



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

A-110550F0147

IN REPLY PLEASE
REFER TO OUR FILE

DOCUMENT
FOLDER

JULY 31, 2000

DANIEL GUSTAFSON
DOMINION RETAIL
5000 DOMINION BLVD.
GLEN ALLEN VA 23060

DOCKETED
AUG 04 2000

Re: PECO CDS Program Bidding

Dear Mr. Gustafson:

We have reviewed your proposal to provide competitive default service (CDS) for a portion of the electric residential customers in PECO Energy Company's service territory.

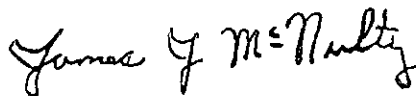
The proposal you have submitted, however, does not conform to the bid qualifications contained in the request for proposal. The purpose of this letter is to inform you that your bid is non-conforming. In order for the Commission to award the bid to your company, the non-conforming portions of your bid must be removed.

Please notify Mr. John Miller of the Commission's Bureau of CEEP at 717-783-1546 within 72 hours whether you would be willing to revise your proposal to meet the bid qualifications of the request for proposal. If Mr. Miller cannot be reached, please contact Assistant Counsel Patricia Krise Burket at 717-787-3464.

If you cannot agree to modify your proposal, you will have the opportunity to participate in direct negotiations with PECO Energy Company to enter into a bilateral CDS agreement, pursuant to the terms of PECO Energy Company's merger settlement approved by the Commission on June 22, 2000. PECO Energy Company's Joint Petition for Settlement of its Application for Approval of (1) A Plan of Corporate Restructuring, Including the Creation of a Holding Company and (2) the Merger of the Newly Formed Holding Company and Unicom Corporation, Docket A-110550F0147. A copy of the portion of the Joint Petition for Settlement relating to PECO's CDS Program is attached for your review. If you have questions concerning the CDS settlement provision please contact Ms. Delia Stroud at PECO Energy Company. Her number is 215-841-4257.

You will be notified by PECO Energy Company when the negotiations will begin. You should be notified on, or before (two weeks from the date of the Commission's letter.)

Very truly yours,

A handwritten signature in cursive script that reads "James J. McNulty".

James J. McNulty
Secretary

Attachment

cc: Barbara Bruin, Executive Director
Veronica A. Smith, Deputy Executive Director
Kevin Cadden, Manager of Communications
Patricia Krise Burket, Assistant Counsel
John C. Miller, Jr., CEEP
Wayne Williams, FUS
Al Miller, PECO Energy Company

possible but not to exceed four (4) business days. In the event of frequent and repetitive process or information transfer failures, the responsible party will provide additional resources, including EDI consultants, to meet promptly with the other party's point of contact to identify causal factors and develop a remediation plan for such failures. The responsible party shall inform the other party of the progress of all corrective actions taken. Nothing contained herein shall prevent the party alleging harm from filing a complaint with the PUC or pursuing other available remedies.

50. **Dispute Resolution.** PECO Energy agrees to apply and adhere to the Abbreviated Dispute Resolution Process set forth in Appendix E hereto to resolve disputes involving alleged violations of the Retail Access Code of Conduct, the GenCo Code of Conduct, alleged violations of its Electric Generation Supplier Coordination Tariff or a dispute allegedly affecting or threatening the ability of an entity to provide electric generation or related services to a customer or customers.

51. **PLR Marketing.** Until January 1, 2004, PECO agrees not to market, advertise and promote its Provider of Last Resort ("PLR") service. This agreement, however, shall not preclude PECO from providing objective information to customers of the availability and terms of PLR service as part of a Commission-approved consumer education program or in response to a specific consumer inquiries nor shall it prohibit PECO from continuing to conduct general corporate image advertising concerning, for example, PECO's role as a corporate citizen in the community or the reliability of PECO's distribution system, such as the current "Be Prepared" advertising campaign.

52. **Competitive Default Service.** PECO agrees to revise the currently existing Competitive Default Service ("CDS") auction process as follows:

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ADDRESSEES:

Gregory K. Lawrence
Attorney for Shell Energy Services Co., LLC
McDermott, Will, & Emery
600 13th Street, NW
Washington DC 20005-3096

Daniel Gustafson
Dominion Retail
5000 Dominion Blvd.
Glen Allen VA 23060

CC ADDRESSES:

(CC on Shell's letter only)

Judith W. Burow
Director of Regulatory Affairs and Market Analysis
Shell Energy Services Co., LLC
One Shell Plaza
PO Box 2463
Houston TX 77252

(cc on both letters)

Al Miller
PECO Energy Company
2301 Market Street
Philadelphia, PA 19101-8699



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600 13TH STREET NW
WASHINGTON DC 20005-3096

