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August 9, 2013

VIA eFILING

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street  
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**Re:   Petition of PECO Energy Company for Approval of Its Default Service Program  
      (Customer Assistance Program Shopping Plan)  
      Docket No. P-2012-2283641**

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Dear Secretary Chiavetta:

Enclosed for filing is the **Reply Brief of PECO Energy Company** in the above-referenced matter.

Per the Certificate of Service, all parties will be served in the manner indicated.

Should you have any questions, please contact me directly at 215.963.5384. Thank you.

Very truly yours,



Kenneth M. Kulak

KMK/tp  
Enclosures

c:     Per Certificate of Service

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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 (CUSTOMER                :**  
**ASSISTANCE PROGRAM SHOPPING PLAN)     :**

**CERTIFICATE OF SERVICE**

I hereby certify and affirm that I have this day served copies of the foregoing **Reply Brief of PECO Energy Company** 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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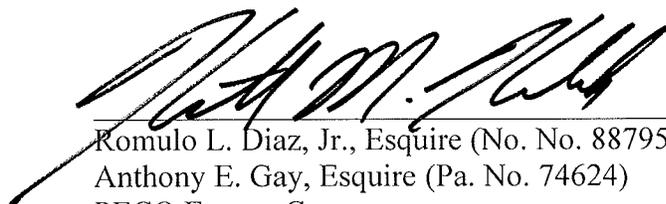
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August 9, 2013

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

<b>PETITION OF PECO ENERGY</b>	<b>:</b>	
<b>COMPANY FOR APPROVAL OF ITS</b>	<b>:</b>	<b>DOCKET NO. P-2012-2283641</b>
<b>DEFAULT SERVICE PROGRAM</b>	<b>:</b>	
<b>(CUSTOMER ASSISTANCE</b>	<b>:</b>	
<b>PROGRAM SHOPPING PLAN)</b>	<b>:</b>	

**REPLY BRIEF OF  
PECO ENERGY COMPANY**

**Before Administrative Law Judge  
Cynthia W. Fordham**

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August 9, 2013

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## I. INTRODUCTION

PECO Energy Company (“PECO” or the “Company”) files this Reply Brief in response to the Main Briefs of the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), Direct Energy Services, LLC (“Direct Energy”), the Philadelphia Area Industrial Energy Users Group (“PAIEUG”), and the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”) regarding PECO’s plan to implement shopping for competitive electric generation supply for approximately 140,000 low income customers enrolled in the Company’s Customer Assistance Program (“CAP”).

To a large extent, the arguments advanced by the OCA, Direct Energy, and CAUSE-PA in their respective briefs regarding PECO’s plan (the “CAP Shopping Plan” or “Plan”) were fully addressed in PECO’s Initial Brief and an extensive reanalysis is unnecessary.<sup>1</sup> However, as an aid to the Commission, this Reply Brief will revisit certain key areas of the Plan to clarify differences and address disagreements, including one issue above all others – whether the Commission should approve PECO’s proposed requirement that electric generation suppliers (“EGSs”) choosing to serve CAP customers must charge a price for generation supply at or below PECO’s “Price-to-Compare” (“PTC”) to help ensure affordability for low income customers and avoid a rate increase for all residential customers who pay for CAP.

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<sup>1</sup> Both the OSBA and PAIEUG urge the Commission to reject a non-bypassable charge proposed by Direct Energy that would allocate Plan costs to commercial and industrial customers as inconsistent with the Commission’s prior directives in this proceeding and the Commission’s policy of allocating CAP costs exclusively to customers who are eligible to enroll in CAP if they satisfy income requirements (i.e., residential customers). See OSBA Main Brief, pp. 5-7; PAIEUG Main Brief, pp. 4-7. As explained in PECO’s Initial Brief (p. 21), PECO agrees that Plan costs should not be recovered from commercial and industrial customers.

