

**PECO ENERGY COMPANY  
STATEMENT NO. 2-R**

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PETITION OF PECO ENERGY COMPANY  
FOR APPROVAL OF ITS  
DEFAULT SERVICE PROGRAM  
FOR THE PERIOD FROM  
JUNE 1, 2015 THROUGH MAY 31, 2017

DOCKET NO. P-2014-2409362

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REBUTTAL TESTIMONY

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WITNESS: JOHN J. McCAWLEY, P. E.

SUBJECTS:    DEFAULT SERVICE PROCUREMENT,  
                  CONTINGENCY PLANS,  
                  UNIFORM SUPPLY MASTER  
                  AGREEMENT, PJM CHARGES AND  
                  STANDARD OFFER PROGRAM

DATED: JUNE 26, 2014

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**REBUTTAL TESTIMONY  
OF  
JOHN J. McCAWLEY**

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**I. INTRODUCTION AND PURPOSE OF TESTIMONY**

6 **1. Q. Please state your full name, professional position and business address.**

7 A. My name is John J. McCawley. I am employed by PECO Energy Company  
8 (“PECO” or the “Company”) as Director of Energy Acquisition. My business  
9 address is 2301 Market Street, Philadelphia, PA, 19103.

10 **2. Q. Have you previously submitted testimony in this proceeding?**

11 A. Yes. I submitted direct testimony that is marked as PECO Statement No. 2. My  
12 background and qualifications are set forth in that statement.

13 **3. Q. What is the purpose of your rebuttal testimony?**

14 A. The purpose of my rebuttal testimony is to respond to various issues raised by the  
15 Office of Consumer Advocate (“OCA”), the Retail Energy Supply Association  
16 (“RESA”), and NextEra Energy Power Marketing, LLC (“NEPM”) with respect  
17 to PECO’s third default service plan (“DSP III”). My testimony is divided into  
18 five parts.

19 First, I respond to the direct testimony of the OCA and RESA regarding the  
20 procurement design of PECO’s proposed default service supply plan and portfolio  
21 of supply products. Specifically, I will address the direct testimony of Richard S.  
22 Hahn on behalf of the OCA (OCA St. No. 1) and Richard J. Hudson, Jr. on behalf  
23 of RESA (RESA St. No. 1) relating to the following issues:

- 1 • Portfolio design for the Residential class (OCA and RESA);
- 2 • Portfolio design for the Small Commercial class (RESA);
- 3 • Default service product contract term lengths extending beyond June 1,  
4 2017, for both the Residential class and the Small Commercial class  
5 (RESA);
- 6 • Procurement plans for the Medium Commercial class (RESA); and
- 7 • Procurement schedule for the Large Commercial and Industrial class  
8 (RESA).

9 Second, I respond to the direct testimony of Mr. Hahn on behalf of the OCA  
10 recommending changes to PECO's proposed default service supply contingency  
11 plans in the event that PECO does not obtain sufficient supply through its regular  
12 competitive procurements or a winning supplier subsequently defaults on its  
13 contractual obligations to provide default service supply.

14 Third, I respond to the concerns of Sean Cheslock on behalf of NEPM (NEPM St.  
15 No. 1) and Mr. Hahn regarding credit provisions in PECO's uniform supply  
16 master agreement ("Uniform SMA").

17 Fourth, I address the concerns expressed by Mr. Hahn regarding the Company's  
18 proposed allocation of generation deactivation charges imposed by PJM  
19 Interconnection, L.L.C. ("PJM") on load-serving entities ("LSEs") in PECO's  
20 service territory. I also respond to the proposal of Mr. Hudson for PECO to  
21 assume responsibility for certain PJM charges now paid by electric generation  
22 suppliers ("EGSs").

23 Finally, I address several issues relating to PECO's proposed continuation of the  
24 EGS Standard Offer Program ("Standard Offer Program" or "SOP") presented in

1 the direct testimony of Barbara Alexander on behalf of the OCA (OCA St. No. 2)  
 2 and RESA witness Hudson.

