for clarity.]

[Charges—1<sup>st</sup> Revised Page No. 51]

[Charges: Technical Assistance Charge—Modified reference in Condition 1 from “forecasting” to “backcasting”, updated email address from SAG to EGC and updated rate]

[Charges—1<sup>st</sup> Revised Page No. 52]

[Changed reference from SAG to EGC. Modified reference of “forecasting” to “backcasting”.]

[Load Data Supply Charge—1<sup>st</sup> Revised Page No. 53]

[Added reference to PUC Order Docket No. M-2009-2123944 and updated rate]

[Miscellaneous, Riders, Individual Coordination Rider 1st Revised Page No. 54] Modified reference in Section 2.0 from “forecasting” to “backcasting”.]

[EDC Consolidated Billing—2nd Revised Page No. 92]

[Modified Billing Services Options.]

[EDC Consolidated Billing—2nd Revised Page No. 94]

[Modified General Rules for Budget Billing.]

[EDC Consolidated Billing—2nd Revised Page No. 95]

[Residential Dispute Process—Added language if dispute involves Customer was changed to a supplier without their consent and deleted reference to Attachment A]

[EDC Consolidated Billing and Residential Informal Complaints.]

[Deleted reference to Attachment B]

[EDC Consolidated Billing—2nd Revised Page No. 96 and 1<sup>st</sup> Revised Page No. 97]

[Added language if dispute involves Customer was changed to a supplier without their consent. Renumbered paragraph for correct tariff pagination.]

[EDC Consolidated Billing—1<sup>st</sup> Revised Page No. 100]

[EGS Consolidated Billing: 12.a.1]

[Deleted reference to Attachment C]

[EGS Consolidated Billing: 12.b.1]

[Deleted reference to Attachment D]

[Issued October 15, 2010

Effective

January 1, 2011]

PECO Statement No. 3

**RECEIVED**

**MAY 01 2013**

**PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU**

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**PETITION OF PECO ENERGY COMPANY  
FOR APPROVAL OF ITS DEFAULT  
SERVICE PROGRAM**

---

**DOCKET NO. P-2012-2283641**

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**DIRECT TESTIMONY**

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**WITNESS: ALAN B. COHN**

**SUBJECTS: RECOVERY OF CUSTOMER ASSISTANCE  
PROGRAM SHOPPING PLAN COSTS AND  
RETAIL TARIFF CHANGES**

**DATED: MAY 1, 2013**

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**DIRECT TESTIMONY  
OF  
ALAN B. COHN**

**I. INTRODUCTION AND PURPOSE OF TESTIMONY**

**1. Q. Please state your full name and business address.**

A. My name is Alan B. Cohn. My business address is PECO Energy Company, 2301 Market Street, Philadelphia, Pennsylvania 19103.

**2. Q. By whom are you employed and in what capacity?**

A. I am employed by PECO Energy Company ("PECO" or the "Company") as Manager of Regulatory Strategy.

**3. Q. Please describe your educational background.**

A. I received a Bachelor of Science Degree in Commerce and Engineering from Drexel University in 1980. In 1985, I received a Masters Degree in Business Administration from Drexel. In addition, I have completed the American Gas Association ("AGA") Gas Rate Fundamentals Course at the University of Wisconsin and the AGA Advanced Gas Rate Course at the University of Maryland.

**4. Q. Please describe your work experience with PECO.**

A. Upon graduation from college in 1980, I was hired by PECO as a Rate Analyst in the Cost and Load Analysis Section of the Rate Division. In 1987, I was appointed Supervisor of the Economic Analysis Section in PECO's Rates and Regulatory Affairs Division. Since that time, I have held various management positions in

1 PECO's Rates and Regulatory Affairs Department and Strategic Planning Department  
2 with responsibility for managing base rate case filings, cost of service studies and  
3 financial and economic analyses.

4 **5. Q. Have you previously testified before this Commission or other regulatory**  
5 **bodies?**

6 A. Yes. I have testified in regulatory proceedings before the Pennsylvania Public Utility  
7 Commission ("Commission"), the Federal Energy Regulatory Commission and the  
8 Maryland Public Service Commission. A listing of the cases in which I have  
9 submitted testimony is attached hereto as Exhibit ABC-1.

10 **6. Q. What is the purpose of your direct testimony?**

11 A. The purpose of my direct testimony is to describe PECO's proposed mechanism for  
12 full and current recovery of the costs the Company will incur to implement its plan  
13 (the "Plan") to facilitate shopping for electric generation supply by customers who  
14 participate in PECO's Customer Assistance Program ("CAP" or the "Program"). In  
15 addition, I explain proposed changes to PECO's electric service tariff to facilitate  
16 CAP customer shopping. My testimony is divided into three parts.

17 First, I provide an overview of PECO's existing Universal Service Fund Charge  
18 ("USFC") and discuss PECO's cost recovery proposal for the Plan.

19 Second, I explain a proposed change from quarterly reconciliation of the over/under-  
20 collection component of the Generation Supply Adjustment ("GSA") to annual  
21 reconciliation for residential customers to smooth price fluctuations related to

1 PECO's GSA and facilitate the tracking of PECO's Price-to-Compare by electric  
2 generation suppliers ("EGSs") who will serve CAP customers.

3 Finally, I explain the following tariff revisions: (1) the proposed modification of  
4 PECO's existing rider for CAP customers (the "CAP Rider") to allow CAP customers  
5 to receive competitive generation supply and to ensure portability of CAP benefits  
6 when those customers shop with an EGS; (2) proposed changes to the USFC to  
7 include Plan implementation costs; and (3) modifications to the residential GSA to  
8 provide for annual reconciliation of over/undercollections and to advance the filing  
9 schedule for the quarterly adjustments to PECO's residential default service rates.

10 **7. Q. Have you identified the specific tariff changes PECO is proposing?**

11 A. Yes. All of the changes proposed by PECO are shown in the clean and redlined  
12 versions of PECO's electric service tariff that I am sponsoring as PECO Exhibit  
13 ABC-2. For purposes of discussing the changes in my testimony, I am organizing the  
14 changes into the revision categories described above.

15 **II. RECOVERY OF CUSTOMER ASSISTANCE PROGRAM SHOPPING**  
16 **PLAN IMPLEMENTATION COSTS**

17 **8. Q. Mr. Cohn, please provide an overview of PECO's existing USFC.**

18 A. The USFC is PECO's Commission-approved rate mechanism for recovery of the  
19 costs of PECO's universal service programs. The USFC is an automatically adjusted  
20 surcharge created pursuant to Section 1307(a) of the Pennsylvania Public Utility  
21 Code.

1 USFC costs are reconciled on an annual basis using actual information for a historic  
2 twelve-month period (“E-Factor”) and projected costs for a future twelve month  
3 period (“C-Factor”). Interest accrues from the month of over/under collection of  
4 USFC costs to the midpoint of the collection period, the sum of which results in a  
5 credit or charge to customers if costs are over- or under-collected, respectively. The  
6 cumulative amount (either positive or negative) at the end of the reconciliation period  
7 determines the E-Factor for the next USFC. PECO normally makes its USFC  
8 reconciliation filing in October of each year for new rates to become effective the  
9 following January 1.

10 **9. Q. Please describe the CAP “shortfall”.**

11 A. As explained by Mr. Brian Crowe in PECO Statement No. 1, PECO’s CAP uses a  
12 tiered rate discount approach to provide discounts to qualifying low-income  
13 residential customers so that the rate they pay for electric service is lower than the  
14 rate charged to higher-income residential customers. A portion of the cost of these  
15 discounts and other CAP-related costs is recovered through base rates paid by  
16 residential distribution service customers. In 2012, this amount was \$80.6 million  
17 and PECO expects to recover approximately \$82.3 million of the projected total value  
18 of the 2013 CAP discounts and other CAP-related costs in base rates.

19 The CAP “shortfall” refers to the amount of aggregate discount (in dollars) provided  
20 to CAP customers each year that is not included in base rates (i.e., \$2.5 million for  
21 2013). This shortfall is recovered on an ongoing basis from PECO’s residential  
22 customers under the USFC, with annual reconciliation of any over/under collections.

1 Pursuant to the settlement in PECO's most recent base rate case, the USFC is  
2 adjusted so that residential customers pay 73% of the total CAP shortfall amount.  
3 The remaining 27% of the CAP shortfall is absorbed by PECO shareholders to  
4 account for the estimated offset to bad debt expense and working capital.

5 **10. Q. How much is PECO currently recovering through its USFC for the projected**  
6 **2013 CAP shortfall?**

7 A. In October 2012, PECO made its most recent USFC reconciliation filing in Docket  
8 No. R-2012-2329373. The Commission approved the current USFC rate of \$0.0013  
9 per kilowatt-hour ("kWh") for Rate R customers on December 20, 2012, and that rate  
10 became effective on January 1, 2013. The new rate is designed to recover the  
11 Company's projected \$15.7 million in 2013 universal service program costs not  
12 recovered in base rates, including a \$2.5 million CAP shortfall (prior to reduction in  
13 accordance with the settlement in PECO's most recent base rate case).

14 The average monthly residential bill (500 kWh Rate R), given PECO's current rates  
15 and GSA, is \$82.14 per month. The 2013 USFC charge, including the amount in base  
16 rates, is \$4.05, or 4.9% of that total. When compared to the distribution-only portion  
17 of the average bill, the USFC represents 10.6% of PECO's distribution charges for  
18 residential customers.

19 **11. Q. Has PECO estimated the cost to implement the proposed Plan described by Mr.**  
20 **McCawley in PECO Statement No. 2?**

1 A. Yes, the Company has prepared a high-level cost estimate based on PECO's proposed  
2 expedited procedural schedule and Plan design. As shown on Exhibit ABC-3, the  
3 Company estimates the cost to implement the Plan will be approximately \$4.8  
4 million. It is the actual cost, however, that will be included in the USFC and  
5 recovered in the manner I explain below.

