

COMMONWEALTH OF PENNSYLVANIA



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August 5, 2014

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 Plan for the Period from June 1,
2015 through May 31, 2017
Docket No. P-2014-2409362

Dear Secretary Chiavetta:

Enclosed please find the Office of Consumer Advocate's Main Brief 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: Honorable Cynthia W. Fordham
Certificate of Service

*181247

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of PECO Energy Company :
For Approval of its Default Service :
Program for the Period Service Program : Docket No. P-2014-2409362
For the Period from June 1, 2015 Through :
May 31, 2017 :

MAIN BRIEF
OF THE OFFICE OF CONSUMER ADVOCATE

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Dated: August 5, 2014

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I. INTRODUCTION AND PROCEDURAL HISTORY

The Office of Consumer Advocate (OCA) submits this Main Brief in the matter of Petition of PECO Energy Company (PECO or Company) for Approval of its Default Service Program for the Period from June 1, 2015 through May 31, 2017 (Petition or DSP III) in accordance with the procedural schedule adopted by Administrative Law Judge Cynthia Williams Fordham. The Petition addresses the default service plan of PECO for the period June 1, 2015 through May 31, 2017. The Company's current default service plan expires on May 31, 2015 (DSP II).

Intervenors in this proceeding include: the OCA; Office of Small Business Advocate (OSBA); the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA); FirstEnergy Solutions Corp. (FES); Noble Americas Energy Solutions, LLC (Noble); Retail Energy Supply Association (RESA); NextEra Energy Power Marketing, LLC (NextEra); PECO Energy Suppliers Group (PESG); Direct Energy, LLC (Direct); Interstate Gas Supply (IGS); and Philadelphia Area Industrial Energy Users Group (PAIEUG).

At hearings in this matter on July 17, 2014, the OCA submitted into the record the Direct, Rebuttal and Surrebuttal Testimonies and accompanying exhibits of Richard S. Hahn¹ and Barbara R. Alexander.² The OCA submits this Main Brief pursuant to the ALJ's Second Prehearing Order dated April 14, 2014 in support of its positions.

¹ Mr. Hahn is a principal consultant with LaCapra Associates in Boston, Massachusetts. Mr. Hahn has a Bachelor of Science in Electrical Engineering, a Master of Science in Electrical Engineering, both from Northeastern University (1973 and 1974, respectively). He also has a Master in Business Administration from Boston College (1982). Mr. Hahn is a registered professional engineer in Massachusetts. He has worked in the electric utility industry for over 35 years and has diverse experience with both regulated and unregulated companies. Mr. Hahn's qualifications are detailed in OCA St. 1 at 1-2, Exh. RSH-1.

² Ms. Alexander is a Consumer Affairs Consultant who works on consumer protection and customer service issues associated with utility regulation. Ms. Alexander is an attorney and a graduate of the University of Michigan (1968) and the University of Maine Law School (1976). Prior to opening her consulting practice in 1996, she spent nearly ten years as the Director of the Consumer Assistance Division of the Maine Public Utilities Commission. Her

II. DEFAULT SERVICE PROCUREMENT AND IMPLEMENTATION PLANS

A. **Summary of OCA's Position**

As discussed in further detail in this Main Brief, the OCA submits the following recommendations regarding PECO's DSP III proposal. With regard to PECO's proposed procurement portfolio for DSP III:

Supply Mix: The OCA recommends utilizing one-year and two-year fixed price, full requirements contract (FPFRCs) for 96% (60 tranches) of residential default service load, as proposed by the Company. However, the OCA recommends that the Company's proposal to include 53-month FPFRCs not be accepted. The OCA recommends using spot market purchases to supply the remaining 4% of load, or about 2.5 tranches.

Procurement schedule: The OCA recommends conducting the Spring procurement during the month of March, instead of during the January to February time frame proposed by the Company.

Contingency Plan: The OCA recommends that the Company modify its contingency plan to include immediately issuing additional RFPs for default service power supplies, and attempting to understand the underlying cause of any shortfall or supplier failure. If it becomes apparent that the lack of adequate supplier interest is likely to exist for some time, then the Company should resort to a combination of block and spot products rather than relying 100% on spot purchases for an extended period of time.

Supplier Master Agreement (SMA): Sections 6.1 and 6.5 of the proposed SMA provide considerable discretion to the Company. Because the SMA was the result of a collaborative process, the OCA recommends that the Company exercise caution in applying this discretion and only do so when it can be demonstrated to provide benefits to ratepayers.

OCA St. 1 at 2-4.

With regard to the Company's proposals for rate design and cost recovery for DSP III:

Reconciliation Mechanism: The OCA recommends the following changes: (1) adjust the default service rates twice per year, and (2) utilize a 12-month rolling average reconciliation period.

current consulting practice is directed to consumer protection, customer service and low-income issues associated with both regulated and retail competition markets. Ms. Alexander's qualifications are detailed in OCA St. 2 at 1-3, Exh. BA-1.

OCA St. 1 at 3.

With regard to PECO's proposals for the Standard Offer Program:

Disclosure Statements: The OCA recommends that the Company clarify disclosure statements to ensure customers understand the nature of the 7% discount, both in the current program and for DSP III;

Customer Notices and Contract Renewal: The OCA recommends that the Commission require that EGSs provide the notices to consumers at the end of the 12-month contract period as required in the Commission's new regulations and adhere to all provisions of the new regulations regarding contract renewal;

Implementation Costs: The OCA recommends that the Company explore options to reduce unusually high program implementation costs; and

Customer Surveys or Focus Groups: The OCA recommends that the Company conduct customer surveys or focus groups, and convene stakeholder meetings to discuss necessary improvements to the program before any decision to continue the program through the DSP III period is made.

OCA St. 1 at 3-5. The OCA does not necessarily oppose the continuation of the SOP through DSP III, but submits that the Commission should conduct an examination of the program as its first year comes to an end to determine whether it is necessary and beneficial, and whether improvements should be made for the 2015-2017 time period.

B. Residential Class Procurement

i. Introduction

The OCA generally agrees with the Company's proposed residential class portfolio for default service power supply. The OCA has proposed one modification to PECO's proposed supply portfolio mix and proposed adjustments to the proposed procurement schedule. As discussed in more detail below in Section II.B below, the OCA submits that the Company should replace its proposed 53-month Fixed Price Full Requirements Contract (FPFRC) with a spot market product. In DSP II, the Company began a transition to eliminate or phase out the block purchases that were part of its prior Default Service Plans. OCA St. 1 at 4. PECO's proposal for

DSP III is to continue to transition to a mix without the block and spot purchases, retaining only 0.8% of spot and including a long-term full requirements contract. The OCA submits that the Company's primary reliance on one or two year contracts is reasonable at this time. The OCA respectfully submits, however, that the Company's proposal to acquire two 53-month full requirements tranches should be reconsidered. The OCA submits that 53-month FPFRCs are not standard products, and the premiums included in such products are not fully understood. OCA St. 1 at 7. For long-term supply purchases, block products are more reasonable, but with the phase-out of the block and spot purchases, the OCA does not recommend it here. Instead, the OCA recommends replacing the 53-month FPFRCs with a modest percentage of spot market purchases. Under the OCA proposal, 4% of supply would be comprised of spot market purchases while the remaining 96% would be as proposed by PECO.