3 **II. PORTFOLIO OF PROCUREMENT PRODUCTS**

4 **4. Q. Mr. McCawley, do any of the parties recommend modifications to PECO’s**  
 5 **proposed product mixes for the various procurement classes?**

6 A. Yes. RESA proposes modifications to the Residential class, Small Commercial  
 7 class and Medium Commercial class supply portfolios as well as the procurement  
 8 schedule for the Large Commercial and Industrial class. The OCA also proposes  
 9 revisions to the Residential class supply portfolio. The following table  
 10 summarizes the differences between the product portfolios proposed by PECO,  
 11 RESA and the OCA.

Plan Component	PECO Proposal	Other Party	Proposal
Residential class	Transition to a 40% / 60% mix of one- and two-year fixed-price full requirements (“FPFR”) products for approximately 96% of the supply portfolio.  The other approximately 4% of load will be supplied initially by a pre-existing five-year block product purchased in PECO’s first default service program (“DSP I”) and associated spot purchases; this block product expires on December 31, 2015, at which time the supply for this portion of the load will be replaced by a 53-month FPFR product (3%) and spot purchases (1%).	RESA	Eliminate the proposed 53-month FPFR product and, instead, procure 4% of the load through spot purchases.  For the remainder of the portfolio, phase out reliance on one- and two-year FPFR products by introducing three-month FPFR products into the supply portfolio, increasing the percentage of three-month products from 33% to 40% by the end of DSP III while reducing one-year products to 20% and two-year products to less than 2%.
		OCA	Use spot market power purchases instead of a 53-month product for

			4% of load not served by 40% / 60% mix of one- and two-year products. Move the February 2015 and 2016 solicitations to March.
Small Commercial class	Procure one-year FPFR products with delivery periods overlapping on a semi-annual basis, approximately two to four months prior to delivery of the energy.	RESA	Utilize a mix of three-month and 12-month contracts, with the percentage of load served through three-month products increasing from 25% to 75% by the end of DSP III.
Medium Commercial class	Procure six-month FPFR products without overlap approximately two to four months prior to delivery of the energy.	RESA	Utilize three-month (non-laddered) contracts for 100% of the supply, and procure approximately two to four months prior to delivery of the energy.
Large Commercial and Industrial class	Procure spot-priced full requirements contracts through annual procurements.	RESA	Continue bidding out the provision of spot market priced full requirements contracts to wholesale suppliers, but procure three-month full requirements contracts through quarterly procurements.

1  
2 As shown in the preceding table, RESA recommends eliminating the 53-month  
3 FPFR product from the supply mix for residential customers and phasing out  
4 reliance on 12- and 24-month FPFR contracts.<sup>1</sup> With respect to the Small  
5 Commercial class, RESA proposes a 75%/25% mix of three-month and one-year  
6 FPFR products. Mr. Hudson contends that utilizing a large percentage of very  
7 short-term products to supply both Residential and Small Commercial class load  
8 will lead to a more “market-based” default service product portfolio.

9 RESA also proposes a supply portfolio for medium commercial customers  
10 consisting of three-month (non-laddered) FPFR contracts instead of PECO’s  
11 proposed portfolio of six-month (non-laddered) FPFR contracts. Finally, RESA

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<sup>1</sup> Specifically, under Mr. Hudson’s proposal, by the end of the DSP III period, the 60 tranches of residential FPFR products would consist of 24 tranches of three-month products (40%), 13 tranches of six-month products (22%), 10 tranches of nine-month products (17%), 12 tranches of one-year products (20%), and one tranche of a two-year product (<2%).

1 recommends holding procurements for spot-priced full requirements service for  
2 the Large Commercial and Industrial class on a quarterly basis instead of on an  
3 annual basis, as proposed by PECO.

4 The OCA agrees with PECO's proposal to procure one and two-year FPFR  
5 products for the Residential Class. However, the OCA proposes to replace the  
6 53-month contract for two residential tranches with spot market purchases. The  
7 OCA also proposes to shift the timing of PECO's scheduled competitive  
8 residential supply procurements from February to March.