6 **12. Q. What types of costs does PECO expect to incur as a result of its proposed Plan?**

7 A. The Company will incur three categories of costs in implementing the CAP Shopping  
8 Plan. First, PECO will incur costs related to training and information technology  
9 ("IT") changes to its billing and customer information system to facilitate CAP  
10 shopping and to appropriately calculate the CAP discount (i.e., approximately \$3.8  
11 million). A second category of expenditures is for CAP consumer education (i.e.,  
12 approximately \$0.3 million). The Company is proposing to recover the costs  
13 associated with the customer education initiatives included in the CAP Shopping Plan  
14 from residential customers in the current Consumer Education Charge ("CEC")  
15 approved by the Commission in Docket No. P-2011-2279773. Finally, PECO will  
16 incur incremental costs related to business readiness, including training and business  
17 process modifications (i.e., approximately \$0.5 million).

18 **13. Q. Will PECO have any offsetting expense savings associated with the**  
19 **implementation of CAP shopping?**

20 A. Yes. PECO expects that allowing CAP customers to shop under the Plan PECO has  
21 proposed will reduce their electric bills and ultimately will reduce the CAP shortfall.  
22 PECO anticipates an eventual \$1 million reduction in the CAP shortfall to be

1 recovered through the USFC, net of the 27% adjustment to CAP shortfall in the  
2 USFC I explained earlier in my testimony. As shown on Exhibit ABC-4, that figure  
3 is based on the following assumptions: (1) 25% of CAP customers will purchase  
4 competitive energy supply from EGSs, (2) shopping CAP customers are enrolled in  
5 CAP tier level D1 (i.e., a customer with income between 76-100% of the federal  
6 poverty level who receives a 61% discount for usage up to 650 kWh), and (3) a CAP  
7 customer who shops receives, on average, a 10% discount off the PTC from EGSs.<sup>1</sup>  
8 However, the actual offsetting expense savings will vary depending on EGS pricing,  
9 the level of CAP customer shopping, the CAP discount tier and monthly energy  
10 usage.

11 **14. Q. Mr. Cohn, please describe PECO's cost-sharing recommendation for CAP**  
12 **Shopping Plan implementation costs.**

13 A. The Plan is a retail market enhancement in addition to the EGS Standard Offer  
14 Program ("SOP") and other initiatives included as part of PECO's default service  
15 program for the period June 1, 2013 to May 31, 2015 ("DSP II"). The Company is  
16 proposing to allocate its Plan implementation costs between EGSs and residential  
17 customers (including shopping customers) in a manner generally consistent with the  
18 recovery mechanism approved by the Commission for the costs associated with the  
19 SOP. Specifically, the Company is proposing to recover 50% of the costs from EGSs  
20 through a 0.3% discount on all purchased EGS receivables under PECO's Purchase of  
21 Receivables ("POR") program, until the costs are recovered. The proposed POR

<sup>1</sup> CAP tier level D1 is approximately equal to the median income level and CAP discount for CAP customers.

1 discount level represents an increase from 0.2% to 0.3% to recover both SOP and  
2 Plan implementation costs. The remaining half of the CAP Shopping Plan costs will  
3 be recovered from residential customers, on a non-bypassable basis, through PECO's  
4 USFC, amortized over one year.

5 **15. Q: Has PECO estimated the savings that CAP customers may realize due to the**  
6 **implementation of the CAP Shopping Plan?**

7 A. Yes. The amount of the benefits flowing to CAP customers under the Plan will be  
8 driven by CAP shopping levels and the discount from PECO's Price-to-Compare  
9 ("PTC") offered by EGSs. Because those figures are unknown, the Company used  
10 the assumptions provided in Exhibit ABC-4 to estimate the CAP customer benefit.  
11 As shown on Exhibit ABC-4, the estimated bill savings for CAP customers is \$1.2  
12 million per year.

13 Exhibit ABC-5 provides an illustration of the monthly bill impact on a CAP  
14 customer. For example, a CAP customer with monthly usage of 1000 kWh in CAP  
15 tier D1 (i.e., 61% discount for usage up to 650 kWh) who is able to purchase  
16 generation supply from an EGS at a price that is 10% off of PECO's current PTC  
17 (with no other charges) would experience a bill reduction of \$6.04 per month.

18 **16. Q: How will CAP shopping impact the bills of residential customers paying the**  
19 **USFC?**

20 A. After the Plan implementation costs are fully recovered over one year, the benefits of  
21 CAP shopping will also flow to residential customers in the form of a reduction to the

1 CAP shortfall passed through the USFC. This calculation is shown in Exhibit ABC-  
2 4. As shown on Exhibit ABC-4, using the assumptions provided therein, an average  
3 monthly bill (500 kWh Rate R) would increase \$0.05 per month during the first year  
4 of Plan implementation. Thereafter, such a bill would decrease \$0.04 per month.

5 **III. ANNUAL RECONCILIATION OF GENERATION SUPPLY ADJUSTMENT**  
6 **“OVER/UNDER” COLLECTIONS**

7 **17. Q. Mr. Cohn, Mr. McCawley has explained that EGS offers to CAP customers for**  
8 **competitive generation supply must be equal to or below the PTC in effect. Is**  
9 **PECO proposing any mechanisms to facilitate EGS tracking of PECO’s**  
10 **residential PTC?**

11 A. Yes. In accordance with its tariff, PECO compares its actual default service calendar  
12 supply costs to the billed revenue it receives from customers under the GSA for  
13 default service. PECO currently reconciles its cost and billed revenue on a quarterly  
14 basis, which means that any over or under difference arising in one quarter will be  
15 refunded or recovered beginning three months after the end of the quarter which gave  
16 rise to the difference. For example, if the current projected GSA period is the third  
17 quarter (July-September), then the over or under collection from the first quarter  
18 (January-March) would be applied.

19 As Mr. McCawley explains, in order to provide ample time for EGSs to  
20 accommodate quarterly PTC fluctuations under the Plan, PECO will advance its  
21 residential PTC filing schedule by 30 days. Accordingly, PECO will file the  
22 residential PTC for each quarter 75 days before its effective date. To facilitate EGSs’  
23 obligations to track PECO’s default service rate and reduce the price charged to CAP

1 customers (if necessary), PECO proposes to reconcile the GSA over/under  
2 collections, in the case of residential customers, on an annual basis instead of a  
3 quarterly basis.

4 **18. Q. Does the revenue and expense timing difference due to billing cycle lag have a**  
5 **significant impact on GSA over/under collections?**

6 A. Yes. Billing cycle lag is experienced because billing cycles are not perfectly aligned  
7 with the actual incurrence of generation supply costs. Because customers are billed at  
8 different times throughout the month, the revenue for the month reflects sales from  
9 the subject month and the prior month that may have experienced higher or lower  
10 usage. Billing cycle lag produces significant fluctuations in the PTC that are not  
11 directly related to the cost of default service supply. Such fluctuations often display a  
12 cyclical effect due to seasonality.

13 **19. Q. How will an annual reconciliation mitigate the risk of significant fluctuations in**  
14 **the residential PTC?**

15 A. By using an annual, rather than quarterly, schedule for the reconciliation of  
16 "overcollection or undercollection" amounts, fluctuations in default service prices  
17 will be smoothed out and clearer pricing signals will be sent to both customers and  
18 competitive suppliers. As shown on Exhibit ABC-6, quarterly over and under-  
19 recoveries due, in large part, to prior period billing cycle lag tend to net out over the

1 course of a twelve-month period.<sup>2</sup> Further, any remaining balance will be returned or  
2 collected over a twelve-month period.

3 **20. Q. How will the proposed change benefit EGSs offering generation service to CAP**  
4 **customers?**

5 A. The GSA is the largest component of the residential PTC, which is the maximum  
6 price that EGSs will be allowed to charge in their competitive offers to CAP  
7 customers. An annual reconciliation would provide a more stable PTC generally  
8 reflective of projected costs and not increases or decreases arising from prior period  
9 billing cycle lag. Because billing cycle lag can cause significant quarterly swings in  
10 over and under collections, it can impact the ability of EGSs to ensure that their CAP  
11 rates do not exceed the residential PTC in effect. In addition, a GSA that more  
12 closely tracks the cost of default service supply will also provide customers, including  
13 CAP customers, with the best information for their shopping decisions.

14 **21. Q. Didn't the Commission reject a prior proposal by PECO for annual**  
15 **reconciliation in its consideration of PECO's DSP II?**

16 A. Yes. However, PECO believes that the same concerns justifying its original proposal  
17 for annual reconciliation will be amplified by the participation of EGSs in serving  
18 CAP customers. Under PECO's Plan, EGSs will be required to adjust the prices  
19 offered to CAP customers (and, depending upon individual EGS offers, the actual

<sup>2</sup> The volatility of quarterly and annual reconciliation of GSA over/under collections was also discussed in my direct testimony (pp., 9-10) and rebuttal testimony (pp., 4-5) submitted earlier in this proceeding in support of DSP II.

1 prices paid by CAP customers) every quarter. Reducing volatility through annual  
2 reconciliation will mitigate the adverse effects of unnecessary volatility for both  
3 EGSs and CAP customers.

4 **22. Q. Is a waiver of the Commission's regulations required for the annual**  
5 **reconciliation of the over or under collection component of the GSA?**

6 A. The Commission's Regulations (52 Pa. Code §§ 54.187(i) and (j)) require adjustment  
7 of default service rates on a quarterly basis, or more frequently, for customers with  
8 load requirements up to 500 kW. However, the Commission has recognized that  
9 more extended periods for over or under reconciliation may help keep default rates  
10 more market-reflective.<sup>3</sup> PECO therefore requests a waiver, to the extent necessary,  
11 to implement an annual reconciliation of the over/under collection component of the  
12 GSA for residential customers as I have described.

