

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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May 21, 2013

Rosemary Chiavetta, Secretary
PA Public Utility Commission
Commonwealth Keystone Bldg.
400 North Street
Harrisburg, PA 17120

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

Dear Secretary Chiavetta:

Enclosed please find the Office of Consumer Advocate's Answer in the above-captioned proceeding.

Copies have been served upon all parties of record as shown on the attached Certificate of Service.

Sincerely,

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

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

Enclosures

cc: Hon. Cynthia Williams Fordham, ALJ
Certificate of Service

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

ANSWER
OF THE
OFFICE OF CONSUMER ADVOCATE

I. INTRODUCTION

On May 1, 2013, PECO Energy Company (PECO or the Company) filed its Petition of PECO Energy Company for Approval of its Customer Assistance Program (CAP) Shopping Plan (Petition). The Petition is filed pursuant to the Commission's Order in the instant docket which required that PECO file a CAP Shopping Plan by no later than May 1, 2013. Order at 156 (Order Entered October 12, 2012).

The Commission also separately addressed PECO's Three-Year Universal Service and Energy Conservation Plan in this docket. 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). One of the issues raised in that proceeding was whether PECO's current CAP Rate tiered discount structure should be changed to a Percentage of Income Payment Plan (PIP) structure. The Commission determined to retain PECO's CAP Rate tiered discount structure and directed PECO to develop a CAP Shopping Plan utilizing the CAP Rate design.

On May 1, 2013, PECO filed its CAP Shopping Proposal. The program is designed to allow CAP customers to begin shopping by April 15, 2014. Petition at ¶ 17.¹ In its Proposal, PECO stated the CAP Shopping Plan should reflect a balance of the following 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
- Ensuring full and current recovery of Plan costs.

Petition at ¶ 14.

In order to implement its proposed CAP Shopping Design Principles, PECO proposes the following CAP Shopping Plan:

1. PECO will apply the appropriate CAP discount percentage to a CAP customer's total bill whether or not the customer chooses to shop. The billing approach will be the same as PECO's current practice, except that for customers who shop, the CAP discount will be applied to the EGS charges instead of PECO's PTC. Petition at ¶ 17.

2. Participating EGSs must publish their CAP rates on 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." Petition at ¶ 21.

3. Participating EGSs must charge CAP customers a rate that is at or below the PECO PTC for residential customers. Petition at ¶ 20.

4. Participating EGSs must electronically submit a notice of intent to participate as CAP supplier at least five business days before publishing CAP Rates. Petition at ¶ 22.

5. Participating EGSs that submit such a notice must enroll any CAP customer who requests service from the EGS and cannot discriminate amongst CAP customers. Petition at ¶ 23.

¹ The OCA notes that the Company requests to delay implementation of the CAP Shopping Plan from April 1, 2014 to April 15, 2014 in order to complete necessary IT programming changes. Petition at ¶ 27. The OCA has no objection to this short delay.

6. Participating EGSs must provide the Commission and PECO confidential reports on the number of CAP customers served and the rates charged in order to facilitate the measurement of the benefits from shopping that are flowed to CAP customers. Petition at ¶ 24.

7. Participating EGSs must use PECO's consolidated billing for all CAP customers. Petition at ¶ 25.

8. PECO also proposes to reconcile its over/under-collections for its Generation Supply Adjustment (GSA) charge on an annual basis instead of the current quarterly basis. Petition at ¶ 36.

PECO estimates that the cost to implement the CAP Shopping Plan will be approximately \$4.6 million: (1) approximately \$300,000 related to customer education initiatives; (2) approximately \$3.8 million related to training and Information Technology (IT) changes to PECO's billing and customer information system (CIS) to facilitate Cap shopping and to calculate the CAP discount; and (3) approximately \$500,000 related to business readiness, including training and business process modifications. Petition at ¶ 30. PECO proposes to recover the customer education costs from residential customers in the Company's current Customer Education Charge rider. Id. at ¶ 31. The remaining costs are proposed to be recovered 50% from the EGSs through a 0.3% Purchase of Receivables discount, or a 0.1% increase over the Company's 0.2% Standard Offer Program (SOP) proposal, and 50% from residential customers, on a non-bypassable basis through the Universal Service Fund Charge (USFC). Id. at ¶ 32. PECO proposes to fully recover the implementation costs over one year and anticipates that the average residential customer bill will increase by approximately \$0.04 per month. Petition at ¶ 34.

The OCA has preliminarily reviewed PECO's Petition and intends to participate fully in the hearings that are being scheduled in this matter. As an initial matter, the OCA would note that it is in agreement with many of PECO's CAP Shopping Design Principles and the individual

elements of the CAP Shopping Plan. As to the CAP Shopping Design Principles, the OCA would add that the Plan should also be guided by the following principles:

1. The retail shopping platform should allow customers to remain on CAP, meet the payment obligations of CAP, and receive the benefits of CAP;
2. The retail shopping platform should not increase the program costs of CAP to non-participants, whether by increasing CAP credits or by increasing administrative costs; and
3. The retail shopping platform should not increase the program costs of CAP to non-participants by adversely affecting the ability-to-pay and thus increasing the costs of non-payment.

The OCA submits that the addition of these principles is necessary to ensure that the CAP Shopping Plan is fair and reasonable to all stakeholders.

As noted, the OCA is in agreement with many of PECO's design elements and consumer protections for this program. The OCA will continue its review of the design and operation of the program. The OCA has preliminarily identified several issues which it will continue to explore. These issues include, but are not limited to:

- CAP customers' continuing ability to meet the payment obligations of CAP;
- The terms and conditions for serving CAP customers, including exemption from cancellation fees;
- Treatment of CAP customers at the end of any EGS contract term;
- Calculation and application of CAP discounts;
- Impact on non-CAP residential ratepayers;
- Non-discriminatory treatment of CAP customers;
- Education initiatives for CAP customers; and
- Appropriate consumer protections.

The OCA anticipates that these issues and others will need to be thoroughly explored.

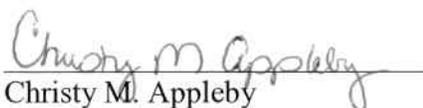
While the OCA agrees with PECO's principles and many of its design elements, the OCA has significant concerns with PECO's proposed cost recovery proposal. The proposal to recover a portion of these costs from ratepayers raises significant issues, particularly if the cost of the CAP program could increase as a result of the proposed program. Moreover, if any

recovery from residential customers is appropriate, the OCA submits that the residential customer portion of such charges should not be collected through the Universal Service Fund Charge (USFC). Rather, these costs would be more properly recovered through the GSA or base rates.

III. CONCLUSION

WHEREFORE, the Office of Consumer Advocate respectfully requests that this matter be set for hearings. Hearings are necessary in this matter to ensure that the interests of CAP participants and non-CAP residential ratepayers are protected.

Respectfully Submitted,



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DATE: May 21, 2013
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CERTIFICATE OF SERVICE

Re: Petition of PECO Energy Company for
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Docket No. P-2012-2283641

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

Dated this 21st day of May 2013.

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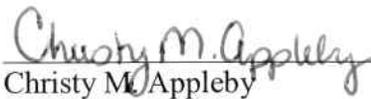
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