The Company also proposes a procurement schedule with solicitations for default service generation for residential customers twice per year. The OCA generally supports the Company's procurement schedule, with modifications as detailed below.

ii. Legal Standard For Residential Default Service Procurement

Default service is the basic service that Pennsylvania's electric customers are entitled by law to receive if they do not switch to an alternative retail electric supplier (EGS), or if their alternative EGS fails to provide them with service. PECO is the Default Service Provider in its service territory, and as such must offer default service that meets specific legal requirements. Act 129 of 2008 and the Commission's regulations provide the framework that default service must meet and sets forth specific parameters for the procurement of electric default service in Pennsylvania.

The General Assembly in 2008 set forth a definition of the default service provider (DSP) and established procurement standards for the provision of default service. Under Section 2807, PECO, as the DSP, is required to provide electric generation supply service to all of its default service customers through a Commission approved competitive procurement plan. 66 Pa. C.S. § 2807(e). Under Act 129, generation is to be obtained through competitive procurement processes, such as auctions, requests for proposals, and bilateral agreements. Id. As part of a procurement plan, Act 129 requires a mix of power as follows:

The electric power procured pursuant to paragraph (3.1) shall include a prudent mix of the following:

- (i) Spot market purchases.
- (ii) Short-term contracts.
- (iii) Long-term purchase contracts, entered into as a result of an auction, request for proposal or bilateral contract that is free of undue influence, duress or favoritism, of more than four and not more than 20 years.

66 Pa. C.S. § 2807(e)(3.2).

The Act requires that default supply must include a prudent mix of the various type of contracts. Under Act 129, the mix of contracts must be designed to achieve certain goals, as follows:

The prudent mix of contracts entered into pursuant to paragraphs 3.2 and 3.3 shall be designed to ensure:

- (i) Adequate and reliable service.
- (ii) The least cost to customers over time.
- (iii) Compliance with the requirements of paragraph (3.1).

66 Pa. C.S. § 2807(e)(3.4).

Act 129 further requires that the Commission evaluate whether the default supplier's plan meets the requirements of the Act. The Commission must take several factors into consideration, and must make specific findings that the default supplier's plan meets the requirements of the Act, as follows:

(3.7) At the time the commission evaluates the plan and prior to approval, in determining if the default electric service provider's plan obtains generation supply at the least cost, the commission shall consider the default service provider's obligation to provide adequate and reliable service to customers and that the default service provider has obtained a prudent mix of contracts to obtain least cost of a long-term, short-term and spot market basis and shall make specific findings which shall include the following:

- (i) The default service provider's plan includes prudent steps necessary to negotiate favorable generation supply contracts.
- (ii) The default service provider's plan includes prudent steps necessary to obtain least cost generation supply contracts on a long-term, short-term and spot market basis.
- (iii) Neither the default service provider nor its affiliated interest has withheld from the market any generation supply in a manner that violates Federal law.

66 Pa. C.S. § 2807(e)(3.7).

Act 129 commenced by identifying three "public policy findings" and "objectives of the Commonwealth" that were to be served by the Act. The first of these finding included the need to ensure the availability to all Pennsylvanians of "adequate, reliable, affordable, efficient and environmentally sustainable electric service at the least cost, taking into account any benefits of price stability over time." Preamble to Act 129, 2008 Pa. Laws 129. The General Assembly went on to declare that it is in the public interest to adopt "energy procurement requirements designed to ensure that electricity obtained reduces the possibility of electric price instability, promotes economic growth and ensures affordable and available electric service to all residents."

Id.

Here, PECO must obtain a prudent mix of supplies designed to provide service at the least cost to customers over time. PECO's default service must be reliable, adequate and designed to reduce price instability. The OCA submits that the above legal framework provides the foundation upon which PECO's DSP III Plan must be reviewed.

As discussed in more detail below in Sections II.B.1 and II.B.2, the OCA generally supports the Company's proposed Default Service Plan. The OCA has recommended modifications designed to build upon the foundation established by PECO, consistent with the law.

1. Term Length and Type of Supply Contracts

a. The OCA's Proposed Modifications

The OCA supports PECO's proposed supply mix of one-year and two-year FPFRCs for 96% of residential default service supply. These proposed one-year and two-year FPFRCs are standard products that should be readily available from an adequate number of suppliers. OCA St. 1 at 7. The OCA recommends one change, however, to PECO's proposed supply mix. PECO proposes to replace the last remaining 60-month, 50 MW block product in its current supply mix with a 53-month FPFRC. The OCA recommends using spot market purchases to supply the remaining 4% of load, or about 2.5 tranches, rather than a 53-month FPFRC. As OCA witness Hahn testified, a 53-month FPFRC is not a standard product and may come with an excessive risk premium. As such, if a block product is not to be used for a long-term purchase of 50 MW, OCA witness Hahn recommends the use of a spot purchase for the remaining 4% of load. OCA St. 1 at 8.

Regarding the Company's proposed supply mix, the OCA submits that the Company's proposal to procure a 53-month FPFRC raises concerns. As explained by OCA witness Hahn:

A 53-month FPFRC is not a standard product, and I believe that a contract of this length for this type of product will result in excessive risk premium being paid by residential customers. While I support the inclusion of long-term standard block products, those products are being phased out. Including non-standard, long-term products in the supply is unlikely to achieve a least cost portfolio over time.

OCA St. 1 at 7-8. Instead, the OCA recommends using spot market purchases to supply the remaining 4% of load, or about 2.5 tranches. OCA St. 1 at 7.

In Rebuttal Testimony, PECO witness McCawley stated that the Company would be willing to replace the two tranches of 53-month product with two tranches of two-year FPFRC products to provide additional price stability. PECO St. 2-R at 6. The OCA submits that this proposal addresses the central concern with the non-standard 53-month FPFRC products (*i.e.*, excessive risk premiums). This proposal, however, does not provide additional diversification of supply. The Company currently only proposes to procure 0.8% of its residential portfolio from something other than one- or two-year contracts. The 0.8% is for spot purchases but this may be too small to provide a meaningful benefit. OCA witness explained

Mr. McCawley would accept replacing the 53-month FPFRC with 24-month FPRCs, but opposes replacing the 53-month FPFRC with spot because spot products “will provide no price stability.” Under this approach, PECO would have 99.2% of its supply portfolio in short term contracts and 0.8% in spot. As I testified in my direct testimony, having only 0.8% of the supply mix from spot purchases is simply too small to provide any meaningful diversification of supply. Having 4% spot purchases will not significantly affect price stability, and will introduce a small component of real-time movement.