#### 13 IV. RETAIL TARIFF CHANGES

14 **23. Q. Will the current CAP Rider need to be revised to allow CAP customers to**  
15 **receive competitive generation supply?**

16 A. Yes. PECO is proposing the following two changes to its CAP Rider. First, the  
17 restriction on availability of the CAP Rider to customers who obtain competitive  
18 energy supply will be eliminated. Second, PECO proposes to clarify the calculation  
19 of the CAP discount level. The current tariff specifies a maximum discount based

<sup>3</sup> See *Investigation of Pennsylvania's Retail Electricity Market: Recommendations Regarding Upcoming Default Service Plans*, Docket No. 1-2011-2237952, at pp. 54-55 (Order entered December 16, 2011) ("Default Service Recommendations Order").

1 upon the PTC in effect, a usage threshold per month, and the percentage discount for  
2 the applicable CAP tier. PECO then applies the lesser of the actual CAP discount or  
3 the maximum monthly discount based on the usage threshold to the total customer  
4 bill.

5 The maximum CAP discount is the same for all CAP customers given the existing  
6 requirement that such customers remain on default service. However, to the extent a  
7 CAP customer who shops receives a discount off of PECO default service prices, the  
8 maximum discount would also be less than the amount designated in the tariff for  
9 non-shopping CAP customers. Therefore, PECO proposes to remove the specified  
10 maximum discount level from the CAP Rider and clarify that the maximum discount  
11 will be calculated based on EGS charges for shopping CAP customers and the PTC  
12 for non-shopping CAP customers. *See Exhibit ABC-2.*

13 **24. Q. Why is the Company applying the CAP discount to the lower energy charges**  
14 **obtained by shopping instead of to the PTC?**

15 A. Applying the discount in this manner encourages efficient shopping by CAP  
16 customers, while providing a share of shopping savings to the residential customers  
17 that pay the CAP shortfall. For example, if the CAP customer, who normally  
18 receives a 50% CAP discount, achieves a \$10 savings related to an EGS price below  
19 the PTC, \$5 would go to the CAP customer and \$5 would flow to residential  
20 customers through a reduction in the CAP shortfall.

21 **25. Q. Is the Company proposing any additional changes to its tariff under the CAP**  
22 **Shopping Plan?**

1           A.    Yes. PECO proposes to clarify the USFC definition of reconcilable CAP costs to  
2                   specifically reference 50% of the costs incurred by PECO to implement the CAP  
3                   Shopping Plan, exclusive of customer education costs, to the extent the costs are not  
4                   recovered in other surcharges approved by the Commission, such as the CEC.

5 **26. Q.    Is PECO proposing any tariff changes related to its proposal for annual**  
6 **reconciliation of the over/under collection component of the GSA for residential**  
7 **customers?**

8           A.    Yes. The Commission approved adjustments to PECO's quarterly default service rate  
9                   projection periods for DSP II to synchronize with PJM's planning year, which begins  
10                  on June 1 of each year. In the event that the Commission approves the proposed  
11                  annual reconciliation, the GSA for residential customers (i.e., Procurement Group 1)  
12                  would also need to be realigned with the PJM planning year. The annual  
13                  reconciliation would include over or under collections experienced from March 1  
14                  through February 28 (or February 29 during a leap year) and would be recovered  
15                  during the following annual period of June 1 through May 31.

16                   In addition, as Mr. McCawley explained, PECO will file the residential PTC for each  
17                   quarter 75 days (instead of 45 days) before the effective date. Accordingly, the  
18                   revised GSA for residential customers will reflect this change to the residential PTC  
19                   filing schedule.

20

1 27. Q. Has the Company submitted responses to the questions regarding changes to its  
2 tariff required by the Commission's Regulations?

3 A. Yes. ABC-7 provides the Company's responses to the questions in 52 Pa. Code §  
4 53.52(a).

5 VI. CONCLUSION

6 28. Q. Does this conclude your direct testimony?

7 A. Yes, it does.

PECO Exhibit ABC-1

**Listing of Prior Case Testimony**

Maryland

Conowingo Power Company Case No. 7982 – Revenue, expense, rate base and taxes  
Conowingo Power Company Case No. 8352 – Revenue, expense, rate base and taxes

Federal Energy Regulatory Commission

Docket No. ER91-478 – Revenue, expense, rate base, taxes, cost of service and rate design  
Docket No. ER04-156 – Revenue Requirement under Schedule 12 of the PJM OATT

Pennsylvania

Docket No. R-891364 – Revenue, expense, rate base and depreciation  
Docket No. I-900005 – Impact of demand side management on off-system sales  
Docket No. R-922479 – Appropriate ratemaking treatment of SFAS 106  
Docket No. R-973877 – Quantification of assets, jurisdictional allocation, revenue requirement and allocation of revenue requirement  
Docket No. R-973953 - Quantification of assets, jurisdictional allocation, revenue requirement and allocation of revenue requirement  
Docket No. C-20016610- Appropriate discount rate for use in determining a CTC buyout  
Docket No. P-072260 – Appropriate cost recovery mechanism for providing full and current recovery of cost of complying with the Alternative Energy Portfolio Standards  
Docket No. P-2008-2062739 – Default Service Tariff Changes  
Docket No. P-2008-2062741 – Market Rate Transition Phase-In Rider and Cost Recovery  
Docket No. M-2009-2093215 – Energy Efficiency and Conservation Plan, Avoided Cost Projections  
Docket No. M-2009-2123944 – Cost Allocation and Cost Recovery Mechanism for Smart Meter Costs  
Docket No. R-2010-2161575 – Rate Design/Revenue Allocation/Tax Repair  
Docket No. R-2010-2161592 - Merchant Function Charge/Tax Repair  
Docket No. P-2012-2283641 - Default Service Program Rate Design and Tariff Changes  
Docket No. M-2009-2123944 – Ratemaking Treatment of Accelerated Depreciation of Automated Meter Reading Investment

PECO Exhibit ABC-2

# PECO Energy Company

Electric Service Tariff

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**COMPANY OFFICE LOCATION**

2301 Market Street  
Philadelphia, Pennsylvania 19101

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For List of Communities Served, See Page 4.

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Issued May 1, 2013

Effective April 15, 2014

**ISSUED BY: C. L. Adams – President & CEO  
PECO Energy Distribution Company  
2301 MARKET STREET  
PHILADELPHIA, PA. 19101**

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# NOTICE.

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**LIST OF CHANGES MADE BY THIS SUPPLEMENT**

**Generation Supply Adjustment For Procurement Class 1,2,3 – xx Revised Page No. 32A**

Provide for 75 days notice of rate change for Procurement Class 1.

**Reconciliation – xx Revised Page No. 34 and xx Revised Page No. 34A**

Provide for Annual Reconciliation and 75 days notice of rate change for Procurement Class 1.

**Provisions for Recovery of UNIVERSAL SERVICE FUND CHARGE (USFC) – xx Revised Page No. 38**

Allow for recovery of CAP shopping implementation cost.

**CAP Rider - Customer Assistance Program – xx Revised Page No. 69 and xx Revised Page No. 70**

Allow for CAP shopping for Competitive energy supply.

**GENERATION SUPPLY ADJUSTMENT FOR PROCUREMENT CLASSES 1,2,3  
 LOADS UP TO 800KW-(CONTINUED)**

<b>Rate</b>		<b>GSA Price</b>
PD	GSA(2)	\$ 0.0910
PD	GSA(3)	\$ 0.0514
HT	GSA(2)	\$ 0.0873
HT	GSA(3)	\$ 0.0494
POL	GSA(2)*	\$ 0.0758
SLS	GSA(2)*	\$ 0.0758
TLCL	GSA(2)	\$ 0.0926
SLE	GSA(2)*	\$ 0.0758
AL	GSA(2)*	\$ 0.0758

\* Prices shall exclude capacity from the Procurement Class 2 RFP results

Procedure: The GSA shall be filed 45 days before the effective date in conjunction with the Reconciliation Schedule except for the GSA for Procurement Class 1 which shall be filed 75 days before the effective date.

(C)

(C) Denotes Change

**RECONCILIATION**

**Applicability:** Effective June 1, 2013 this adjustment shall apply to all customers who received default service during the period the cost of which is being reconciled. Customers taking default service during the reconciliation period that leave default service prior to the assessment of the collection of the over/(under) adjustment shall still pay or receive credit for the over/(under) adjustment through the migration provision. The Company shall notify the Commission and parties to the Default Service Settlement 15 days in advance of the quarterly or monthly filing if the Migration Provision will be implemented in the filing.

This adjustment shall be calculated on a quarterly basis for Procurement Classes 2 and 3 and on an annual basis for Procurement Class 1. The reconciliation period will include the three month period beginning December 1, March 1, June 1 and September 1. The initial reconciliation period will include the three month period beginning December 1, 2012 through February 28, 2013 with recovery occurring during the three month period June 1, 2013 through August 31, 2013. For Procurement Class 1 the reconciliation period shall be March-February and any over/under shall be recovered during the following June – May. Procurement Class 4 Hourly, the adjustment shall be calculated on a monthly basis with recovery commencing after the occurrence of a quarter. The reconciliation shall be separate for each procurement class. Any resulting over or under recovery shall be assessed on an equal cents per kilowatthour basis to all customers in the relevant procurement group. Any over/(under) recovery shall be collected after the occurrence of three months from the end of the reconciliation period. For Procurement Classes 1, 2 and 3 recovery shall be over a quarter. For Procurement Class 1 recovery shall be over 12 months except for Procurement Class 1 which shall be calculated 75 days before the effective date. For Procurement Class 4 Hourly, recovery shall be monthly. For purposes of this rider the reconciliation shall be calculated 45 days before the effective date of recovery.. The over or under recovery shall be calculated using the formula below. The calculation of the over/(under) recovery shall be done separately for the following procurement classes – Class 1 – Residential, Class 2 – Small C&I < 100 kW, and Class 3 – Medium C&I 101 kW to 500 kW and Class 4 Large C&I over 500 kW. (C)

**Reconciliation Formula**

$$E_N = \Sigma O/(U) + I$$

$$\text{Migration Provision } E_M = [\Sigma O/(U) + I] / S(1 - \text{GRT}) * (1 - \text{ALL}) / (1 - \text{LL})$$

**Where:**

**E** = experienced over or under collection plus associated interest

**N** = Procurement class

**M** = Migration Rider

**O/(U)** = The monthly difference between revenue billed to the procurement class and the cost of supply as described below in Cost, AEPS Cost and Administrative Cost.