9 **5. Q. Does PECO agree with RESA's proposal to shorten the term lengths of the**  
10 **supply products in the default service supply portfolios for residential and**  
11 **small commercial customers?**

12 A. No. PECO believes RESA's proposal to introduce very short-term FPFR  
13 products (e.g., three-month products) into the Residential class and Small  
14 Commercial class portfolios by the end of DSP III is inappropriate for reasons  
15 discussed in the rebuttal testimony of Mr. Scott Fisher (PECO St. No. 3-R). As  
16 Mr. Fisher demonstrates, RESA's product portfolio will expose residential and  
17 small commercial customers to substantial price volatility. Notwithstanding  
18 RESA's claims to the contrary, PECO's proposed portfolio is already "market-  
19 based" as a result of PECO's competitive procurements and, as Mr. Fisher  
20 explains, DSP III is expected to support retail competition in light of the growth  
21 of competitive supply options for customers in PECO's service territory during  
22 DSP I and its current default service plan ("DSP II"), when PECO procured

1 similar default service supply products, as well as market data from other large  
2 electric distribution company (“EDC”) service areas in Pennsylvania.

3 **6. Q. Do you have any other concerns with Mr. Hudson’s proposal to adopt a**  
4 **three-month product for residential and small commercial customers?**

5 A. Yes. Mr. Hudson’s proposed addition of a three-month product to the Residential  
6 and Small Commercial class portfolios would require PECO to hold four  
7 solicitations each year for those procurement classes instead of two solicitations.  
8 This would effectively double the administrative cost of default supply  
9 procurements for both residential and small commercial customers.

10 **7. Q. Does PECO agree with the proposals of the OCA and RESA to eliminate the**  
11 **53-month full requirements product from the Residential class procurement?**

12 A. Both RESA and the OCA argue that inclusion of a 53-month product in PECO’s  
13 procurement plan for residential customers would lead to higher risk premiums.  
14 While PECO continues to believe its proposed 53-month product is appropriate as  
15 part of a “prudent mix” for residential customers, PECO is amenable to replacing  
16 the two tranches of 53-month product with two tranches of two-year FPFR  
17 products to continue to provide price stability benefits to residential customers if  
18 so directed by the Pennsylvania Public Utility Commission (“Commission”).  
19 The OCA’s proposal to replace the 53-month product with spot market purchases,  
20 which will provide no price stability benefits, should not be adopted.

1   **8.    Q.    Does PECO agree with the OCA’s proposed revision to the residential**  
2                   **procurement schedule, which would move the February 2015 and 2016**  
3                   **solicitations to March 2015 and 2016?**

4           A.    No. Mr. Hahn’s proposal is not feasible in light of PECO’s intent to allow  
5                   suppliers to continue to select their own Auction Revenue Rights (“ARRs”) and  
6                   Financial Transmission Rights (“FTRs”). While Mr. Hahn does not believe the  
7                   loss of this opportunity for suppliers will be “significant,” he acknowledges that  
8                   his proposed March procurement dates would occur after PJM begins the ARR  
9                   and FTR selection process. Subsequent assignment of ARR by PECO, as  
10                  suggested by Mr. Hahn, will not permit suppliers – who know their own sourcing  
11                  points for power supply – to have an opportunity to better hedge congestion risk  
12                  and thereby reduce associated risk premiums in their default service supply bids.

13   **9.    Q.    Mr. McCawley, please respond to OCA witness Hahn’s contention that**  
14                   **procurements should not be held in January or February because those**  
15                   **periods are the time of the highest winter market prices.**

16           A.    Certainly. To support his contention that market prices are high in January and  
17                   February, Mr. Hahn provides an analysis of quarterly real-time market prices for  
18                   PJM’s PECO zone from January 2012 to April 2014 and emphasizes the high  
19                   spot-market prices during the “Polar Vortex” in January 2014. As Mr. Hahn’s  
20                   own analysis shows, however, market prices have not always been substantially  
21                   higher in January when compared to March in other years. Mr. Hahn thus  
22                   provides no basis for the Commission to conclude that a possible risk of high

1 spot-market prices in January outweighs the benefit of enabling winning FPFR  
2 suppliers to select their own transmission paths in the PJM ARR/FTR process.