## II. ARGUMENT

### A. The Commission Should Adopt PECO's CAP Shopping Design Principles

As set forth in PECO's Initial Brief, the Electricity Generation Customer Choice and Competition Act, 66 Pa.C.S. §§ 2801 *et seq.* (the "Competition Act") establishes important goals and requirements regarding universal service, which the Commission has further addressed in its Retail Market Investigation as well as in PECO's default service and universal service program proceedings.<sup>2</sup> *See* PECO Initial Br., pp. 12-13. Consistent with the Competition Act and Commission orders, PECO's CAP Shopping Plan reflects five specific design principles (the "CAP Shopping Design Principles"):

- Ensure the plan is based upon the competitive shopping program that is in place for non-CAP customers;
- Maintain consumer protections for CAP customers;
- Contain plan costs for the residential customers who pay for CAP;
- Ensure CAP shopping costs and benefits are clear and measurable; and
- Ensure full and current recovery of plan costs.

PECO Initial Br., pp. 11-13. The OCA would like to expand the CAP Shopping Design Principles but agrees that these principles should be the foundation for PECO's CAP Shopping Plan (OCA Main Br., p. 11). CAUSE-PA seeks to expand enforcement of the principles as

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<sup>2</sup> *See Investigation of Pennsylvania's Retail Elec. Mkt.: End State of Default Serv.*, Docket No. I-2011-2237952 (Order entered February 15, 2013), pp. 55-62, and *Petition of PECO Energy Co. for Approval of its Default Serv. Program*, Docket No. P-2012-2283641 (Order entered October 12, 2012) ("*October 2012 Order*"), pp. 124-32; *see generally PECO Energy Co. Universal Serv. 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*").

discussed in Section II.F *infra*, while Direct Energy took no position.<sup>3</sup> In light of the reasons set forth in PECO's Initial Brief and the absence of opposition to these five principles, the Commission should approve each of the CAP Shopping Design Principles, without modification.

**B. Direct Energy's Objections To The Plan's Limitation On EGS Pricing For CAP Customers Are Without Merit**

In its Plan, PECO is proposing to require EGSs who choose to serve CAP customers to charge a price for generation supply that is equal to or less than PECO's PTC at all times to maintain customer protections and affordability for CAP customers as well as contain the amount of the "CAP shortfall" paid for by residential customers.<sup>4</sup>

The only party opposing this Plan requirement is Direct Energy, who argued that EGSs should be able to charge prices to low income customers without restriction in the same manner as EGSs charge non-CAP shopping customers. Direct Energy witness Kallaher argued that PECO's proposed pricing limitation is illegal, would create "significant price risk" for suppliers, and would require EGSs to include special early termination provisions in their contracts with CAP customers. Direct Energy St. 1, pp. 4-6.

The flaws in Mr. Kallaher's opposition to PECO's proposed pricing limitation were detailed by PECO witnesses McCawley and Cohn in their rebuttal testimony (PECO St. Nos. 2-

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<sup>3</sup> Any attempt by Direct Energy to introduce arguments regarding the CAP Shopping Design Principles or other aspects of PECO's CAP Shopping Plan in its Reply Brief, which it chose not to present in its Main Brief, should be disregarded by the Commission. Pennsylvania appellate court jurisprudence confirms that parties may not raise new arguments at the reply brief stage that could have and should have been presented earlier. *See, e.g., Park v. Chronister*, 617 A.2d 863, 871 (Pa. Cmwlth. 1992), *appeal denied*, 627 A.2d 731 (Pa. 1993) ("It is not the purpose of a reply brief to remedy a discussion of issues presented in an appellant's brief that is so poorly developed as to preclude meaningful appellate review.").

<sup>4</sup> As explained in PECO's Initial Brief, CAP customers receive electric service at a discounted rate and a portion of the total aggregate discount is subsequently recovered from residential customers through base rates and the balance through PECO's Universal Service Fund Charge ("USFC"). *See* PECO Initial Br., p. 4. In 2013, the amount of the CAP discount that will be recovered in base rates is projected to be \$82.3 million. The amount of the discount that will not be recovered through base rates – known as the "CAP shortfall" – is divided between residential distribution service customers (73%) and PECO's shareholders (27%). PECO projects that the additional amount of CAP discount paid by residential customers through the USFC in 2013 will be \$15.7 million. *See id.*