**Revenue** = amount billed to the tariff rates applicable to the procurement class including approved Real Time Price or other time sensitive rates for the period being reconciled through the GSA.

**Cost** = The sum of the amounts paid to all of the full requirements suppliers providing the power for the period being reconciled, the spot market purchases for the period being reconciled, plus the cost of any other energy acquired for the period being reconciled. Cost shall include energy, capacity and ancillary services as well as the proceeds and costs of auction revenue rights for Procurement Classes 1, 2 and 3. Ancillary services shall include any allocation by PJM to PECO default service associated with the failure of a PJM member to pay its bill from PJM as well as those costs listed in the Supply Master Agreement as the responsibility of the seller.

**AEPS** = The total cost of complying with the Alternative Energy Portfolio Standards Act ("AEPS" or the "Act") not included in the Cost component above for the reconciliation period for Procurement Classes 1, 2 and 3 and not included in the ancillary services component for Procurement Class 4 Hourly Service. Costs include the amount paid for Alternative Energy and/or Alternative Energy Credits ("AEC's") purchased for compliance with the Act, the cost of administering and conducting any procurement of Alternative Energy and/or AEC's, payments to the AEC program administrator for its costs of administering an alternative energy credits program, payments to a third party for its costs in operating an AEC registry, any charge levied by PECO's regional transmission operator to ensure that alternative energy sources are reliable, a credit for the sale of any AEC's sold during the calculation period, and the cost of Alternative Compliance Payments that are deemed recoverable by the Commission, plus any other direct or indirect cost of acquiring Alternative Energy and/or AEC's and complying with the AEPS statute.

Note that no AEPS rate will be filed for April 1, 2013, and costs otherwise recovered under that rate will be included in the GSA. Effective June 1, 2013, all AEPS costs shall be recovered in the GSA. By March 31, 2013, the Company shall file an AEPS over/under reconciliation statement for the 13 months ended February 2013 and any over/under recovery balance shall be combined with the over/under balance in the corresponding GSA at the end of February 2013 for recovery through the reconciliation provision of the GSA. Over/under recoveries occurring during the March 2013 to May 2013 period shall be combined with the corresponding GSA over/under recovery in future GSA reconciliations.

**Administrative Cost** = This includes the cost of the Independent Evaluator, consultants providing guidance on the development of the procurement strategy, legal fees incurred gaining approval of the strategy, and any other costs associated with designing and implementing a procurement plan including the cost of the pricing forecast necessary for estimating cost recoverable under this tariff. Also included in this component shall be the cost to implement real time pricing or other time sensitive pricing such as dynamic pricing that is required of the Company or approved in its Act 129 filing. Administrative Costs also includes any other costs incurred to implement retail market enhancements directed by the Commission in its Retail Market Investigation at Docket No. I-2011-2237952 that are not recovered from EGS's.

**Full Requirements Supply** = A product purchased by the Company that includes a fixed price for all energy consumed. The only cost added by the Company to the full requirements price is for gross receipts tax, distribution line losses, and administrative cost.

**Ancillary Services** = The following services in the PJM OATT- reactive support, frequency control, operating reserves, supplemental reserves, imbalance charges, PJM annual charges, any PJM assessment associated with non-payment by members, and any other load serving entity charges not listed here but contained in Exhibit D of the Supply Master Agreement. Also included shall be the proceeds and costs from the exercise of auction revenue rights for Procurement Class 4 Hourly Service.

(C) Denotes Change

**RECONCILIATION**  
**(CONTINUED)**

**Auction Revenue Rights (ARR)** = Allocated annually by PJM to Firm transmission customers, the ARR's allow a Company to select rights to specific transmission paths in order to avoid congestion charges.

**Capacity** = The amount charged to PECO by PJM for capacity for its default service load under the reliability pricing model (RPM)  
**I** = Interest on the over or under collection where a rate of 8% is used on over-collection and 6% on under-collections.

**S** = estimated default service retail sales in kWh for the period the cost of which is being reconciled.

**ALL** = the average line losses in a procurement class as a percent of generation

**LL** = the average line losses for a particular rate (e.g. HT, PD, GS) as provided in the Electric Generation Supplier Coordination Tariff rule 6.6

**GRT** = The current gross receipts tax rate

**Procurement Class** – set of customers for which the company has a common procurement plan

**Procedural Schedule**

The Company shall file the calculation of the over/under collection for the period being reconciled and the proposed adjustment to the GSA 45 days before the effective date as described below except for Procurement Class 1 which shall be 75 days before the effective date. The over/under collection adjustment for Procurement Classes 2, 3 and 4 Hourly shall be effective no earlier than the first day of the month such that the commencement of recovery shall lag by one quarter. For Procurement Classes 2 and 3 the GSA will be effective June 1, September 1, December 1 and March 1 commencing June 1, 2013 with over/under collection recovery occurring over a quarter. GSA 4 Hourly rates shall be effective the first of each month with over/under collection recovery occurring over a month. The data provided in the reconciliation shall be audited on an annual basis by the PaPUC Bureau of Audits.

(C)

**PROVISIONS FOR RECOVERY OF UNIVERSAL SERVICE FUND CHARGE (USFC)**

Variable Distribution Service Charge rates for electric service in Residential Rate Schedule R and RH of this Tariff shall include \$0.0013 per kWh for recovery of Universal Service Fund Cost (USFC), calculated in the manner set forth below pursuant to Section 2804 (8) of the Competition Act. The USFC rate for electric service shall be increased or decreased annually, to reflect changes in the level of Universal Service Fund costs, net of base rate recoveries, in the manner described below:

**COMPUTATION OF USFC.**

The USFC per kWh (\$0.0000), shall be computed to the nearest one-hundred cent (0.01¢) in accordance with the formula set forth below:

$$\text{USFC} = \frac{(C+A+L-E-I)}{(S)} \quad (C)$$

The USFC, so computed, shall be included in distribution rates charged to Customers for service pursuant to the rate schedules identified above. The amount of USFC, per kWh, will vary, if appropriate, based upon annual filings by the Company.

In computing the USFC, per kWh, pursuant to the formula above, the following definitions shall apply:

**Reconcilable Customer Assistance Program (CAP) Costs** – The difference between discounts provided to CAP customers (CAP revenue shortfalls) recovered through base rates and total CAP discounts, net of a 27% offset factor.

**USFC** – Universal Service Fund Charge determined to the nearest one-hundredth cent (0.01¢) to be included in the rate for each kWh of Variable Distribution Service Charge calculated under Rate Schedules R and R-H to recover Reconcilable CAP Costs plus certain LIURP related expenditures.

**C** - Cost in dollars of the Reconcilable CAP Costs for the projected period.

**A** – 50% of the Implementation cost associated with allowing cap customer to shop for electric generation supply. (C)

**L**– Incremental LIURP related expenditures of \$1 Million in 2010, \$1.5 million in 2011, \$2.0 Million in 2012, and \$2.5 Million in 2013 as approved in the Joint Petition of Settlement of Docket No. P-2008-2062739.

**E** - the net (overcollection) or undercollection of Universal Service Fund Charges. The net overcollection or undercollection shall be determined for the most recent period, beginning with the month following the last month which was included in the previous overcollection or undercollection calculation reflected in rates. Included in the "E" factor will be Reconcilable CAP Costs, and LIURP related expenditures.

Each overcollection or undercollection statement shall also provide for refund or recovery of amounts necessary to adjust for overrecovery or underrecovery of "E" factor amounts under the previous USFC.

**I** – Interest on any over or under recovery balance. Interest shall be computed monthly at a 6% annual simple interest rate from the month that the overcollection or undercollection occurs to the mid-point of the recovery period.

**S** - projected kWh of electric service to be billed under Rate R and Rate RH (exclusive of CAP Rider) during the projected period when rates will be in effect.

**FILING WITH PENNSYLVANIA PUBLIC UTILITY COMMISSION; AUDIT; RECONCILIATION.**

The Company's annual USFC filing and its annual reconciliation statement shall be submitted to the Commission 120 days prior to new rates being effective January 1 of each year, or at such time as the Commission may prescribe. The USFC mechanism is subject to annual audit review by the Bureau of Audits.

(C) Denotes Change

**Customer Assistance Program (CAP) Rider**

**AVAILABILITY:**

To payment-troubled customers who are currently served under or otherwise qualify for Rate R, or RH (excluding multiple dwelling unit buildings consisting of two to five dwelling units). Customers must apply for the rates contained in this rider and must demonstrate annual household gross income at or below 150% of the Federal Poverty guidelines. (C)

Based on the applicable level of income and other criteria, the following CAP Rate categories (A through E1) apply:

**CAP A - PECO Cares Program:** Customers with annual household gross incomes at or below 25% of the Federal poverty income guidelines with documented extenuating circumstances will be eligible for CAP A which provides for Residential Rate R customers a nominal bundled rate of \$12/month for all usage up to 1,000 KWH; for usage above 1,000 KWH the CAP D rate structure will apply. For Residential Heating customers Rate RH, CAP A provides a nominal bundled rate of \$30/month for all usage up to 2,000 KWH in the Winter<sup>1</sup>/1,000 KWH in the Summer<sup>1</sup>; for usage above 2,000/1,000 KWH the CAP D rate structure will apply. (C)

Extenuating circumstances shall include those individuals who demonstrate an inability to pay the billed rate of CAP B as a result of unique circumstances such as: Health related matters:

- o Injury or illness
- o High medical bills
- o Medically related usage
- o Death in the family
- Sudden loss of employment
- Households that include at risk individuals such as:
  - o Children below 8 years of age
  - o Disabled persons
  - o Infirm elderly
- Inability to maintain at least two CAP B payment arrangements
- High usage related to shelter conditions which are not treatable by LIURP

<sup>1</sup> Winter refers to the 9 months (October – June); Summer refers to the 3 peak usage summer months (July-September).

