

**PENNSYLVANIA PUBLIC UTILITY COMMISSION**  
**Uniform Cover and Calendar Sheet**

<b>1. REPORT DATE:</b> November 13, 1998	<b>2. BUREAU AGENDA NO.</b>  NOV-98-L-113* REVISED
<b>3. BUREAU:</b> Law	<b>5. PUBLIC MEETING DATE:</b>
<b>4. SECTION(S):</b>	November 19, 1998
<b>6. APPROVED BY:</b>  Director: Pankiw 7-5000 <i>[Signature]</i> Supervisor:	<p align="center"><b>DOCKETED</b>          DEC - 1 1998</p>
<b>7. PERSONS IN CHARGE:</b> Moury 2-8883 <i>[Signature]</i>	
<b>8. DOCKET NO.:</b> <del>P-00984588</del> and R-00973953	

- 9. (a) CAPTION (abbreviate if more than 4 lines)**  
**(b) Short summary of history & facts, documents & briefs**  
**(c) Recommendation**
- (a) Emergency Petition of Conectiv Energy regarding the tying of competitive service under PECO Rates R and RH to service under PECO Rate OP.
- (b) Conectiv requests the Commission to declare that PECO may not condition a customer's receipt of competitive service under Rate R or Rate RH with the customer also receiving competitive service under Rate OP. PECO responds that its tariff provides for Rate OP service only in conjunction with service under specified rate schedules, including Rate R and Rate RH.
- (c) The Law Bureau recommends that the Commission adopt the proposed Order denying the Emergency Petition.

**10. MOTION BY:** Commissioner Chm. Quain

Commissioner Rolka - Yes  
 Commissioner Brownell - Yes  
 Commissioner Wilson - Yes

**SECONDED:** Commissioner Bloom

**CONTENT OF MOTION:** Staff recommendation adopted.

**DOCUMENT  
 FOLDER**

PENNSYLVANIA  
PUBLIC UTILITY COMMISSION  
Harrisburg, PA 17105-3265

Public Meeting held November 19, 1998

Commissioners Present:

John M. Quain, Chairman  
Robert K. Bloom, Vice Chairman  
David W. Rolka  
Nora Mead Brownell  
Aaron Wilson, Jr.

DOCUMENT  
FOLDER

Emergency Petition of Conectiv Energy  
Regarding the Tying of Competitive Services  
Under PECO Rates R and Rate RH to Service  
Under PECO Rate OP

Docket Nos. P-00981582  
R-00973953

DOCKETED

**ORDER**

NOV 24 1998

BY THE COMMISSION:

On October 14, 1998, Conectiv Energy (Conectiv) filed an Emergency Petition asking the Commission to declare that PECO Energy Company (PECO) cannot condition a customer's receipt of competitive service under Rate R (Residence Service) or Rate RH (Residential Heating Service) with the customer also receiving competitive service under Rate OP (Off-Peak Service). PECO filed a Motion to Strike and/or Dismiss and Answer to the Emergency Petition on October 20, 1998, to which Conectiv responded by letter on October 27, 1998. Thereafter, on November 11, 1998, PECO submitted a letter in reply to Conectiv's

SRB

response. Also, on October 22, 1998, the Mid-Atlantic Power Supply Association submitted a letter supporting Conectiv's Petition, and on November 5, 1998, Shell Energy Services Company, L.L.C. filed a Petition to Intervene and Response in support of Conectiv's Petition.

The issue presented by Conectiv's Petition is whether it is appropriate for PECO to require a Rate R/RH customer who also takes service under Rate OP to choose an alternative supplier to replace the total service received under Rate R/RH and Rate OP. Conectiv asserts that a Rate OP customer should be permitted to stay with PECO even if the customer chooses an alternative supplier to replace the service received under Rate R/RH. PECO contends, however, that since Rate OP service is provided in conjunction with Rate R or Rate RH service, the customer should be required to choose an alternative supplier to provide both Rate OP and Rate R/RH service.

Under PECO's tariff, Rate OP is available in conjunction with Rates R, RT, RH and with residence service under Rate GS, for customers meeting certain volts and wires specifications. Service provided under Rate OP may be interrupted during on-peak periods established by the Company, and any load connected for service under Rate OP may not be connected for service under any other rate during the period that service is interrupted. A fixed distribution service charge of \$4.58 per month is imposed on Rate OP customers, with an additional variable

distribution service charge of 3.65¢ per kWh. The Rate OP competitive transition charge is 0.00¢ per kWh and the energy and capacity charge is 1.23¢ per kWh.

In support of its position, Conectiv contends that each rate schedule should be viewed as a separate customer class, enabling each Rate OP customer to choose whether that service is provided by an alternative supplier, regardless of how the Rate R/RH service is provided. Additionally, Conectiv refers to PECO's definition of a customer as any person "receiving service at a single meter location from the Company." PECO Tariff Electric Pa. P.U.C. No. 3, Original Page No. 6. Since Rate OP customers have separate meters, accompanied by their own monthly charges, Conectiv argues that they should have an opportunity to choose a supplier, independent of whether they opt for alternative supply to replace their Rate R/RH service.