OCA St. 1-S at 2 (footnote omitted).

As OCA witness Hahn testified, having only 0.8% of the supply mix from spot purchases does not provide meaningful diversification of the Company’s supply mix. The inclusion of 4% spot supply does not disrupt the Company’s proposed 12 and 24 month FPFRCs mix, addresses those issues associated with the proposed 53-month FPFRC, and is consistent with Act 129. The OCA recommends replacing the 53-month FPFRC with spot market purchases to supply the remaining 4% of load. OCA St. 1 at 8.

b. RESA’s Proposed Residential Procurement Plan

In contrast to the Company's proposed portfolio of primarily one-year and two-year FPFRCs, RESA witness Hudson recommends an alternative procurement plan for residential default service customers which relies primarily upon moving to 90-day products. Mr. Hudson recommends: (1) eliminating the long-term, 53-month contracts; (2) phasing out reliance on longer term, 18 month and 24-month contracts; and (3) introducing 3-month contracts into the portfolio and moving to a larger percentage of 3-month contracts by the end of the DSP III period. RESA St. 1 at 11, Exh. RJH-2.

Neither PECO nor the OCA support RESA witness Hudson's proposal. OCA St. 1-R at 2-3; PECO St. 2-R at 5; PECO St. 3-R at 2. The OCA has substantial concerns with RESA's proposal which may result in increased price volatility for residential customers. Specifically, the OCA is concerned that RESA's alternative proposal will increase rate volatility unnecessarily. As Mr. Hahn explained:

The RESA proposal calls for the three-month contract terms to occur as follows: (1) the summer period from June to August, (2) the fall period from September to November, (3) the winter period from December to February, and (4) the spring period from March to May. This will result in two high priced periods – the summer and winter – and two lower priced periods – the spring and the fall. This will result in unnecessary rate volatility, which is generally disliked by residential customers.

OCA St. 1-R at 3.

PECO witnesses McCawley and Fisher also cite concerns with exposing residential customers to substantial price volatility. PECO St. 2-R at 5; PECO St. 3-R at 2. PECO witness Fisher testified:

In fact, my analysis indicates that the degree of rate instability of Residential default service customers would double if the type of Residential supply portfolio to which Mr. Hudson recommends transitioning were approved, and maintaining the product term lengths that PECO has proposed should facilitate the development of the competitive retail market.

PECO St. 3-R at 2.

RESA's alternative proposal would also require four solicitations per year versus the two solicitations in PECO's and the OCA's proposal. This would significantly increase the administrative costs for the DSP III Plan. OCA witness Hahn testified that "[h]aving four procurements per year will increase the cost of administering the default service plan, especially the cost of the Independent Monitor." OCA St. 1-R at 3. PECO witness McCawley testified that this proposal would "effectively double the administrative cost of default supply procurements for both residential and small commercial customers." PECO St. 2-R at 6.

Finally, as discussed in more detail in Section II.F. below, under the RESA alternative plan, 100% of the contracts will expire on May 31, 2017 and would represent a 100% hard stop. Such a proposal would require PECO to procure 100% of its residential default service power supplies during a short period of time in early 2017. If this procurement happens to occur at a time of high market prices, residential customers will experience additional price volatility. OCA St. 1-R at 3; PECO St. 3-R at 2.

For these reasons, the OCA submits that RESA's alternative procurement plan not be adopted.

2. Procurement Schedule

PECO has proposed semi-annual procurements for default service supply as follows: (1) solicitations in January or February for deliveries beginning in June (a 4 to 5 month lead time) and (2) solicitations in September for deliveries beginning in December (a 3 month lead time). OCA St. 1 at 8-9. The Company's proposed schedule continues the schedule used in the prior DSP II period. The Company proposed the 4-month to 5-month lead time in the January and

February procurements in order to accommodate the PJM Auction Revenue Right (ARR) nomination process in early March. OCA St. 1 at 9.

The OCA generally agrees with the Company’s proposed procurement schedule with two exceptions. First, since OCA witness Hahn recommends eliminating the use of the 53-month FPFRC as discussed above, the solicitation for this 53-month contract in September can be eliminated. Id.

Second, Mr. Hahn recommends that the Spring solicitations be held in March rather than January or February as proposed by PECO. OCA St. 1 at 9-10. In Figure 5, Mr. Hahn outlined his proposed procurement schedule:

Figure 5

LCA PROPOSED DSP III PROCUREMENT SCHEDULE				
approximate procurement date	Contract term	# tranches	Delivery Period	
			from	to
Mar 2015	6	11	Jun-15	Nov-15
Mar 2015	12	14	Jun-15	May-16
Mar 2015	18	2	Jun-15	Nov-16
Mar 2015	24	9	Jun-15	May-17
Sep 2015	12	12	Dec-15	Nov-16
Sep 2015	24	9	Dec-15	Nov-17
Mar 2016	12	12	Jun-16	May-17
Mar 2016	24	9	Jun-16	May-18
Sep 2016	12	12	Dec-16	Nov-17
Sep 2016	24	9	Dec-16	Nov-18

OCA St. 1 at 10, Figure 5.

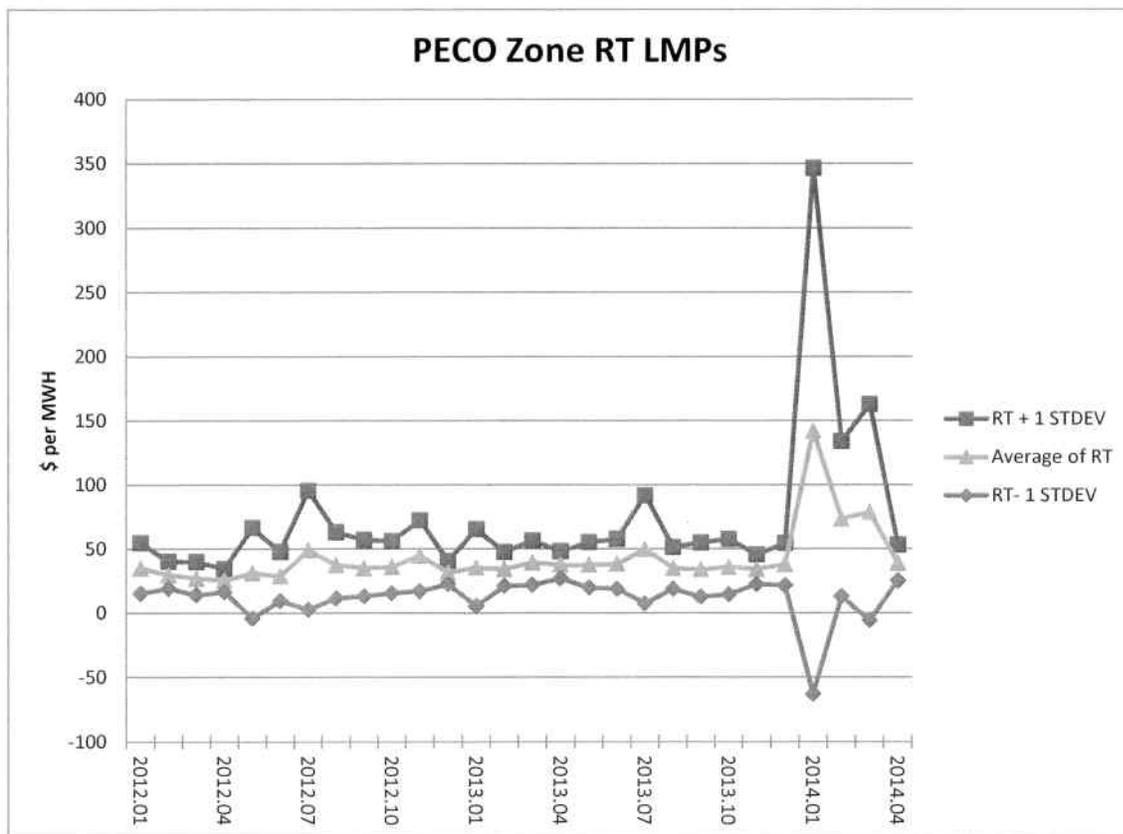
Mr. Hahn recommended that the procurement not be held in January or February because January and February have historically been the time of the highest winter prices. Deferring the solicitations until March would allow for the same three-month lead time that is consistent with