**Program Provisions:** The CAP A Rate is limited to 7,500 customers and these customers will be re-certified annually. CAP A customers will be targeted to receive LIURP treatments; and they will be assigned to a PECO Cares Representative to maximize the assistance available to them. (C)

Rate R	CAP B	CAP C	CAP D	CAP D1	CAP E	CAP E1
<b>Federal Poverty Income Rate</b>	<b>&lt;=25%</b>	<b>26-50%</b>	<b>51-75%</b>	<b>76-100%</b>	<b>101-125%</b>	<b>126-150%</b>
<b>Discount to 1st 650 kWh</b>	92%	85%	68%	61%	36%	19%
<b>Discount on 651-750 kWh July- September</b>	92%	85%	N/A	N/A	N/A	N/A
<b>Monthly Minimum Bill</b>	\$12.00	N/A	N/A	N/A	N/A	N/A
<b>Must be on Budget Billing</b>	Yes	Yes	No	No	No	No

(C) Denotes Change

**Customer Assistance Program (CAP) Rider (continued)**

(C)

Rate RH	CAP B	CAP C	CAP D	CAP D1	CAP E	CAP E1
Federal Poverty Income Rate	<=25%	26-50%	51-75%	76-100%	101-125%	126-150%
Discount Amount May-Oct 1 <sup>st</sup> 650 kWh	88%	76%	50%	37%	4%	0%
Discount Amount Nov – Apr 1500 kWh	88%	76%	50%	37%	4%	0%
Discount Amount Jul - Sept 651- 750 kWh	88%	76%	N/A	N/A	N/A	N/A
Monthly Minimum Bill Oct-June	\$30.00	N/A	N/A	N/A	N/A	N/A
Must Be on Budget Billing	Yes	Yes	No	No	No	No

**DISCOUNT LEVELS:** The Company shall be required to modify the level of discounts set forth as part of its annual USFC filing. If the calculated discounts result in a discount greater than the level allowed by the Commission, the discount for each class will be scaled back on a prorata basis such that the total cost does not exceed the allowed level. The Company will update the discounts for all CAP tiers in conjunction with the quarterly Generation Supply Adjustment filing.

(C)

**CERTIFICATION/VERIFICATION** Prior to enrollment in the CAP Rider, and then again every two years, customers must verify, to PECO's satisfaction, that their household income level meets the "Availability" standards set forth in this Rider. Customers being considered for the CAP Rider will be required to:

- Provide information sufficient to demonstrate to PECO their household income level.
- Waive certain privacy rights to enable PECO to effectively conduct the above certification process.
- Apply for and assign to PECO at least one energy assistance grant from the Commonwealth.
- Participate in various energy education and conservation programs facilitated by PECO.

PECO may, at its sole discretion, supplement this verification process by using data from Commonwealth or federal government programs which demonstrate the income eligibility of its customers. Such data may come from a customer's participation in, or receipt of benefits from, the Low Income Home Energy Assistance Program, Temporary Assistance for Needy Families, Food Stamps, Supplemental Security Income, and Medicaid. Information available from the Pennsylvania Department of Revenue may also be used where appropriate to expedite the process.

**MINIMUM CHARGE.** The minimum charge per month will be the fixed distribution charge for all customers unless otherwise noted

(C) Denotes Change

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# PECO Energy Company

Electric Service Tariff

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**COMPANY OFFICE LOCATION**

2301 Market Street

Philadelphia, Pennsylvania 19101

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For List of Communities Served, See Page 4.

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Issued ~~May 1, 2013~~

Effective ~~April 15, 2014~~

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ISSUED BY: C. L. Adams – President & CEO  
PECO Energy Distribution Company  
2301 MARKET STREET  
PHILADELPHIA, PA. 19101

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# NOTICE.

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**LIST OF CHANGES MADE BY THIS SUPPLEMENT**

Generation Supply Adjustment For Procurement Class 1,2,3 – xx Revised Page No. 32A  
Provide for 75 days notice of rate change for Procurement Class 1.

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Allow for recovery of CAP shopping implementation cost.

CAP Rider - Customer Assistance Program – xx Revised Page No. 69 and xx Revised Page No. 70  
Allow for CAP shopping for Competitive energy supply.

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Deleted: <u>Generation Supply Adjustment for Procurement Classes 1, 2, 3 Loads up to 600 kW – 14<sup>th</sup> Revised Page No. 317</u> <u>Reflects provisions for compliance with the Order at Docket No. P-2012-2283841 issued February 14, 2013.</u>
Reconciliation – 5th Revised Page No. 34
Reflects provisions for compliance with the Order at Docket No. P-2012-2283841 issued February 14, 2013.
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PECO Energy Company

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GENERATION SUPPLY ADJUSTMENT FOR PROCUREMENT CLASSES 1,2,3  
 LOADS UP TO 600KW (CONTINUED)

Rate		GSA Price
PD	GSA(2)	\$ 0.0910
PD	GSA(3)	\$ 0.0514
HT	GSA(2)	\$ 0.0873
HT	GSA(3)	\$ 0.0494
POL	GSA(2)*	\$ 0.0758
SLS	GSA(2)*	\$ 0.0758
TLCL	GSA(2)	\$ 0.0928
SLE	GSA(2)*	\$ 0.0758
AL	GSA(2)*	\$ 0.0758

\* Prices shall exclude capacity from the Procurement Class 2 RFP results

Procedure: The GSA shall be filed 45 days before the effective date in conjunction with the Reconciliation Schedule, except for the GSA for Procurement Class 1 which shall be filed 75 days before the effective date.

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Issued ~~May 1, 2013~~

Effective April 15, 2014

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PECO Energy Company

**RECONCILIATION**

Applicability: Effective June 1, 2013 this adjustment shall apply to all customers who received default service during the period the cost of which is being reconciled. Customers taking default service during the reconciliation period that leave default service prior to the assessment of the collection of the over/(under) adjustment shall still pay or receive credit for the over/(under) adjustment through the migration provision. The Company shall notify the Commission and parties to the Default Service Settlement 15 days in advance of the quarterly or monthly filing if the Migration Provision will be implemented in the filing.

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**Reconciliation Formula**

$E_n = \sum O(U) + I$

Migration Provision  $E_n = [\sum O(U) + I] / S(1 - GRT)^n (1 - ALL)(1 - LL)$

Where:

E = experienced over or under collection plus associated interest

N = Procurement class

M = Migration Rider

O(U) = The monthly difference between revenue billed to the procurement class and the cost of supply as described below in Cost, AEPS Cost and Administrative Cost.

Revenue = amount billed to the tariff rates applicable to the procurement class including approved Real Time Price or other time sensitive rates for the period being reconciled through the GSA.

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Cost = The sum of the amounts paid to all of the full requirements suppliers providing the power for the period being reconciled, the spot market purchases for the period being reconciled, plus the cost of any other energy acquired for the period being reconciled. Cost shall include energy, capacity and ancillary services as well as the proceeds and costs of auction revenue rights for Procurement Classes 1, 2 and 3. Ancillary services shall include any allocation by PJM to PECO default service associated with the failure of a PJM member to pay its bill from PJM as well as those costs listed in the Supply Master Agreement as the responsibility of the seller.

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AEPS = The total cost of complying with the Alternative Energy Portfolio Standards Act ("AEPS" or the "Act") not included in the Cost component above for the reconciliation period for Procurement Classes 1, 2 and 3 and not included in the ancillary services component for Procurement Class 4 Hourly Service. Costs include the amount paid for Alternative Energy and/or Alternative Energy Credits ("AEC's") purchased for compliance with the Act, the cost of administering and conducting any procurement of Alternative Energy and/or AEC's, payments to the AEC program administrator for its costs of administering an alternative energy credits program, payments to a third party for its costs in operating an AEC registry, any charge levied by PECO's regional transmission operator to ensure that alternative energy sources are reliable, a credit for the sale of any AEC's sold during the calculation period, and the cost of Alternative Compliance Payments that are deemed recoverable by the Commission, plus any other direct or indirect cost of acquiring Alternative Energy and/or AEC's and complying with the AEPS statute.

Note that no AEPS rate will be filed for April 1, 2013, and costs otherwise recovered under that rate will be included in the GSA. Effective June 1, 2013, all AEPS costs shall be recovered in the GSA. By March 31, 2013, the Company shall file an AEPS over/under reconciliation statement for the 13 months ended February 2013 and any over/under recovery balance shall be combined with the over/under balance in the corresponding GSA at the end of February 2013 for recovery through the reconciliation provision of the GSA. Over/under recoveries occurring during the March 2013 to May 2013 period shall be combined with the corresponding GSA over/under recovery in future GSA reconciliations.

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Administrative Cost = This includes the cost of the Independent Evaluator, consultants providing guidance on the development of the procurement strategy, legal fees incurred gaining approval of the strategy, and any other costs associated with designing and implementing a procurement plan including the cost of the pricing forecast necessary for estimating cost recoverable under this tariff. Also included in this component shall be the cost to implement real time pricing or other time sensitive pricing such as dynamic pricing that is required of the Company or approved in its Act 129 filing. Administrative Costs also includes any other costs incurred to implement retail market enhancements directed by the Commission in its Retail Market Investigation at Docket No. I-2011-2237952 that are not recovered from EGS's.

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Full Requirements Supply = A product purchased by the Company that includes a fixed price for all energy consumed. The only cost added by the Company to the full requirements price is for gross receipts tax, distribution line losses, and administrative cost.