R, pp. 3-4 & 3-R, pp. 4-5) and in PECO's Initial Brief. In particular, PECO explained how unlimited EGS pricing could have substantial adverse consequences for both CAP customers and the residential customers who fund CAP, particularly given the large scale of PECO's program. PECO Initial Brief, pp. 16-18. Indeed, as demonstrated by Mr. Cohn's analysis of the impact above-PTC CAP pricing, if 25% of PECO's CAP customers shopped and their EGS prices were (or became) 10% above PECO's PTC on average, an additional \$1 million would need to be recovered annually from residential customers through the USFC. Similarly, to cover the amounts above the PTC paid to EGSs, CAP customers would experience bill increases that could require those low income customers to pay as much as 13% of their household income on electric service. PECO St. No. 3-R, pp. 4-5; PECO Exhs. ABC-1R & 2R.

In response to Mr. Kallaher's testimony that any restriction on EGS pricing may be illegal, PECO explained that the Commission has previously imposed pricing constraints on EGSs voluntarily participating in retail market enhancement ("RME") programs. PECO Initial Br., pp. 14-15. Finally, PECO noted its proposed pricing limitation will not require more complex EGS contracts since at least Direct Energy already includes provisions in its standard terms and conditions for residential customers which allow it to terminate a customer's contract if the contract "becomes uneconomical" to Direct Energy. *See id.*, p. 18.

Direct Energy's Main Brief simply repeats Mr. Kallaher's arguments in favor of charging CAP customers the same as all other shopping customers and does not address Mr. Cohn's analysis in any detail. Indeed, apparently as a result of its decision not to file any rebuttal or surrebuttal testimony in this proceeding and present evidence in response to the Company's testimony regarding the undesirable consequences for customers of above-PTC EGS pricing, Direct Energy now makes a variety of factual assertions regarding EGS activity, EGS pricing

and customer behavior which are unsupported by evidence in the record and cannot be relied upon by the Commission. *See, e.g.,* Direct Energy Main Br., p. 9 (asserting that PECO’s proposal will remove “a robust selection of EGSs and different products” from the market), Direct Energy Main Br., p. 10 (asserting that CAP customers on Direct Energy’s “Free Power Day” program are “likely” to save more than under PECO’s Plan and that it would be “impossible” for EGSs to offer “free furnace tune-ups or free energy audits” to CAP customers), & p. 11 (asserting that an EGS price above the PTC “usually is fleeting”). The legal arguments Direct Energy does make – that any restrictions on EGS prices are illegal and would violate the Competition Act and any price cap requirements would frustrate Pennsylvania’s policy goals (Direct Energy Main Br., pp. 7-12) – are entirely without merit.

As PECO explained in its Initial Brief (pp. 14-15), the Commission has previously imposed limitations on EGS pricing in RME programs where EGS participation is purely elective, particularly where the Commission seeks to introduce new customers to the competitive market. *See, e.g.,* *October 2012 Order*, pp. 114-16 (directing PECO to implement a Standard Offer Program with a 7% discount from PECO’s PTC and a one-year term). Under the Commission’s orders, restrictions on EGS pricing in RME programs in which EGSs can choose whether or not to participate plainly do not constitute unlawful regulation of EGSs under the Competition Act.<sup>5</sup> Moreover, under PECO’s Plan, EGSs that choose to serve CAP customers

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<sup>5</sup> Direct Energy’s reliance on the Commission’s Tentative Order on price labels for competitive products (Direct Energy Main Br., p. 7) to support its claim that the Commission cannot adopt any limitation on EGS pricing is unavailing. In the single sentence of the Tentative Order quoted by Direct Energy, the Commission was summarizing its residential customer information regulations and simply noted that EGSs set their own prices which are included in a consumer disclosure statement. *See* Tentative Order, *Use of Fixed Price Labels for Products With a Pass-Through Clause*, Docket No. M-2013-2362961 (entered May 23, 2013) (“Fixed Price Label Tentative Order”), p. 2, n. 3. The Commission did not apply or interpret the Competition Act with respect to EGS pricing for RME programs in the Tentative Order. Nor did the Commission abrogate its prior orders in this proceeding and in other electric distribution companies’ (“EDCs”) default service proceedings imposing restrictions on EGS pricing for standard offer customer referral programs.

will continue to be able to compete and set their own prices, subject to the requirement that the price for generation supply for a CAP customer does not exceed the applicable PTC.