the Fall procurements and would avoid the potential volatility of the winter period. OCA St. 1 at 10.

While the Company argues that holding the solicitations in March may conflict with the PJM schedule for ARR nominations in early March, the OCA submits that the Company has not provided any compelling justification for why potentially missing the ARR nomination process for March justifies purchasing when prices are potentially higher. OCA witness Hahn testified:

Figure 6 below shows that recent real-time market prices for the PECO zone spiked in January and February 2014. It is not wise to be seeking bids when spot market prices are at high levels. Rescheduling this procurement to March will reduce the time between solicitation and delivery, eliminating uncertainty and therefore risk premiums in the bids received.

Figure 6



OCA St. 1 at 10-11, Figure 6 (footnote omitted).

The January and February price volatility is not limited to the winter of 2014. As Mr. Hahn's Figure 2 demonstrates, the volatility of prices in January and February has existed for the past decade. OCA St. 1-S at 5. Mr. Hahn's Figure 2 showed:

Figure 2

PECO Zone Real-Time Average LMPs					
\$ per MWH					
Period	January	February	March	January % above February	January % above March
2012-2014	70.57	45.63	48.07	54.7%	46.8%
2002-2014	58.23	49.32	48.87	18.1%	19.2%
2009-2013	51.38	41.37	37.79	24.2%	35.9%
2004-2013	54.87	49.82	47.90	10.1%	14.6%

OCA St. 1-S at 5, Figure 2. OCA witness Hahn explained:

During that period [2012 to 2014], January prices in the PECO zone were 47% higher than prices in March. In Figure 2-S below, I provide an expanded analysis over the 2002 to 2014 time period. I also examined the five and ten-year periods immediately prior to the polar vortex in 2014. This data clearly demonstrates that January prices have been consistently higher than prices in February or March. It also provides a compelling reason to move PECO's proposed solicitation to March from January.

OCA St. 1-S at 4-5.

Mr. Hahn also testified that the impact of moving the solicitations until after the March

ARR activities will not be significant. OCA witness Hahn explained:

It is important to remember that the ARR process activities that occur in early March are the stage 1 allocations. In the stage 1 allocations, PJM offers annual

ARRs for the upcoming power year (i.e., the year beginning June 1st) to Load Serving Entities (“LSEs”) that are known to have a load obligation as of June 1st. These LSEs can opt to accept or decline their pro rata share of the allocated ARRs, based upon the expected value of the particular ARRs that are offered. If PECO has default service power supply arrangements that expire as of May 31st and successor power supply arrangements are not established as of the time of the stage 1 allocations, then PECO will be deemed to have the load obligation as of June 1st and PECO will need to decide whether or not to accept the offered ARRs.

If PECO subsequently sheds some of its default service load obligation to a competitive supplier via a Spring default service solicitation held after the stage 1 allocation, PJM has procedures for re-assigning, selling, or otherwise offering ARRs subsequent to the stage 1 allocations. These are the same procedures available to competitive suppliers who obtain a load obligation during the Fall solicitations. If these procedures work in the Fall solicitations, there is no reason to believe that they won’t work in the Spring solicitations.

OCA St. 1 at 11-12.

The OCA submits that the price stability benefits of moving the solicitations from January and February to March outweigh any potential impact on the March ARRs. Further, the impact will be mitigated because the ARRs will be reassigned in June and allow suppliers another opportunity to hedge risk. Therefore, for all the reasons stated above, the OCA recommends that PECO move its proposed solicitations in January and February to March.

C. Small Commercial Class Procurement

The OCA takes no position on this issue.

D. Medium Commercial Class Procurement

(including potential Medium Commercial customer migration to hourly-pricing)

The OCA takes no position on this issue.

E. Large Commercial and Industrial Class Procurement

(including potential procurements relating to Medium Commercial customers)

The OCA takes no position on this issue.

F. Extension of Supply Contracts Beyond May 31, 2017

RESA has proposed as part of its alternative procurement proposal to include a “hard stop” on May 31, 2017. RESA St. at 11. That is, RESA proposes that all contracts end on May 31, 2017. Under this proposal, the Company would be required to replace 100% of its residential default service power supplies during a short market window in early 2017. For example, if the procurement for 100% of the June 2017 supply happens to occur at a time of high market prices, residential customers will experience extreme price volatility. OCA St. 1-R at 3.

The OCA and PECO do not support RESA’s proposal for a hard stop on May 31, 2017 because of the potential for unnecessary, substantial residential price shocks. OCA St. 1-R at 3; PECO St. 2-R at 8; PECO St. 3-R at 2. The OCA supports PECO’s approach for laddered contracts with some contracts extending into the next DSP period. PECO propose 39 of its 101 tranches, or 38.6%, would overlap into the next DSP. This will provide for a smooth transition between DSP periods and would avoid unnecessarily exposing customers to price risk.

PECO witness Fisher further stated that the “hard stop” is not necessary because “PECO’s proposed DSP III already includes a reasonable degree of flexibility to accommodate the possibility of future changes in the default service supply approach and the possibility of new retail market initiatives.” PECO St. 3-R at 2. If circumstances change, necessary adjustments could be considered in light of these circumstances.

RESA made a similar argument in favor of a hard stop in the PECO DSP II case. The Commission denied RESA’s arguments and stated:

We shall adopt PECO’s procurement plan as recommended by the ALJ. We believe that PECO’s use of laddered contracts of various durations creates a viable contingency plan that can be redesigned if changes in PECO’s default service responsibility do arise. Further, with several of the procurements scheduled for 2014, we believe there is adequate time to address the continued use of contract terms longer than twelve or twenty-four months for default service.