Ancillary Services = The following services in the PJM OATT- reactive support, frequency control, operating reserves, supplemental reserves, imbalance charges, PJM annual charges, any PJM assessment associated with non-payment by members, and any other load serving entity charges not listed here but contained in Exhibit D of the Supply Master Agreement. Also included shall be the proceeds and costs from the exercise of auction revenue rights for Procurement Class 4 Hourly Service.

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Effective April 15, 2014

PECO Energy Company

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**RECONCILIATION  
(CONTINUED)**

Auction Revenue Rights (ARR) = Allocated annually by PJM to Firm transmission customers, the ARR's allow a Company to select rights to specific transmission paths in order to avoid congestion charges.

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Capacity = The amount charged to PECO by PJM for capacity for its default service load under the reliability pricing model (RPM)  
I = interest on the over or under collection where a rate of 8% is used on over-collection and 6% on under-collections.

S = estimated default service retail sales in kWh for the period the cost of which is being reconciled.

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ALL = the average line losses in a procurement class as a percent of generation

LL = the average line losses for a particular rate (e.g. HT, PD, GS) as provided in the Electric Generation Supplier Coordination Tariff rule 6.6  
GRT = The current gross receipts tax rate

Procurement Class – set of customers for which the company has a common procurement plan

**Procedural Schedule**

The Company shall file the calculation of the over/under collection for the period being reconciled and the proposed adjustment to the GSA 45 days before the effective date as described below ~~except for Procurement Class 1 which shall be 75 days before the effective date.~~ The over/under collection adjustment for Procurement Classes 2, 3 and 4 Hourly shall be effective no earlier than the first day of the month such that the commencement of recovery shall lag by one quarter. For Procurement Classes 2 and 3 the GSA will be effective June 1, September 1, December 1 and March 1 commencing June 1, 2013 with over/under collection recovery occurring over a quarter. GSA 4 Hourly rates shall be effective the first of each month with over/under collection recovery occurring over a month. The data provided in the reconciliation shall be audited on an annual basis by the PaPUC Bureau of Audits.

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PECO Energy Company

**PROVISIONS FOR RECOVERY OF UNIVERSAL SERVICE FUND CHARGE (USFC)**

Variable Distribution Service Charge rates for electric service in Residential Rate Schedule R and RH of this Tariff shall include \$0.0013 per kWh for recovery of Universal Service Fund Cost (USFC), calculated in the manner set forth below pursuant to Section 2804 (8) of the Competition Act. The USFC rate for electric service shall be increased or decreased annually, to reflect changes in the level of Universal Service Fund costs, net of base rate recoveries, in the manner described below:

**COMPUTATION OF USFC.**

The USFC per kWh (\$0.0000), shall be computed to the nearest one-hundred cent (0.01¢) in accordance with the formula set forth below:

$$USFC = \frac{(C+A+L - E-I)}{(S)}$$

The USFC, so computed, shall be included in distribution rates charged to Customers for service pursuant to the rate schedules identified above. The amount of USFC, per kWh, will vary, if appropriate, based upon annual filings by the Company.

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In computing the USFC, per kWh, pursuant to the formula above, the following definitions shall apply:

**Reconcilable Customer Assistance Program (CAP) Costs** – The difference between discounts provided to CAP customers (CAP revenue shortfalls) recovered through base rates and total CAP discounts, net of a 27% offset factor.

**USFC** – Universal Service Fund Charge determined to the nearest one-hundredth cent (0.01¢) to be included in the rate for each kWh of Variable Distribution Service Charge calculated under Rate Schedules R and R-H to recover Reconcilable CAP Costs plus certain LIURP related expenditures.

**C** - Cost in dollars of the Reconcilable CAP Costs for the projected period.

**A** – 50% of the implementation cost associated with allowing CAP customer to shop for electric generation supply.

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**L** – Incremental LIURP related expenditures of \$1 Million in 2010, \$1.5 million in 2011, \$2.0 Million in 2012, and \$2.5 Million in 2013 as approved in the Joint Petition of Settlement of Docket No. P-2008-2082739.

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**E** - the net (overcollection) or undercollection of Universal Service Fund Charges. The net overcollection or undercollection shall be determined for the most recent period, beginning with the month following the last month which was included in the previous overcollection or undercollection calculation reflected in rates. Included in the "E" factor will be Reconcilable CAP Costs, and LIURP related expenditures.

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Each overcollection or undercollection statement shall also provide for refund or recovery of amounts necessary to adjust for overrecovery or underrecovery of "E" factor amounts under the previous USFC.

**I** – Interest on any over or under recovery balance. Interest shall be computed monthly at a 6% annual simple interest rate from the month that the overcollection or undercollection occurs to the mid-point of the recovery period.

**S** - projected kWh of electric service to be billed under Rate R and Rate RH (exclusive of CAP Rider) during the projected period when rates will be in effect.

**FILING WITH PENNSYLVANIA PUBLIC UTILITY COMMISSION; AUDIT; RECONCILIATION.**

The Company's annual USFC filing and its annual reconciliation statement shall be submitted to the Commission 120 days prior to new rates being effective January 1 of each year, or at such time as the Commission may prescribe. The USFC mechanism is subject to annual audit review by the Bureau of Audits.

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**Customer Assistance Program (CAP) Rider**

**AVAILABILITY:**

To payment-troubled customers who are currently served under or otherwise qualify for Rate R, or RH (excluding multiple dwelling unit buildings consisting of two to five dwelling units). Customers must apply for the rates contained in this rider and must demonstrate annual household gross income at or below 150% of the Federal Poverty guidelines.

Based on the applicable level of income and other criteria, the following CAP Rate categories (A through E1) apply:

**CAP A - PECO Cares Program:** Customers with annual household gross incomes at or below 25% of the Federal poverty income guidelines with documented extenuating circumstances will be eligible for CAP A which provides for Residential Rate R customers a nominal bundled rate of \$12/month for all usage up to 1,000 KWH; for usage above 1,000 KWH the CAP D rate structure will apply. For Residential Heating customers Rate RH, CAP A provides a nominal bundled rate of \$30/month for all usage up to 2,000 KWH in the Winter<sup>1</sup>/1,000 KWH in the Summer<sup>1</sup>; for usage above 2,000/1,000 KWH the CAP D rate structure will apply.

Extenuating circumstances shall include those individuals who demonstrate an inability to pay the billed rate of CAP B as a result of unique circumstances such as: Health related matters:

- o Injury or illness
- o High medical bills
- o Medically related usage
- o Death in the family
- Sudden loss of employment
- Households that include at risk individuals such as:
  - o Children below 8 years of age
  - o Disabled persons
  - o Infirm elderly
- Inability to maintain at least two CAP B payment arrangements
- High usage related to shelter conditions which are not treatable by LIURP

<sup>1</sup> Winter refers to the 9 months (October – June); Summer refers to the 3 peak usage summer months (July-September).

**Program Provisions:** The CAP A Rate is limited to 7,500 customers and these customers will be re-certified annually. CAP A customers will be targeted to receive LIURP treatments; and they will be assigned to a PECO Cares Representative to maximize the assistance available to them.

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Rate R	CAP B	CAP C	CAP D	CAP D1	CAP E	CAP E1
Federal Poverty Income Rate	<=25%	26-50%	51-75%	76-100%	101-125%	126-150%
Discount to 1 <sup>st</sup> 650 kWh	92%	85%	88%	81%	36%	19%
Discount on 851-750 kW Jul - Sept	92%	85%	N/A	N/A	N/A	N/A
Monthly Minimum Bill	\$12.00	N/A	N/A	N/A	N/A	N/A
Must be on Budget Billing	Yes	Yes	No	No	No	No

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**Customer Assistance Program (CAP) Rider (continued)**

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Rate RH	CAP B	CAP C	CAP D	CAP D1	CAP E	CAP E1
Federal Poverty Income Rate	<=25%	28-50%	51-75%	76-100%	101-125%	126-150%
Discount	88%	78%	50%	37%	4%	0%
Amount May-Oct						
1 <sup>st</sup> 850 kWh	88%	78%	50%	37%	4%	\$0.00
Discount Amount Nov - Apr						
1500 kWh	88%	78%	N/A	N/A	N/A	N/A
Discount Amount Jul - Sept						
851-750 kWh	88%	78%	N/A	N/A	N/A	N/A
Monthly Minimum Bill Oct - June	\$30.00	N/A	N/A	N/A	N/A	N/A
Must be on Budget Billing	Yes	Yes	No	No	No	No

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**DISCOUNT LEVELS:** The Company shall be required to modify the level of discounts set forth as part of its annual USFC filing. If the calculated discounts result in a discount greater than the level allowed by the Commission, the discount for each class will be scaled back on a prorata basis such that the total cost does not exceed the allowed level. The Company will update the discounts for all CAP tiers in conjunction with the quarterly Generation Supply Adjustment filing.

**CERTIFICATION/VERIFICATION** Prior to enrollment in the CAP Rider, and then again every two years, customers must verify, to PECO's satisfaction, that their household income level meets the "Availability" standards set forth in this Rider. Customers being considered for the CAP Rider will be required to:

- Provide information sufficient to demonstrate to PECO their household income level.
- Waive certain privacy rights to enable PECO to effectively conduct the above certification process.
- Apply for and assign to PECO at least one energy assistance grant from the Commonwealth.
- Participate in various energy education and conservation programs facilitated by PECO.

PECO may, at its sole discretion, supplement this verification process by using data from Commonwealth or federal government programs which demonstrate the income eligibility of its customers. Such data may come from a customer's participation in, or receipt of benefits from, the Low Income Home Energy Assistance Program, Temporary Assistance for Needy Families, Food Stamps, Supplemental Security Income, and Medicaid. Information available from the Pennsylvania Department of Revenue may also be used where appropriate to expedite the process.