Direct Energy's second contention (Direct Energy Main Br., p. 8) that the Plan's pricing limitation "thwarts" public policy by purportedly creating a significant price risk for EGSs is unpersuasive for several reasons discussed in detail in PECO's Initial Brief. In essence, Direct Energy's policy argument is rooted in its assumption that EGSs should not incur any risk of loss in serving CAP customers. However, Direct Energy's own witness conceded that EGSs will not always have to adjust their prices as the PTC changes quarterly and, in any event, EGSs can compete to serve CAP customers with different prices, terms and contract provisions in light of publicly available information regarding PECO's wholesale default service supply contract prices and their own competing views of wholesale market risk. PECO Initial Br., pp. 14-16.

Contrary to Direct Energy's assertions, PECO does not generally believe that any price charged by an EGS that exceeds PECO's PTC is "somehow unreasonable," but Direct Energy entirely fails to establish that above-PTC prices will be reasonable for CAP customers in light of the CAP discounts paid for by other customers. Nor does Direct Energy provide any basis for its belief that all residential customers should be required to subsidize above-PTC prices charged by EGSs. *See* Direct Energy Main Br., p. 11; PECO Initial Br., pp. 15-18.<sup>6</sup> For these and other reasons set forth in PECO's Initial Brief, the Commission should approve PECO's proposed pricing limitation, which allows CAP customers to achieve energy bill savings through shopping

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<sup>6</sup> Direct Energy appears to believe the Commission should change PECO's CAP instead of requiring EGSs who choose to serve CAP customers to charge prices equal to or less than the PTC. *See* Direct Energy Main Br., p. 11. However, this is not the proceeding for consideration of alternatives to PECO's CAP: the Commission already gave extensive consideration to alternatives in the *2013 Universal Service Order*. *See 2013 Universal Service Order*, pp. 15-25. Furthermore, as noted in PECO's Initial Brief, PECO is presently testing different overall CAP designs and will report its analysis to the Commission in September 2013. PECO Initial Br., p. 23.

without unnecessarily compromising affordability or increasing the costs for residential customers who pay for CAP.

**C. PECO's Proposal To Recover CAP Shopping Plan Implementation Costs From EGSs Through A Discount On EGS Receivables Purchased Through The Company's Purchase Of Receivables ("POR") Program And From Residential Customers Through The USFC Is Consistent With The Commission's Prior Orders In This Proceeding**

**1. Direct Energy's and the OCA's Cost Allocation Proposals are Inconsistent with Commission Precedent**

As explained in PECO's Initial Brief (pp. 19-20), the Commission has previously determined that RME program costs should be recovered from both EGSs and customers eligible to participate in those programs. Specifically, the Commission directed PECO to recover the first \$30 of Standard Offer Program costs through a customer enrollment fee paid by EGSs and recoup any remaining balance in one of two ways: (1) from customers eligible to participate in RME programs through a non-bypassable charge; or (2) 50% from EGSs through a POR discount and 50% from default service customers through PECO's Generation Supply Adjustment ("GSA"). Order, *Petition of PECO Energy Co. for Approval of its Default Serv. Program*, Docket No. P-2012-2283641 (Order entered February 14, 2013) ("*February 2013 Order*"), p. 13. PECO selected the latter option, which was approved by the Commission in its June 13, 2013 Order in this proceeding ("*June 2013 Order*"). In similar fashion, PECO proposes to recover 50% of CAP Shopping Plan implementation costs (exclusive of customer education costs) from EGSs through the POR discount<sup>7</sup> and the remaining 50% of costs from all residential

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<sup>7</sup> As noted in PECO's Initial Brief (p. 7), the Company proposes a slight increase (i.e., 0.1%) to the 0.2% POR discount level approved by the Commission in the *June 2013 Order* (pp. 9-10) to recover both the Plan and Standard Offer Program costs allocated to EGSs.

customers under the USFC.<sup>8</sup> PECO Initial Br., p. 20.