We also adopt the rationale of PECO and OCA as support for the implementation of PECO's proposal. Accordingly, we shall deny RESA's Exception on this issue.

Petition of PECO Energy Company for Approval of its Default Service Program, Order, Docket No. P-2012-2283641 at 31 (October 12, 2012) (PECO DSP II Order). As in the DSP II case, PECO's Plan already provides sufficient time to be able to make adjustments if a different default service model were to be adopted. PECO witness McCawley testified:

The Commission has previously recognized the benefits of PECO's procurement design, which ensures that all default service supply for residential and small commercial customers will not need to be replaced in a short period of time prior to the end of a default service plan. As in DSP II, there is no need to eliminate contract "overhang" past the end of the DSP III to accommodate possible future changes to the default service model. None of the contracts with delivery periods extending beyond May 31, 2017 will be procured until September 2015 at the earliest, which is more than nine months after the December 2014 approval of PECO's proposed DSP III. This time period leaves a significant amount of time for possible adjustments to PECO's procurement plan if a different default service model is adopted.

PECO St. 2-R at 8.

The OCA submits that a hard stop exposes residential customers to excessive risk and is unnecessary given PECO's laddered approach. RESA's proposal should be denied as it was in the DSP II proceeding.

G. Contingency Plans

PECO proposes to use the same Contingency Plan as the Company used in its DSP II plan. The Company's Plan addresses two key potential scenarios where alternative procurement methods could be required. OCA witness Hahn described PECO's proposed method of addressing each of these 2 scenarios as follows:

1. "In the event PECO fails to obtain sufficient approved bids for all offered tranches for a product in a solicitation, the tranches will be included in PECO's next default supply solicitation for that product. If necessary, PECO will supply any un-served portion of its default service load from the PJM-administered

markets for energy, capacity and ancillary services and procure sufficient AECs at market prices to satisfy any near-term obligations under the AEPS Act.”

2. “In the event of a supplier default and the immediate need to obtain supply for default service that PECO otherwise would have received, PECO will initially rely on filling that supplier’s portion of PECO’s default service load through the PJM-administered markets for energy, capacity, and ancillary services. If the default occurs within a reasonable time before a scheduled procurement, the load served by the defaulting supplier will be incorporated into that next procurement. Otherwise, PECO will file a plan with the Commission with alternative procurement options and a request for approval on an expedited basis.”

OCA St. 1 at 16-17. The OCA has concerns about PECO’s proposed Contingency Plan because the Plan potentially exposes residential customers to an extended period of over-reliance (over one-third of supply) on spot market purchases if either a supplier defaults or there are an inadequate number of suppliers in the market. The OCA recommends amending PECO’s Contingency Plan to allow for an immediate Request For Proposal (RFP) to address the lack of supply or to provide for an alternative of block and spot purchases in the interim between solicitations, if no other suppliers are available. OCA St. 1 at 18.

PECO’s Contingency Plan relies too heavily on spot market purchases. If the Contingency Plan is exercised due to inadequate responses from competitive suppliers such that the tranches were not all fully subscribed, PECO’s Plan does not require the Company to rebid the tranches or seek another supplier. OCA witness Hahn testified about the impact of such a Contingency Plan:

With semi-annual solicitations, each could represent a significant amount of default service load. For example, the procurements held in September 2015 are for 12 tranches or 19.2% of residential default service load for 12 months and 9 tranches or 14.4% of load for 24 months. In the extreme event that no suppliers bid on these tranches, more than one-third of residential default service load would come from spot market purchases for at least 12 months. I find this unacceptable.

OCA St. 1 at 17. Rather than PECO's proposal, OCA witness Hahn recommended a Contingency Plan as follows:

If there is inadequate supplier response, the Company or the IE [Independent Evaluator] should immediately contact the suppliers and attempt to find out the cause of the inadequate response. The Company, with the assistance of the IE, should re-issue the RFP and attempt to secure adequate supplies. If it becomes apparent that the lack of adequate supplier interest is likely to exist for some time, then the Company should resort to a combination of block and spot products rather than relying 100% on spot purchases for an extended period of time.

OCA St. 1 at 17.

OCA witness Hahn also recommended a Contingency Plan that does not rely on spot market purchases in the instance of a supplier default on its load obligation. OCA witness Hahn recommended:

In the event of a failure of a supplier that has already acquired a default service load obligation via a PECO solicitation, the Company should immediately issue an RFP for a replacement supplier and also contact other suppliers to determine if other existing default service suppliers would be willing to accept the failed supplier's obligations.

OCA St. 1 at 17.

OCA witness Hahn then summarized his Contingency Plan for PECO:

Any contingency plan should minimize the amount of time that large portions of residential default service are supplied solely from spot purchases. The Company should modify its contingency plan to include immediately issuing additional RFPs for default service power supplies, and attempting to understand the underlying cause of any shortfall or supplier failure. If it becomes apparent that the lack of adequate supplier interest is likely to exit for some time, the Company should resort to a combination of block and spot products rather than relying 100% on spot purchases for an extended period of time.

OCA St. 1 at 18.

The OCA submits that the Contingency Plan should be amended in accordance with the recommendations of OCA witness Hahn.

H. Uniform Supply Master Agreement

PECO proposes to use a new uniform Supply Master Agreement (SMA) that was developed by the Office of Competitive Market Oversight (OCMO) Procurement Working Group. PECO proposes two additional changes: (1) to assign the PJM meter correction error costs to all LSEs in the PECO zone and (2) to recover the PJM generation deactivation charges through transmission rates rather than through the price paid to default service providers. OCA St. 1 at 19.

The OCA understands that the Uniform Supply Master Agreement was the collaborative product of the OCMO Procurement Working Group. The OCA is concerned, however, with two provisions of PECO's SMA. First, Section 6.1 of the Supplier Master Agreement states the "Company may establish less restrictive creditworthiness requirements under this Article 6 in a non-discriminatory manner." OCA St. 1 at 19. OCA witness Hahn stated that he was concerned about potentially broad interpretations of the language that would diminish existing creditworthiness protections. In evaluating the Company's explanation, OCA witness Hahn testified:

It isn't clear to me why the Company would want to establish lesser creditworthiness requirements than are posted in the RFP. Data request OCA-V-4 asked the Company to explain why it added this language. The Company's response to OCA-V-4 stated that the "new language in the Uniform SMA is intended to give the Company flexibility to address changing market conditions while maintaining default service supply for customers." This response does not provide any specific reason that can be evaluated. I also note that there is no requirement for the Company to submit the less restrictive creditworthiness requirement for the Commission's consideration. I would strongly caution that the Company should consider the reduction of Section 6.1 creditworthiness requirements only in extreme circumstances where it can be demonstrated that such reductions would provide benefits to ratepayers.

OCA St. 1 at 19.