**MINIMUM CHARGE.** The minimum charge per month will be the fixed distribution charge for all customers unless otherwise noted

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PECO Exhibit ABC-3

CAP Shopping Estimated Costs						
Phase	Cost Type	Description	Detailed-Description	Total Estimated Costs	Estimated Costs 2013	Estimated Costs 2014
Plan	O&M	IT	Includes IT project management and technical architects to develop the high level requirements for the solution as well as an estimate and timeline for the delivery	\$ 150,000	\$ 150,000	
		Business Cost	Includes change management and business project management to engage the business sponsors, aid in developing the high level requirements, and create a change enablement blueprint for the solution	\$ 22,000	\$ 22,000	
Total Plan				\$ 172,000	\$ 172,000	\$ -
Analyze	O&M	IT	Includes IT project management and technical architects to develop the detailed system requirements for the solution and a refined estimate and schedule for the delivery	\$ 322,000	\$ 322,000	
		Business Cost	Includes change management, business readiness, user acceptance test lead, communications and business project management to engage the business sponsors, aid in developing the system requirements, and creating the business readiness and communication plans	\$ 80,000	\$ 80,000	
Total Analyze				\$ 402,000	\$ 402,000	\$ -
Delivery through September	O&M	IT	Includes reporting development and testing	\$ 44,000	\$ 44,000	\$ -
	CAP	IT	Includes IT project management, technical architects, developers, and designers to develop the designs, implement the code, test the application changes, and deploy the solution	\$ 1,130,000	\$ 1,130,000	\$ -
		Business Cost	Includes business readiness, change management, user acceptance testing, training development and implementation, a business project manager and communications development	\$ 123,000	\$ 123,000	\$ -
Total Delivery through September				\$ 1,297,000	\$ 1,297,000	\$ -
Delivery post September	O&M	IT	Includes reporting development and testing	\$ 82,000	\$ 57,000	\$ 25,000
	CAP	IT	Includes IT project management, technical architects, developers, and designers to develop the designs, implement the code, test the application changes, and deploy the solution	\$ 2,099,000	\$ 1,346,000	\$ 753,000
		Business Cost	Includes business readiness, change management, user acceptance testing, training development and implementation, a business project manager and communications development	\$ 229,000	\$ 158,000	\$ 71,000
Total Delivery post September				\$ 2,410,000	\$ 1,561,000	\$ 849,000
Total Delivery				\$ 3,707,000	\$ 2,858,000	\$ 849,000
Total Costs				\$ 4,281,000	\$ 3,432,000	\$ 849,000

# PECO Exhibit ABC-4

## CAP Shopping Scenarios - Summary

Scenario #	Scenarios	Impact Analysis Time Period	Rate	Bad Debt	USFC	Customer Impact	
						CAP	Non-CAP
3	Limit EGS Pricing <= PECO PTC	1st Year - 2% growth per month	Full GSA rate	\$90,033	\$687,938	\$33.89	-\$0.77
3SS	Limit EGS Pricing <= PECO PTC	Steady State - 25% Full Year	Full GSA rate	\$320,228	\$1,326,516	\$33.89	\$0.05

Estimated Savings to CAP Customers and the USFC

Certified EGS Track to PTC  
Assumes a 10% Reduction in the PTC from EGSs

FULL GSA RATE	2012 - Apr	2012 - May	2012 - Jun	2012 - Jul	2012 - Aug	2012 - Sep	2012 - Oct	2012 - Nov	2012 - Dec	2013 - Jan	2013 - Feb	2013 - Mar	Annual Impact
<u>Impact on Customer Bill (vs. Current Bill)</u>													
1 PECO GSA	\$0.0915	\$0.0915	\$0.0915	\$0.0757	\$0.0767	\$0.0767	\$0.0927	\$0.0927	\$0.0927	\$0.0766	\$0.0766	\$0.0766	
2 Assume Supplier beats 2G GSA by 10%	\$0.0824	\$0.0824	\$0.0824	\$0.0690	\$0.0690	\$0.0690	\$0.0834	\$0.0834	\$0.0834	\$0.0690	\$0.0690	\$0.0690	
3 Variance to PECO GSA (Line 1 - Line 2)	\$0.0091	\$0.0091	\$0.0091	\$0.0077	\$0.0077	\$0.0077	\$0.0093	\$0.0093	\$0.0093	\$0.0077	\$0.0077	\$0.0077	
4 Average kWh usage (based on average R usage)	550	550	875	875	875	875	550	550	725	725	725	725	
5 Inverse of CAP Discount (D1) up to 650 kWh	39.0%	39.0%	39.0%	39.0%	39.0%	39.0%	39.0%	39.0%	39.0%	39.0%	39.0%	39.0%	
6 Monthly Bill Decrease / (Increase)	\$1.95	\$1.95	\$4.36	\$3.67	\$3.67	\$3.67	\$1.99	\$1.99	\$3.05	\$2.52	\$2.52	\$2.52	\$36.39
7 Steady State of 25% = (Line 7 * 35,000)	\$68,694	\$68,694	\$133,240	\$128,453	\$128,453	\$128,453	\$69,595	\$69,595	\$106,582	\$68,091	\$68,091	\$68,091	\$1,186,030
<u>Impact on PECO</u>													
8 Reduction / (Increase) in Shortfall (650 kWh * (Line 3 * 61%) * population)	\$107,444	\$107,444	\$126,979	\$106,440	\$106,440	\$106,440	\$108,853	\$108,853	\$128,644	\$106,325	\$106,325	\$106,325	\$1,325,515
9 Reduction / (Increase) in Bad Debt/Working Capital using 27% per the tariff (Line 8 * 27%)	\$18,547	\$18,547	\$41,375	\$34,682	\$34,682	\$34,682	\$18,791	\$18,791	\$28,777	\$23,785	\$23,785	\$23,785	\$320,223
10 Net Impact to the USFC (Line 8-Line 9)	\$ 88,897	\$ 88,897	\$ 85,604	\$ 71,758	\$ 71,758	\$ 71,758	\$ 90,062	\$ 90,062	\$ 99,867	\$ 82,541	\$ 82,541	\$ 82,541	\$ 1,006,238

Assumptions

- 1) CAP Billing Option 1 assumes the CAP Discount would be based on the Supplier's Generation Rate
- 2) Suppliers offer a fixed price offer with a 1 year term
- 3) Average usage of 725 kWh in Winter, 550 kWh in shoulder months and 875 kWh in Summer
- 4) CAP discount remains at 550 kWh
- 5) CAP discount of 61% (D1) is representative of the average of all CAP rates

CAP shopping population	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	
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IT Costs  
R, RH Sales  
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USFC Res File #	1000001	1000002	1000003
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PECO Exhibit ABC-5

**Impact of Shopping on a CAP Customer Bill**

**R Rate with Shopping**

	CAP eligible usage	Add'l usage	Total
2013 rates	650	350	1,000

FPL %s	CAP Tier	Discount
<25%	B	92.0%
25% - 50%	C	85.0%
51% - 75%	D	68.0%
76% - 100%	D1	61.0%
101% - 125%	E	36.0%
126% - 150%	E1	19.0%

**ESTIMATED UNBUNDLED BILL**

CUST CHG	\$7.17	\$7.17	
TRANSMISSION CHARGE			
ALL kWh	\$0.0000	\$0.00	\$0.00
DISTRIBUTION CHARGE			
ALL kWh	\$0.0619	\$40.24	\$21.67
GENERATION CHARGE			
ALL kWh	\$0.0782	\$50.83	\$27.37
<i>G + T EQUALS \$0.0882</i>			
<i>Supplier beats PTC by \$0.01</i>			
SUB - TOTAL		\$98.24	\$49.04
SUB TOTAL (Tran, GSA)		\$50.83	\$27.37
SUB - TOTAL (Less Tran, GSA)		\$47.41	\$21.67
STAC	-0.21%	(\$0.10)	(\$0.05)
TOTAL		\$98.14	\$48.99

<b>CAP DISCOUNT</b>	<b>D1</b>	<b>\$59.87</b>
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<b>TOTAL</b>	<b>\$38.27</b>	<b>\$48.99</b>	<b>\$87.26</b>
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**R Rate**

	CAP eligible usage	Add'l usage	Total
2013 rates	650	350	1,000

**ESTIMATED UNBUNDLED BILL**

CUST CHG	\$7.17	\$7.17	
TRANSMISSION CHARGE			
ALL kWh	\$0.0096	\$6.24	\$3.36
DISTRIBUTION CHARGE			
ALL kWh	\$0.0619	\$40.24	\$21.67
GENERATION CHARGE			
ALL kWh	\$0.0788	\$51.09	\$27.51
<i>G + T EQUALS \$0.0882</i>			
SUB - TOTAL		\$104.74	\$52.54
SUB TOTAL (Tran, GSA)		\$57.33	\$30.87
SUB - TOTAL (Less Tran, GSA)		\$47.41	\$21.67
STAC	-0.21%	(\$0.10)	(\$0.05)
TOTAL		\$104.64	\$52.49

<b>CAP DISCOUNT</b>	<b>D1</b>	<b>\$63.83</b>
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<b>TOTAL</b>	<b>\$40.81</b>	<b>\$52.49</b>	<b>\$93.30</b>
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<b>Reduction in CAP shortfall</b>	<b>\$ 3.97</b>	
<b>Reduction in CAP customer bill</b>		<b>\$ 6.04</b>