Direct Energy asserts that PECO's distribution customers should pay all of the costs to implement the CAP Shopping Plan (exclusive of customer education costs), and conversely, the OCA (supported by CAUSE-PA) contends that EGSs should pay all of those costs. Direct Energy Main Br., pp 13-15; OCA Main Br., pp. 40-41; CAUSE-PA Main Br., pp. 15-16. Both Direct Energy and the OCA leave unmentioned the *February 2013 Order* and the *June 2013 Order* in their respective Main Briefs. The Commission carefully and extensively weighed EGS arguments regarding the general benefits to customers of a robust competitive market and the alleged inappropriateness of the use of a POR discount to recover RME program costs against the OCA's and CAUSE-PA's competing position that EGSs should pay all RME program costs and the resolution of RME cost recovery previously decided should not be revisited. *Cf. February 2013 Order*, pp. 5-13.

**2. PECO's Proposed One-Year Amortization Period Appropriately Aligns Plan Costs with the Clearly Established Implementation Period and is Consistent with Prior Commission Orders**

This issue was addressed in detail in PECO's Initial Brief (p. 23), and only one point warrants additional discussion here. The OCA contends that recovery of the Plan implementation costs should be spread out over three to five years because the benefits of CAP customer shopping will continue "well beyond one or even two years." OCA Main Br., pp. 42-43. However, PECO's proposed one-year amortization period properly matches implementation costs with the clearly established time period (i.e., the remainder of the two-year DSP II term) in which the Plan will be in place. PECO St. Nos. 3-R, p. 5 & 3-SR, pp. 2-3. Additionally,

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<sup>8</sup> The Standard Offer \$30 per-customer enrollment fee has been eliminated because EGSs serving CAP customers will not benefit from the same type of reduction in customer acquisition costs as under the Standard Offer Program. PECO Initial Br., p. 20.

PECO's proposal is consistent with the Commission-approved amortization of other DSP II-related information technology ("IT") expenditures, including those related to RME programs such as the Standard Offer Program. *See October 2012 Order*, p. 64.

**3. The USFC is the Appropriate Cost Recovery Mechanism to Ensure Full Recovery of Plan Costs From all Residential Customers**

As explained in PECO's Initial Brief (p. 7), PECO is proposing to collect the portion of Plan implementation costs assigned to customers through the USFC. The OCA (now joined by CAUSE-PA; *see* CAUSE-PA Main Br., p. 15), objected to PECO's proposal based on its view that the CAP Shopping Plan is not a universal service program. OCA Main Br., pp. 42-44.<sup>9</sup> However, the OCA neglects to identify what appropriate rate mechanism it would support to recover CAP Shopping Plan costs from residential customers should the Commission agree with PECO's proposal to recover costs from both EGSs and residential customers. In its Initial Brief, PECO refuted the OCA's principal arguments against the use of the USFC to recover Plan costs, explaining that PECO's proposal properly recovers costs from all residential customers who are eligible for CAP upon satisfaction of the program's household income thresholds and that it is consistent with the Commission's prior approval of full and current recovery of CAP-related costs for other EDCs with customer assistance programs that incorporate shopping. PECO Initial Br., pp. 23-25.

In its Main Brief, the OCA offers an additional reason for disallowing recovery of CAP Shopping Plan costs from residential customers through the USFC. Specifically, the OCA asserts that PECO improperly characterizes the CAP Shopping Plan as an RME program for purposes of cost allocation and amortization, but then a universal service program for purposes

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<sup>9</sup> As previously noted in its Main Brief, CAUSE-PA echoes the cost recovery arguments advanced by the OCA, which should be rejected for the reasons previously explained.

of the particular mechanism utilized to recover costs from customers. OCA Main Br., p. 44. This unsupported argument is irrelevant: Regardless of the Plan's characterization, PECO is entitled to full recovery of its costs to implement the CAP Shopping Plan. *See February 2013 Order*, p. 13 (allowing full and current cost recovery of the portion of Standard Offer Program costs assigned to customers through either a non-bypassable surcharge or the GSA); Final Investigatory Order, *Customer Assistance Programs: Funding Levels and Cost Recovery Mechanisms*, Docket No. M-00051923 (entered December 18, 2006), pp. 13-18 (finding that EDCs may establish a surcharge to recover their CAP costs because requiring recovery of universal service costs through bases rates contradicts the Competition Act's mandate of full cost recovery). Moreover, the use of the GSA to recover Plan costs from customers is inappropriate for the reasons explained in PECO's Initial Brief (p. 24). Nonetheless, the OCA does not recommend another rate mechanism that would provide full recovery of Plan costs allocated to customers. Accordingly, PECO's proposal to recover IT expenditures necessary to implement a new feature of CAP – shopping – through the USFC from all residential customers who would be eligible for CAP upon meeting the household income thresholds is reasonable and should be approved by the Commission.