Second, OCA witness Hahn testified that Section 6.5 allows the Company the discretion to ensure that a default supplier has the necessary guarantee in place to ensure that the Company is made whole in the case of supplier's default. OCA St. 1 at 20. OCA witness Hahn explained this provision of Section 6.5 of the Supplier Master Agreement as follows:

“6.5 Posting Margin and Return of Surplus Margin (a) If at any time and from time to time during the term of this Agreement, the Total Exposure Amount, rounded by the Rounding amount, exceeds the DS Supplier's or Guarantor's credit limit by the Minimum Transfer Amount (MTA), then the Company on any Business Day, **may request** that the DS Supplier provide cash or a letter of credit in an acceptable form as defined in Article 6.7(b) of this Agreement (see standard format in Appendix F), in an amount equal to the Margin (less any Margin posted by the DS Supplier and held by the Company pursuant to this Agreement or any other agreement(s) between the Company and the DS Supplier for the provision of the DS Supply.” {Emphasis added}

OCA St. 1 at 19 (emphasis added). While OCA witness Hahn believed that changing the words “may request” to “shall require” would better protect both the Company and its residential default service customers, he recognized that this language is a product of the OCMO collaborative and the combined goals of its members. OCA St. 1 at 19-20.

As explained by OCA witness Hahn, the proposed SMA provides the Company with considerable discretion in the creditworthiness standards applied to wholesale suppliers, and in the amount of security required by those suppliers as market conditions change. The OCA submits, therefore, that the Company use this language appropriately to benefit customers when circumstances warrant.

I. Other Procurement and Implementation Plan Requirements

(e.g., Competitive Procurement Process, AEPS Compliance and Independent Evaluator)

The OCA takes no position on this issue.

III. RATE DESIGN AND COST RECOVERY

A. Summary of OCA's Position

PECO proposes to change its default service rate four times per year. PECO proposes to modify its reconciliation component from four times per year to two times per year. On June 1st and on December 1st, PECO will change its "E-Factor" in default service rates to reflect the reconciliation of costs for a six month period. OCA St. 1 at 13-14. The OCA supports the Company's proposed change to the reconciliation mechanism but recommends two modifications to the Company's proposal: (1) adjust the default service rates twice per year, and (2) utilize a 12-month rolling average reconciliation period. OCA St. 1 at 16.

B. Reconciliation of Default Service Costs and Revenues

PECO proposes to change its reconciliation mechanism in DSP III. OCA witness Hahn summarized PECO's proposal:

Currently, PECO projects and adjusts default service rates on a quarterly basis. A factor for the reconciliation of over/ (under) collection from the preceding quarter is added to the default service rate which is filed 45 days before the start of each quarter. In DSP III, PECO proposes to adjust default service rates quarterly but reconcile over/ (under) on a semi-annual basis. According to the Company's filing, this approach is intended to smooth out over/ (under) collections, especially due to billing lag. In Exhibit ABC-4, Mr. Cohn demonstrates that semi-annual reconciliations will produce less volatile rates than quarterly reconciliations.

OCA St. 1 at 12-13. PECO witness Cohn testified that the GSA has two primary components: (1) the projected cost of supply, or the C-Factor and (2) the over- and under-collections, or the E-Factor. PECO St. 5-R at 4. Under PECO's proposal, PECO will adjust the C-Factor on a quarterly basis, but will adjust the reconciliation on a semi-annual basis.

The OCA supports the Company's proposal to perform reconciliations on a semi-annual basis but also recommends that the C-Factor be adjusted only twice per year given that the Company will also be performing semi-annual procurements or solicitations. OCA St. 1 at 13.

OCA witness Hahn recommends that the reconciliation factor changes and the C-Factor changes occur on the same date on June 1st and December 1st. OCA St. 1 at 14. In Figure 8, OCA witness Hahn demonstrated what his proposed reconciliation schedule would look like:

Figure 8

LACAPRA PROPOSED RECONCILIATION SCHEDULE - 6 Months				
Activity	First Reconciliation	Second Reconciliation	Third Reconciliation	Fourth Reconciliation
reconciliation period	10/1/2014 to 2/28/2015	3/1/2015 to 8/31/2015	9/1/2015 to 2/29/2016	3/1/2016 to 8/31/2016
procurement	3/15/2015	9/15/2015	3/15/2016	9/15/2016
file reconciliation	4/15/2015	10/15/2015	4/15/2016	10/15/2016
Recovery of prior over / (under)	6/1/2015 to 11/30/2015	12/1/2015 to 5/31/2015	6/1/2016 to 11/30/2016	12/1/2016 to 5/31/2017
deliveries commence, new rate effective	6/1/2015	12/1/2015	6/1/2016	12/1/2016

OCA St. 1 at 15, Exh. OCA-RSH-6.

Mr. Cohn argued that the Commission regulations require adjustment of default service rates on a quarterly basis, or more frequently. PECO St. 5 at 9. The regulations do not require quarterly changes to residential rates. Specifically, Section 2807(e)(7) of Act 129 states that “the default service provider shall offer residential and small business customers a generation supply service rate that shall change no more frequently than on a quarterly basis.” 66 Pa.C.S. § 2807(e)(7) (emphasis added). The rate can change quarterly but it is not required to change that frequently. Section 54.187(i) of the Commission’s regulations also states that “default service rates may not be adjusted more frequently than on a quarterly basis for all customer classes with a maximum registered peak load up to 25 kw.” 52 Pa. Code § 54.187(i). The OCA submits that the default service rates for residential customers cannot change more frequently than quarterly, so monthly rate changes would not be in accordance with the law and regulations, but nothing precludes less frequent rate changes.

Mr. Cohn further argued in Rebuttal Testimony that Mr. Hahn has not presented a compelling reason to move the timing of the reconciliation changes to the semi-annual changes in the default service rates. PECO St. 5-R at 5. As OCA witness Hahn testified, the compelling reason to change is that “with semi-annual procurements, there is no need to adjust rates more than twice per year.” OCA St. 1-S at 7. The OCA submits that the default service rates would only change in response to supply prices changes, and with the 12-month and 24-month FPFRCs purchased twice a year for 96% of supply, those supply price changes need only occur on a semi-annual basis. Since 96% of default service supply will only change as a result of semi-annual procurements, it is reasonable to match the C-Factor and E-Factor changes to reduce the number of price changes.

The OCA’s second recommendation is to utilize a 12-month rolling average reconciliation period for the semi-annual reconciliations. OCA St. 1 at 16. The OCA submits that a 12-month rolling average reconciliation would have the effect of smoothing out the Price to Compare (PTC), as a longer time frame is being averaged out. OCA witness Hahn testified that a longer 12-month rolling average would result in “default service rates that are less volatile due to past over/ (under) collections and more reflective of the actual supply costs from competitive default suppliers.” OCA St. 1 at 15, Exh. OCA-RSH-7. In Figure 9, Mr. Hahn demonstrated how the 12 month rolling average would impact the reconciliation schedule.