**PECO Exhibit ABC-6**

**Illustration of the Variability Caused by Quarterly Reconciliation**

**\*\*Information Contained in this Example is for Illustrative Purposes Only**

**\*\*Actual Results will Vary and are Impacted by Numerous Factors Including Weather, Usage Behavior and Other**

1	2	3	4	5	6	7	8	9	10	11	12
		Calendar kWh (A)		Billed kWh (B)		Monthly Base Rate (C)					
	Monthly Distribution <sup>(1)</sup>	10,000,000.000	Monthly Distribution <sup>(1)</sup>	10,050,000.000	Monthly Variance Billed Vs Calendar Over/(Under)	\$ -0.080	Quarterly Variance Revenue Impact Over/(Under) <sup>(2)</sup>	Quarterly Unit Rate Impact (Increase) / Decrease <sup>(2)</sup>	Quarterly Unit Rate Application Period	Annual Unit Rate Impact (Increase) / Decrease <sup>(2)</sup>	Annual Unit Rate Application Period
Jan	10.0%	1,000,000.000	10.5%	1,055,250.000	55,250.000	4,420.000					
Feb	8.5%	850,000.000	9.5%	954,750.000	104,750.000	8,380.000					
Mar	8.0%	800,000.000	8.0%	804,000.000	4,000.000	320,000	\$ 13,120.000	\$ 0.0045	Period 1		
Apr	6.5%	650,000.000	7.0%	703,500.000	53,500.000	4,280,000					
May	6.5%	650,000.000	6.0%	603,000.000	(47,000.000)	(3,760,000)					
Jun	8.5%	850,000.000	7.5%	753,750.000	(96,250.000)	(7,700,000)	\$ (7,180,000)	\$ (0.0031)	Period 2		
Jul	11.0%	1,100,000.000	10.0%	1,005,000.000	(95,000.000)	(7,600,000)					
Aug	10.0%	1,000,000.000	10.5%	1,055,250.000	55,250.000	4,420,000					
Sep	7.5%	750,000.000	9.0%	904,500.000	154,500.000	12,360,000	\$ 9,180.000	\$ 0.0035	Period 3		
Oct	6.5%	650,000.000	6.5%	653,250.000	3,250.000	260,000					
Nov	7.5%	750,000.000	7.0%	703,500.000	(46,500.000)	(3,720,000)					
Dec	9.5%	950,000.000	8.5%	854,250.000	(95,750.000)	(7,660,000)	\$ (11,120,000)	\$ (0.0052)	Period 4		
<b>Total</b>	<b>100.0%</b>	<b>10,000,000.000</b>	<b>100.0%</b>	<b>10,050,000.000</b>	<b>(50,000.000)</b>	<b>\$ 4,000,000</b>	<b>\$ 4,000,000</b>			<b>\$ 0.0004</b>	<b>June-May</b>

Instructions:		80,000.000	84420000	4,420,000
A	Enter Calendar Kwh	10,000,000.000		
B	Enter Billed Kwh	10,050,000.000		
C	Enter Rate	\$ -0.080		

<sup>(1)</sup> Monthly Distribution is for Illustrative Purposes Only and does not Reflect Actual or Estimated Projections

<sup>(2)</sup> Unit Rate Impact is for Illustrative Purposes Only and does not Reflect Actual or Estimated Projections

**Variance Example**

**\*\*Information Contained in this Example is for Illustrative Purposes Only**

**\*\*Actual Results will Vary and are Impacted by Numerous Factors Including Weather, Usage Behavior and Other**

1	2	3	4	5	6	7	8	9	10	11	12
		<b>Calendar kWh (A)</b>		<b>Billed kWh (B)</b>		<b>Monthly Base Rate (C)</b>					
	<b>Quarterly Distribution <sup>(1)</sup></b>	<b>10,000,000,000</b>	<b>Quarterly Distribution <sup>(1)</sup></b>	<b>10,050,000,000</b>	<b>Quarterly Variance Billed Vs Calendar Over/(Under)</b>	<b>\$ 0.080</b>	<b>Quarterly Variance Revenue Impact Over/(Under) <sup>(2)</sup></b>	<b>Quarterly Unit Rate Impact (Increase) / Decrease <sup>(2)</sup></b>	<b>Quarterly Unit Rate Application Period</b>	<b>Annual Unit Rate Impact (Increase) / Decrease <sup>(2)</sup></b>	<b>Annual Unit Rate Application Period</b>
Mar	26.5%	2,650,000,000	28.0%	2,814,000,000	164,000,000	13,120,000	\$ 13,120,000	\$ 0.0046	Period 1		
June	21.5%	2,150,000,000	20.5%	2,060,250,000	(89,750,000)	(7,180,000)	\$ (7,180,000)	\$ (0.0031)	Period 2		
Sept	28.5%	2,850,000,000	29.5%	2,964,750,000	114,750,000	9,180,000	\$ 9,180,000	\$ 0.0035	Period 3		
Dec	23.5%	2,350,000,000	22.0%	2,211,000,000	(139,000,000)	(11,120,000)	\$ (11,120,000)	\$ (0.0052)	Period 4		
<b>Total</b>	<b>100.0%</b>	<b>10,000,000,000</b>	<b>100.0%</b>	<b>10,050,000,000</b>	<b>(50,000,000)</b>	<b>\$ 4,000,000</b>	<b>\$ 4,000,000</b>			<b>\$ 0.0004</b>	<b>June-May</b>

Instructions:	
A	Enter Calendar Kwh <b>10,000,000,000</b>
B	Enter Billed Kwh <b>10,050,000,000</b>
C	Enter Rate <b>\$ 0.080</b>

<sup>(1)</sup> Quarterly Distribution is for Illustrative Purposes Only and does not Reflect Actual or Estimated Projections

<sup>(2)</sup> Unit Rate Impact is for Illustrative Purposes Only and does not Reflect Actual or Estimated Projections

**PECO Exhibit ABC-7**

**Responses to Questions in 52 Pa. Code Section 53.52(a)****1. The specific reason for each change.**

PECO Energy Company (PECO or the Company) is proposing tariff changes to implement its plan ("Plan") to allow CAP customers to purchase competitive generation supply from an electric generation supplier ("EGS"). The Company's Plan is being filed in compliance with the Commission's Orders in Docket Nos. P-2012-2283641 and M-2012-2290911.

**2. The total number of customers served by the utility.**

The total number of electric customers served by PECO was 1,584,854 as of March 31, 2013.

**3. A calculation of the number of customers, by tariff subdivision, whose bills will be affected by the change.**

All residential customers, including those enrolled in CAP, are potentially affected due to proposed tariff changes to recover half of the Plan implementation costs under the Universal Service Fund Charge and proposed tariff changes to the treatment of over or under collections for residential default service customers under the Generation Service Adjustment. Various other changes are explained in PECO Statement No. 3, the direct testimony of Alan B. Cohn.

**4. The effect of the change on the utility's customers.**

The primary effect of the proposed changes is to allow CAP customers to purchase competitive generation supply from an EGS, which will potentially reduce their electric bill. The tariff changes also will simplify the reconciliation process relating to the recovery of default service costs from residential default service customers. All of the proposed changes and their potential effects are discussed in detail in PECO Statement No. 3.

**5. The direct or indirect effect of the proposed change on the utility's revenue and expenses.**

The effects of the proposed tariff changes on PECO's revenue and expenses cannot be determined at this time and will depend upon the Plan design that is approved as part of this filing and the prices offered by EGSs and the number of CAP customers that shop.

**6. The effect of the change on the service rendered by the utility.**

PECO does not expect the proposed tariff changes to affect service.

- 7. A list of factors considered by the utility in its determination to make the change. The list shall include a comprehensive statement about why these factors were chosen and the relative importance of each.**

The changes are being made to comply with the Commission's October 12, 2012 and November 21, 2012 Orders in Docket P-2012-2283641 – Petition of PECO Energy Company for Approval of its Default Service Program II and the January 3, 2013 Letter of Rosemary A. Chiavetta in Docket Nos. P-2012-2283641 and M-2012-2290911 – Petition of PECO Energy Company for Approval of its Default Service Program II and PECO Energy Company Universal Service and Energy Conservation Plan for 2013-2015 Submitted in Compliance with 52 Pa. Code §§ 54.74 and 62.4.

- 8. Studies undertaken by the utility in order to draft its proposed change.**

No specific studies were undertaken.

- 9. Customer polls taken and other documents, which indicate customer acceptance and desire for the proposed change.**

No customer polls were taken.

- 10. Plans the utility has for introducing or implementing the changes with respect to its customers.**

The Company's Petition requesting approval of its Plan summarizes how the Company proposes to implement the changes and references specific testimony being filed with the Petition that provides further details about the Plan and how it will be implemented.

- 11. F.C.C., FERC or Commission Orders or rulings applicable to the filings.**

The following orders are applicable to this filing:

Docket P-2012-2283641 – Petition of PECO Energy Company for Approval of its Default Service Program II

Docket M-2012-2290911 - PECO Energy Company Universal Service and Energy Conservation Plan for 2013-2015 Submitted in Compliance with 52 Pa. Code §§ 54.74 and 62.4

Docket I-2011-2237952 – Investigation of Pennsylvania's Retail Electricity Market: End-State of Default Service

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**PETITION OF PECO ENERGY COMPANY  
FOR APPROVAL OF ITS DEFAULT  
SERVICE PROGRAM**

**DOCKET NO.: P-2012-2283641**

**CERTIFICATE OF SERVICE**

I hereby certify and affirm that I have this day served copies of the **Petition of PECO Energy Company for Approval of Its Customer Assistance Program Shopping Plan** on the following persons in the matter specified in accordance with the requirements of 52 Pa. Code § 1.54.

**VIA ELECTRONIC MAIL AND FIRST CLASS MAIL**

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**RECEIVED**

**MAY 01 2013**

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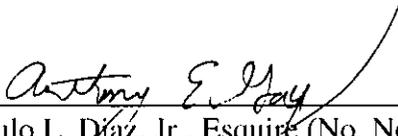
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May 1, 2013

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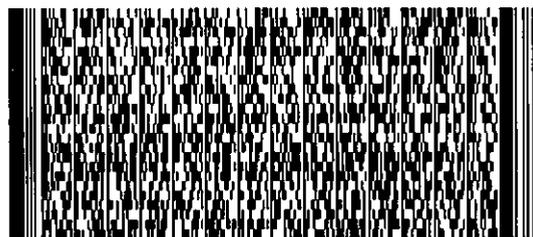
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