**D. PECO's Reporting Requirements For EGSs That Elect To Serve CAP Customers Are Reasonable And Support The Commission's Evaluation Of The Universal Service Impact Of The CAP Shopping Plan**

Direct Energy was the only party that expressed concern with respect to PECO's proposal to require EGSs that choose to serve CAP customers to provide the Commission and PECO semi-annual confidential reports on the number of CAP customers served and the rates charged with the following parameters for each customer served: (1) supplier name; (2) PECO customer account number; (3) the EGS CAP rate (per kWh); (4) PECO's prevailing residential PTC(s) for

the month in which the EGS serves the customer during the six-month reporting period; and (5) the start and end date for the CAP rate charged to the CAP customer during the six-month reporting period. Direct Energy Main Br., pp. 16-17. The arguments against PECO's proposed reporting parameters advanced in Direct Energy's Main Brief should be rejected for the reasons set forth below and in PECO's Initial Brief.

Direct Energy errs in contending that PECO's proposed reporting parameters go beyond the metrics required to evaluate the Plan and place an unnecessary burden on EGSs participating in the CAP retail market.<sup>10</sup> Direct Energy suggests that limiting EGS reporting to the total number of customers on each rate code with the price for such rate code on a monthly basis would provide sufficient information for PECO to comply with its universal service reporting obligations under the Commission's regulations at 52 Pa. Code § 54.76. Direct Energy Main Br., p. 16. Direct Energy's proposal should be rejected because the impact of CAP shopping on affordability and the CAP shortfall could not be determined with limited aggregated information as Direct Energy contends. For example, the PECO customer account number is necessary to determine each shopping CAP customer's CAP discount percentage level, and in turn, the impact of the EGS CAP price on affordability and the CAP shortfall. *See* PECO Initial Br., pp. 27-28.

**E. The Plan Contains Sufficient Customer Protections For PECO's Residential Customers Who Become Eligible Or Ineligible For CAP Benefits While Receiving EGS Service**

This issue was fully addressed in PECO's Initial Brief (pp. 28-30), and PECO notes only that it agrees with the OCA (OCA Main Br., p. 23) that EGSs must honor the terms of their

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<sup>10</sup> Direct Energy also asserts that EGS reports should not be discoverable in any future proceeding because the CAP pricing data contained in those reports is allegedly sufficient for Plan evaluation and irrelevant in future Commission proceedings. Direct Energy Main Br., pp. 16-17. However, as explained in PECO's Initial Brief (p. 28), EGSs may seek appropriate provisions in protective orders that they believe are necessary to protect the confidentiality of specific CAP pricing information in future proceedings and the Commission should not prejudge the relevance of such information.

contract with a CAP customer even after an EGS receives notice that such customer is no longer enrolled in CAP.

**F. CAUSE-PA's Proposal To Expand PECO's Administrative Role With Respect To The Plan To Include Monitoring And Enforcement Responsibilities Should Be Rejected**

In its Main Brief (pp. 13-15), CAUSE-PA reiterates the arguments advanced by its witness, Mitchell Miller, for the imposition of monitoring and enforcement responsibilities on PECO to ensure advancement of PECO's CAP Shopping Design Principles. None of these arguments is valid for the reasons set forth in PECO's Initial Brief (pp. 30-32).

**G. Annual Reconciliation Of GSA Over/Under Collections Will Encourage EGSs To Participate In The CAP Retail Market**

As explained in its Initial Brief (pp. 32-33), PECO proposes annual reconciliation of prior period GSA over/under collections, along with advancement of its residential PTC filing schedule by thirty days, to facilitate EGS tracking of PECO's default service rates and to encourage EGSs to serve CAP customers. The OCA affirmatively supports PECO's proposal for annual reconciliation; Direct Energy does not. For the reasons set forth below and in PECO's Initial Brief, the arguments advanced by Direct Energy opposing the use of an annual instead of quarterly schedule for reconciliation of GSA over/under collections should be rejected.