Figure 9

LACAPRA PROPOSED RECONCILIATION SCHEDULE - 12 month Rolling Average				
Activity	First Reconciliation	Second Reconciliation	Third Reconciliation	Fourth Reconciliation
reconciliation period	3/1/2014 to 2/28/2015	9/1/2014 to 8/31/2015	3/1/2015 to 2/29/2016	9/1/2015 to 8/31/2016
procurement	3/15/2015	9/15/2015	3/15/2016	9/15/2016
file reconciliation	4/15/2015	10/15/2015	4/15/2016	10/15/2016
Recovery of prior over / (under)	6/1/2015 to 11/30/2015	12/1/2015 to 5/31/2015	6/1/2016 to 11/30/2016	12/1/2016 to 5/31/2017
deliveries commence, new rate effective	6/1/2015	12/1/2015	6/1/2016	12/1/2016

Id.

PECO witness Cohn did not agree with the OCA’s proposed 12-month rolling average reconciliation arguing against this approach. PECO St. 5-R at 2-4. OCA witness Hahn testified:

I continue to endorse my recommendations regarding the reconciliation. Mr. Cohn’s direct testimony compared quarterly reconciliations to semi-annual reconciliations, and concluded that a semi-annual reconciliation would produce less volatile rates. Using this same approach, I concluded that 12-month rolling average reconciliations would produce rates with even less volatility. This conclusion is logical and supported by the same analysis used by Mr. Cohn.

OCA St. 1-S at 7. Moreover, PECO witness Cohn criticized Mr. Hahn for not providing a transition period but such a period can be accommodated in the implementation of Mr. Hahn’s approach. PECO St. 5-R at 4.

RESA asserted that PECO should continue with quarterly reconciliation of over/under collections. RESA witness Hudson asserted that spreading the cost recovery over a 12-month period will further divorce the default service rates from market rates and that it is inconsistent with the Commission’s End State Order. RESA St. 1 at 4-5, citing Investigation of Pennsylvania’s Retail Electricity Market: End State of Default Service, Docket No. I-2011-2237952 (February 15, 2013) (End State Order).

The OCA does not agree with RESA. The OCA submits that the 12-month rolling average will promote a better atmosphere for shopping as it will create a more stable and predictable PTC. Less volatility in the PTC should lead to greater consumer confidence in accepting EGS' offers that provide savings over the current PTC.

C. Recovery of Certain PJM Charges

The OCA takes no position at this time.

IV. STANDARD OFFER PROGRAM

A. Summary of OCA's Position

It is the OCA's position that several modifications should be made to PECO's Standard Offer Program (SOP) in order to ensure that, both for the current SOP and if the program continues through DSP III, it is cost effective and beneficial to customers. Specifically, the OCA submits that PECO must:

- Clarify disclosure statements to ensure customers understand the nature of the 7% discount, both in the current program and for DSP III;
- Require that EGSs provide the notices to consumers at the end of the 12-month contract period as required in the Commission's new regulations and adhere to all provisions of the new regulations regarding contract renewal;
- Explore options to reduce unusually high program implementation costs; and
- Conduct customer surveys or focus groups, and convene stakeholder meetings to discuss necessary improvements to the program before any decision to continue the program through the DSP III period is made.

The OCA does not necessarily oppose the continuation of the SOP through DSP III, but submits that the Commission should conduct an examination of the program to determine whether it is

necessary and beneficial, and whether improvements should be made for the 2015-2017 time period.

B. Operational Changes

1. Disclosures

The OCA is concerned that the current disclosures provided to customers enrolling in PECO's Standard Offer Program are unclear or even misleading as to the benefits of the program. As such, the OCA submits that changes to the PECO and Allconnect disclosures are necessary in order to ensure that the benefits and risks of the program are fully understood by customers, both in the current program and in DSP III.

In her Direct Testimony, OCA witness Alexander describes PECO's current disclosure statements as follows:

The training materials and scripts are intended to promote the program and give the impression that the customer will receive a 7% discount and that this discount will be applicable during the 12-month contract. The statements do not explicitly inform customers as to the potential that the 7% discount will vary depending on the PTC that changes every quarter. Customers are not affirmatively told that this 7% discount is not guaranteed when compared to future changes in the PTC.

OCA St. 2 at 14 (emphasis in original). While the current disclosures are technically correct, they may unintentionally mislead customers to believe that the 7% discount will remain constant for the full contract term when this may not be the case.

The OCA submits that the disclosure statements must be clarified to explicitly inform customers that the potential 7% discount will vary depending on the PTC, which changes quarterly. As described by OCA witness Alexander in her Direct Testimony, PECO and Allconnect should be required to "state that the SOP is voluntary, that customers are not required to enroll, that the initial discount of 7% is based on the current PTC, but that the PTC will

change every quarter and there is no guarantee that the 7% savings will continue when the PTC changes.” OCA St. 2 at 15.

The FirstEnergy EDCs also work with Allconnect. As OCA witness Alexander testified:

At a minimum, PECO and Allconnect should provide the disclosures that the OCA has negotiated with the FirstEnergy EDCs concerning this program:

- The initial discount of 7% is based on the current PTC;
- The PTC will change quarterly with the next change in _____(month);
- The percentage savings a customer will experience will vary as the PTC changes; and
- The SOP rate may be higher or lower than the next PTC.

OCA St. 2 at 15 (footnote omitted). The OCA submits that PECO and Allconnect must add this same clarifying language to their disclosure statements regarding the level of discount customers can expect when enrolling in the SOP.

These clarifications are necessary to ensure that customers understand the nature of the 7% discount during the 12-month contract. The OCA submits that these changes must be implemented immediately in the current program as well as through the 2015-2017 time period if the SOP continues.

2. Customer Communications And Contract Renewal Upon Expiration of 12-Month Contract Term

The OCA is concerned about the communications customers will receive at the end of their 12-month contract term as well as the contract renewal if a customer does not respond to the notices. PECO’s SOP does not include any requirements as to the types of communications or contracts that EGSs may provide to customers when their 12-month contract expires. OCA St. 2 at 16. The Commission has promulgated new regulations covering the number and type of notices that EGSs must send to customers before a contract expires or there is a change in the

terms of the contract and the type of service that is to be provided if the customer does not respond to the notice.³

The Commission's new regulations require that, before a fixed term contract expires or there is a change in contract terms, the EGS must provide "an initial notice . . . to each affected customer 45 to 60 days prior to the expiration date of the fixed term contract or the effective date of the proposed change in terms." 52 Pa. Code § 54.10(1). A second "options notice" must be sent to the customer at least 30 days before the contract expiration date or the effective date of the proposed change in terms, and must include information such as the specific changes being proposed, the customer's options, and new pricing information. 52 Pa. Code § 54.10(2). The regulations provide that, if a customer does not respond to either notice, their fixed term contract will be converted to either "a month-to-month contract . . . as long as the contract does not contain cancellation fees," or "another fixed term contract, as long as the new contract includes a customer-initiated cancellation provision that allows the customer to cancel at any time, for any reason, and does not contain cancellation fees." 52 Pa. Code § 54.10(3). Additionally, if a customer is moved to a month-to-month contract, "[n]otice of a subsequent change in pricing shall be provided to the customer at least 30 days prior to the new price being charged." 52 Pa. Code § 54.10(2)(ii)(A)(I). These regulations are intended to limit the risk that customers will be switched to a variable rate contract without their knowledge, and make it easier for customers to more easily make an affirmative choice after they are moved to a different type of contract upon expiration of a fixed term contract.