Further, Conectiv claims that PECO has not adequately advised Rate OP customers of their circumstances. Specifically, Conectiv asserts that PECO has identified only the Rate R/RH price to compare and that even with complete information, customers served under Rate OP and Rate R/RH would need to perform complex calculations to determine their combined price to compare.

Without the relief it has requested, Conectiv claims that the 28,788 Rate OP customers who have enrolled for customer choice will be deprived of competitive options. Noting that the price to compare, including generation and transmission

charges, for Rate OP service is 1.28¢ per kWh, Conectiv contends that it cannot offer any savings to these customers. In particular, Conectiv explains that because an alternative supplier “cannot control the interruption of a Rate OP customer it cannot capture the cost benefit of the interruptible nature of Rate OP service.”

Conectiv Petition at paragraph 4.

In response, PECO emphasizes the conjunctive nature of Rate OP service, and describes Rate OP as providing a residential customer with the opportunity “to shift a portion of its load to an off-peak period and, thereby, to incur a rate that reflects the lower cost of generation available to serve load during off-peak periods.” PECO Answer at page 5. Since Rate OP is not a stand-alone rate and has no viability as an electric service offering except in conjunction with Rates R or RH, PECO maintains that a customer currently receiving service under Rate OP must necessarily seek alternative supply for that portion of their load, as well as the service now received under Rate R/RH. PECO further notes that during its pilot program, a customer’s receipt of competitive service under Rate R/RH was conditioned on the customer also receiving competitive Rate OP service.

Acknowledging that a Rate OP customer has a separate meter and a separate customer charge, PECO notes the need for a special meter (at an additional cost) to measure the interruptible portion of the electric power supplied to the customer at a single location. As to Conectiv’s claims regarding its inability

to offer savings to Rate OP customers, PECO indicates that a major alternative supplier competing for residential service in its area is offering to match the Rate OP shopping credit and to provide savings relative to the shopping credit for the balance of the customer's service under Rate R/RH.

Further, in response to Conectiv's concern about its inability to realize any benefits from interruptible service, PECO claims that the interruptibility of OP service does provide value to alternative suppliers. In particular, PECO explains that since the interruptions occur during on-peak periods according to a specific schedule, an alternative supplier can obtain electric power at the lower costs available during off-peak hours to supply the OP portion of a customer's demand. In fact, PECO points out that Rate OP customers are not actually "interrupted." Rather, according to PECO, power is available at the off-peak rate only during the specified off-peak service periods.

Additionally, PECO contends that it is inappropriate to compare the all-hours shopping credit available under Rate R/RH and the OP shopping credit, which reflects the fact that OP load requirements need to be met primarily during low-cost, off-peak periods. PECO also claims that an alternative supplier should be expected to serve a residential customer's entire load, whether under Rate R/RH or OP.

As to Conectiv's averments regarding the adequacy of the price to compare information provided to Rate OP and Rate R/RH customers, PECO's response is that it clearly showed the price to compare for generation under Rate OP. Also, PECO's brochure, attached to its Answer as Appendix A, includes information directed at Rate OP customers, advising them of the need to procure energy for their off-peak account along with their regular rate account.

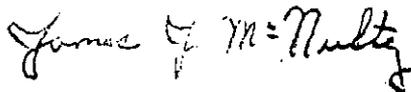
In our view, the language of PECO's tariff is controlling. The tariff provision establishing the availability of Rate OP service was submitted by PECO pursuant to a full settlement of its restructuring proceeding. Following approval of the settlement by Order entered on May 14, 1998, the Commission accepted PECO's distribution tariff containing this provision by Order entered on September 8, 1998.

Under the express terms of the tariff provision, a customer on Rate OP and Rate R/RH who chooses an alternative supplier for the basic residential service (Rate R/RH) would no longer qualify for service under Rate OP. The conjunctive nature of Rate OP service, in that it is available only to specified residential customers in conjunction with their basic service, makes it necessary for such a customer to shop for alternative supply to replace both their basic and their off-peak service.

Simply stated, unless an alternative supplier can beat the customer's price to compare, as calculated on the basis of their existing rates and consumption under both rate schedules, it will not be in the customer's best economic interest to switch at this time. While it is unfortunate that these customers may have fewer alternative options than are available to other residential customers, we note that the reason for this situation is that they are currently paying rates that are lower than the average residential prices. Further, based on our review of the notices sent to Rate OP customers, we are satisfied that PECO has adequately informed them of their situation; **THEREFORE, IT IS ORDERED:**

That the Emergency Petition of Conectiv Energy Regarding the Tying of Competitive Service Under PECO Rates R and RH to Service Under PECO Rate OP is hereby denied.

BY THE COMMISSION,



James J. McNulty  
Secretary

(SEAL)

ORDER ADOPTED: November 19, 1998

ORDER ENTERED: NOV 19 1998