Direct Energy's contention that annual reconciliation conflicts with the Commission's final order in its Retail Markets Investigation in which it envisioned an end state of default service with quarterly procurements is wrong. As PECO discussed in its Initial Brief, annual reconciliation will not change the schedule of default service supply procurements or the frequency (i.e., quarterly) of adjustments to default service rates. Moreover, Direct Energy acknowledges that annual reconciliation will address fluctuations in the PTC that are unrelated to underlying market prices, but prefers another unspecified solution. Direct Energy Main Br., pp.

18-19. Indeed, Direct Energy witness Kallaher conceded that annual reconciliation may have benefits for EGSs serving CAP customers if PECO's Plan is adopted as filed. *See* Direct Energy St. 1, p. 13.

**H. PECO's Customer Education Initiatives Are Appropriate And Should Be Adopted**

In its Initial Brief (pp. 34-35), PECO addressed the OCA's and CAUSE-PA's recommendation regarding the content of CAP shopping educational communications and materials. PECO explained that given the Company's commitment to collaborate with interested parties on the specific content of those communications, the Commission need not address the OCA's and CAUSE-PA's recommendations. To the extent that the OCA continues to recommend that PECO target customers who leave CAP, the Company again notes that the OCA's proposal would lead to the incurrence of additional costs which are unrelated to CAP. PECO Initial Br., p. 35.

**I. CAUSE-PA's Aggregation Proposal Does Not Allow Individual Choice With Respect To CAP Shopping**

In its Initial Brief (pp. 35-36), PECO explained that it considered, but did not incorporate, aggregation into its CAP Shopping Plan consistent with the Commission's strong preference for individual choice with respect to shopping. *See* Declaratory Order, *In Re: Retail Energy Supply Ass'n*, 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. 9. In its Main Brief, CAUSE-PA continues to assert that retail aggregation should be an option explored by the Commission to enable CAP customer shopping. CAUSE-PA Main Br., pp. 16-17. However, as discussed in PECO's Initial Brief (p. 36), the Plan provides a shopping experience most similar to other residential customers, while avoiding unnecessary increases in low income customer bills and the CAP shortfall. Accordingly, the Plan strikes a reasonable

balance among the Commission's retail market and universal service policies set forth in the Competition Act, without requiring the creation and implementation of an entirely new aggregation program.

**J. PECO's Standard Offer Program Collaborative And Revised Date For The Commencement Of CAP Shopping Should Be Approved**

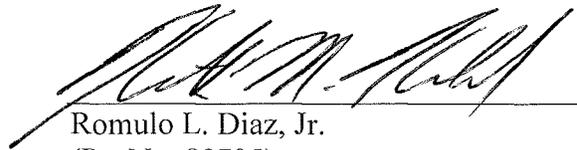
In PECO's Initial Brief, the Company described its proposed collaborative to address program changes necessary to extend the Standard Offer Program to CAP customers and requested a brief extension of the Plan commencement date from April 1, 2014 to April 15, 2014 to accommodate PECO's integrated IT programming process. PECO Initial Br., pp. 36-38. No party opposed these components of PECO's CAP Shopping Plan, and the Commission should therefore approve both the collaborative and the revised commencement date.

**III. CONCLUSION**

For the reasons set forth above and in PECO's Initial Brief, the Commission should enter an Order approving PECO's CAP Shopping Plan and adopting its CAP Shopping Design Principles. In addition, the Commission should: (1) approve the proposed changes to the Company's Electric Tariff and Electric Generation Supplier Coordination Tariff to implement the Plan and achieve full and current recovery of Plan costs; (2) grant the waiver requested in the Petition to implement annual reconciliation of Generation Supply Adjustment

over/undercollections; and (3) extend the deadline for implementation of CAP shopping in PECO's service territory from April 1, 2014 to April 15, 2014.

Respectfully submitted,



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