The OCA submits that the Commission should clarify that, for customers obtained through the SOP, EGSs must comply with the notice requirements and contract renewal

³ 52 Pa. Code §§ 54.5, 54.10. See also 44 Pa.B. 3522 (June 14, 2014) (Regulations re: Disclosure Statement for Residential and Small Business Customers; Notices of Contract Expiration or Changes in Terms for Residential and Small Business Customers are effective upon publication in the Pennsylvania Bulletin).

provisions contained in the new regulations. OCA St. 2 at 17-18. This would require EGSs to provide two notices to customers before the end of the contract term, and month-to-month contracts with 30-day advance price notice when a customer does not respond to renewal notices. Id. at 18; 52 Pa. Code § 54.10. This will help to ensure that customers are not moved to a more risky and possibly volatile variable rate contract without their knowledge or consent as a result of being in the SOP, resulting in greater satisfaction with the program and customer choice in general.

C. Implementation Costs

The OCA submits that implementation costs associated with PECO's SOP are unusually high when compared with similar programs. As OCA Witness Alexander explained in her Direct Testimony, "PECO charge[s] participating EGSs a \$30 fee per customer enrollment and recover[s] the balance by allocating 50% of any additional cost to the discount required to be paid by the EGSs in the Purchase of Receivables program and 50% to customers to be recovered through default service charges." OCA St. 2 at 12. PECO also receives \$5 per customer for each customer that is transferred to Allconnect. PECO St. 2-SR at 4. Ms. Alexander points out that 77% of the program costs are over and above that amount covered by the \$30 EGS customer fee (Id.), and observes that "[t]he fact that PECO has not recovered over 75% of the administrative costs for this program as a result of the EGS customer fees appears questionable, particularly in light of the requirement that 50% of these excess costs can be recovered from default service customers." OCA St. 2 at 17.

In response to an interrogatory from RESA, PECO stated that it has recovered all one-time start-up costs associated with the program, totaling \$1,837,722. RESA Cross Examination Exh. 2, PECO Response to RESA-VI-1. The start-up costs included \$261,553.61 of PECO

employee time, as well as contractor work on “information technology (“IT”) programming and other system changes necessary to implement the SOP. . .” Id. These one-time costs were amortized over a six month period (August 19, 2013 to February 19, 2014) and have been fully recovered. Id.

The ongoing costs for the program are paid to Allconnect, PECO’s third-party servicer. As of May 31, 2014, Allconnect costs totaled \$613,080. Id. This amount is significantly higher than would be expected, and raises concerns that the program may not be cost effective. RESA also noted that “PECO’s program appears to be more costly than the programs of other Pennsylvania EDCs. . .” RESA St. 1-R at 9.

The OCA submits that, as part of collaborative meetings discussed in Section IV.D below, the parties should examine whether the program is cost effective, and what methods may be available to reduce ongoing costs associated with the SOP. OCA St. 2 at 17; see also RESA St. 1-R at 9.

D. Standard Offer Program Collaborative

The OCA has supported the SOP as a means to encourage customers to participate in the retail market. It is the OCA’s position, however, that it should not simply be assumed that continuation of the SOP program is necessary or appropriate into DSP III. It is also the OCA’s position that if continued, the programs should be reviewed to be sure they are cost-effective, providing customers with full information, and providing a positive customer experience. The OCA supports the use of a collaborative process where stakeholders can discuss the SOP and ways to improve the program, including how to make the SOP more cost effective and improve customer experiences with the program. However, this process should occur before any decision is made as to whether PECO’s SOP will continue through the DSP III time period. The

collaborative process could result in substantive changes to the SOP which may affect the design and implementation of the program, as well as important customer protections. OCA St. 2-S at 3-5. The program should not be approved for a future DSP period without first identifying and considering any changes recommended as part of the collaborative process.⁴

Customer surveys or focus groups should be conducted to gauge the quality of customer experiences with SOPs as part of a collaborative process. This would provide insight into the quality of customer experiences with the SOP, customers' understanding of the program and the nature of the 7% discount, and their understanding of EGS contract renewal terms. OCA St. 2 at 17-18. PECO has conducted a limited review of customer calls in order to identify ways to increase the number of eligible calls transferred to Allconnect. RESA Cross Examination Exh. 2, PECO Response to OCA-II-8 and Attachment. Additional customer feedback will provide valuable information about what changes to the SOP may be necessary, and whether the program would be beneficial to customers going forward.

RESA has also recommended a collaborative to consider the costs of the program and ways to improve the program. RESA St. 1 at 33. The OCA and RESA are in agreement as to the usefulness of the collaborative process for further consideration of PECO's SOP. Where the OCA and RESA differ slightly is the presumption about the continuation of the program into DSP III. In the OCA's view, no decision about the continuation of the SOP should be made before the collaborative completes its work.

The OCA submits that the Commission should consider the recommendations of any collaborative process as well as the results of customer surveys or focus groups before making

⁴ More broadly, the OCA submits that the Commission should undertake a generic review of similar EDC standard offer programs. As described by OCA Witness Alexander, this review would allow the Commission to "review the actual implementation of the referral programs for all the EDCs in a generic proceeding" and to consider the programs' overall effectiveness and the quality of customer experiences. OCA St. 2-R at 3-4.

any determination that PECO's customer referral program should direct a collaborative be continued in the DSP III time period.

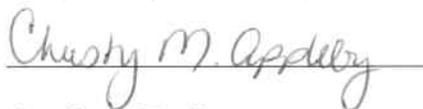
V. **OTHER ISSUES**

The OCA has no other issues to discuss at this time.

VI. CONCLUSION

Under Pennsylvania law, PECO Energy Company's Default Service Plan must provide residential customers with a least cost, reliable and stable "prudent mix" of supplies. The OCA submits that the proposed modifications detailed in this Main Brief will ensure that the legal requirements for the provision of default service are met. Additionally, the OCA submits that its modification to PECO's Standard Offer Program will provide customers with accurate information and improve the customer experience. As such, the OCA submits that its proposed modifications to PECO's proposed Default Service Plan should be adopted.

Respectfully Submitted,



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187113.doc

CERTIFICATE OF SERVICE

Re: Petition of PECO Energy Company for Approval of Its Default Service Plan for the Period from June 1, 2015 through May 31, 2017
Docket No. P-2014-2409362

I hereby certify that I have this day served a true copy of the foregoing document, the Office of Consumer Advocate's Main Brief, 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 5th day of August 2014.

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