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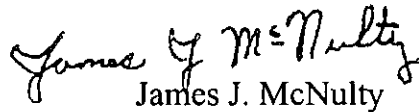
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52. **Competitive Default Service.** PECO agrees to revise the currently existing Competitive Default Service ("CDS") auction process as follows:

a. As of April 1, 2000, the Company will issue a Request for Proposal ("RFP") for electric generation supply and capacity only, excluding customer care functions (such as call center, collections and billing, etc.), that requires bids to be received on or before May 1, 2000. The winning bidder will be selected by the Commission by July 1, 2000. As required by the terms of its 1998 Electric Restructuring Settlement, PECO's divisional or affiliated EGSs may not bid, and the RFP will cover 20% of all of PECO's residential customers determined randomly from both shopping and non-shopping customers. The Company will adjust downward, as appropriate, the currently required surety to reflect the reduced risk to the Company associated with bids for only the energy and capacity component of PLR service.

b. In the event no winning bidder is selected through the RFP process, the Company agrees to engage in good faith negotiations with qualified suppliers to enter into a bilateral CDS agreement or agreements between PECO and one or more suppliers for provision of electric generation supply and capacity to the twenty percent (20%) of PECO's residential customers included in the CDS auction. PECO's divisional or affiliated EGSs may not participate in this process. For the bilateral agreements, EGSs are free to propose the stranded cost buy down. Any CDS bilateral agreement(s) resulting from these negotiations shall: (1) include a schedule for implementation; (2) shall not require CDS customers to pay generation rates in excess of the otherwise applicable shopping credits; (3) unless PECO otherwise agrees, shall not impose additional costs on PECO as compared to costs PECO would have incurred if the CDS load had been awarded in accordance with the terms of the 1998 Electric Restructuring Settlement; and (4) shall be filed with the Commission on or before October 1, 2000. Unless expressly provided herein, the CDS provisions in Paragraph 38 of the 1998 Electric Restructuring

Settlement shall remain in effect.

c. In the event that PECO is unable to reach agreement with any supplier on a CDS bilateral agreement by October 1, 2000, or in the event the Commission, by November 1, 2000, modifies, rejects or fails to approve any filed bilateral CDS agreement, and if, on January 1, 2001, less than 35% of all PECO's residential and commercial customers, by class, are obtaining generation service from an alternate EGS or PECO supplier affiliate or division, then PECO shall, as provided in the Company's 1998 Electric Restructuring Settlement, randomly assign, by class, to all licensed suppliers serving residential and/or commercial customers on its system, except PECO's divisional or affiliated EGSs, the percentage of such customers required to fulfill the January 1, 2001 thirty five (35%) market share threshold. Nothing contained herein shall absolve, limit or qualify PECO's obligation to randomly assign, by class, customers sufficient to achieve the 35% target, as set forth in Paragraph M. 39.a. of the 1998 Electric Restructuring Settlement. PECO shall assign said percentage of such customers among eligible suppliers in accordance with Commission-approved procedures. Any such assignment resulting from this process shall not require the assigned customers to pay generation rates in excess of the otherwise applicable shopping credits.

d. If, for reasons beyond PECO's reasonable control, the schedules outlined in Sections 53. a. and/or b., above, are not met, such that PECO is unable to select a CDS provider thereunder by January 1, 2001, then, for purposes of the assignment required by Section 53.c., above, the twenty percent (20%) of customers otherwise covered under Sections 53. a. and b. will nonetheless be included in calculating the required thirty-five percent (35%) market share threshold. Notwithstanding the above, in the event that, by September 1, 2000, a CDS provider

has not been selected pursuant to either Sections 53. a. or b., above, the Company shall, pursuant to the process set forth in Section 53. c., above, assign the percentage of customers necessary to reach the 35% market share threshold. This assignment shall fully satisfy the Company's CDS auction requirement.

53. **Shopping Credits (CTC/ITC True -Up).** The Company will reconcile all Competitive Transition Charge ("CTC") and Intangible Transition Charge ("ITC") (collectively "Transition Charge") revenues on an annual basis in two categories: (a) Residential; and (b) Commercial/Industrial (encompassing all commercial and industrial accounts). This change will become effective for the Section 1307 reconciliation proceeding determining rates for the year 2001. This modification of the reconciliation process will minimize changes to shopping credits in commercial and industrial rate classes by expanding the reconciliation base. The Company will notify customers by bill insert of the applicable shopping credits that result from the annual CTC/ITC reconciliation. Whenever possible, the Company will attempt to provide such notice in advance of the change becoming effective.

54. **"Fresh Start" For Special Contract Customers.** Notwithstanding any contrary contract term or condition, each customer that is party to an existing contract with PECO entered into under Rule 4.6, the Economic Efficiency Rider, the Incremental Process Rider or the Large Interruptible Load Rider of PECO's Tariff Electric-Pa. PUC ("Special Contracts") shall have a unilateral, one-time option to terminate such contract with PECO for Competitive Energy Supply. The customer may exercise the option by providing written notice via certified mail, return receipt requested, to the Vice President, Customer and Marketing Services, PECO Energy Company, 2301 Market Street, Philadelphia, Pennsylvania 19101 to be received during the sixty

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Attorney for Shell Energy Services Co., LLC
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Judith W. Burow
Director of Regulatory Affairs and Market Analysis
Shell Energy Services Co., LLC
One Shell Plaza
PO Box 2463
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