3 **10. Q. Does PECO believe that elimination of contracts extending beyond May 31,**  
4 **2017 is necessary to accommodate future changes to the default service**  
5 **model, as RESA witness Hudson suggests?**

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

17 **11. Q. Does PECO agree with RESA's proposal to procure three-month contracts**  
18 **four times a year instead of six-month contracts twice a year for medium**  
19 **commercial customers?**

20 A. No. As of May 2014, approximately 80% of medium commercial customers are  
21 shopping, with 85% of the Medium Commercial class load being served by EGSs.  
22 Medium commercial customers are thus participating extensively in the

1 competitive retail market, and there is no reason to add volatility to the rates of  
2 those medium commercial customers who choose not to shop or to increase the  
3 rates of those customers to recover the costs of two additional procurements, as  
4 proposed by Mr. Hudson.

5 **12. Q. Is Mr. Hudson’s recommendation to move medium commercial customers**  
6 **with interval meters into the Large Commercial and Industrial procurement**  
7 **class as those meters are deployed appropriate for PECO customers?**

8 A. No. As I explained in my direct testimony, PECO has requested a waiver from  
9 the Commission’s directive in the *End State Order* that customers with interval  
10 meters and peak demands above 100 kW should receive spot-priced products until  
11 PECO has completed the advanced metering infrastructure (“AMI”) deployment  
12 for the entire Medium Commercial class.<sup>2</sup> Completion of deployment includes  
13 testing, implementation of back-office and other information technology (“IT”)  
14 systems, and integration with PECO’s billing system. As RESA concedes, its  
15 proposed transition of medium commercial customers to hourly-priced default  
16 service at the same time as PECO is deploying AMI meters to those customers  
17 creates the potential for wholesale default service suppliers to include a premium  
18 in bids to cover more uncertainty in Medium Commercial class customer load.  
19 RESA’s proposal would also require additional billing system changes with  
20 associated administrative costs at the same time that PECO is integrating system

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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) (“*End State Order*”), pp. 29-32.

1 changes in concert with the AMI meter deployment to implement other  
2 Commission-directed retail market enhancements.

3 To the extent Mr. Hudson believes that automatically transferring medium  
4 customers with interval meters to the Large Commercial and Industrial class will  
5 benefit the competitive market, as stated in my direct testimony, the vast majority  
6 of medium commercial customers are already shopping and the remaining  
7 customers always have the choice to receive competitive electric service from an  
8 EGS at any time. The Commission should therefore reject RESA's proposal and  
9 thereby avoid creating a risk of higher bidder premiums for the remaining  
10 Medium Commercial class customers and additional complexities in the  
11 integration of PECO's AMI deployment and billing systems.

12 **13. Q. Mr. Hudson proposes quarterly procurements for the Large Commercial**  
13 **and Industrial class. Does PECO believe this is a reasonable approach?**

14 A. No. Mr. Hudson's reason for this proposal is to facilitate the transfer of medium  
15 commercial customers to the Large Commercial and Industrial class  
16 procurements, which should be deferred for reasons I have already explained.  
17 RESA's proposal for more frequent procurements for the Large Commercial and  
18 Industrial class would also increase procurement costs for those customers. I also  
19 believe that increasing the number of procurements for the Large Commercial and  
20 Industrial class may increase the likelihood of failed procurements due to low  
21 bidder interest associated with the relatively few large commercial and industrial  
22 customers receiving default service.

1 III. CONTINGENCY PLANS

2 14. Q. Mr. McCawley, in your direct testimony, you explained that PECO proposes  
3 to use the same contingency plans approved by the Commission in DSP II.  
4 Can you please describe and respond to changes to those contingency plans  
5 proposed by the OCA?

6 A. Yes. OCA witness Hahn believes that any contingency plan should minimize the  
7 amount of time that residential customers are supplied by spot market purchases  
8 and proposes two modifications to PECO's contingency plans. First, in the event  
9 that PECO fails to obtain Commission approval of a sufficient number of supplier  
10 bids for all offered tranches for a residential product in a solicitation or a supplier  
11 defaults, Mr. Hahn recommends that PECO immediately issue an additional  
12 request for proposals ("RFP"). Second, if the lack of adequate supplier interest is  
13 likely to exist for an extended period of time, Mr. Hahn proposes that PECO  
14 procure a combination of block and spot products instead of relying on purchases  
15 from the PJM markets to satisfy any unserved portion of default service load.

16 PECO does not believe either proposal is appropriate. Given the short delivery  
17 lead times (i.e., 2-3 months) in PECO's residential procurement plan, there is not  
18 enough time to re-issue an RFP, conduct bidder sessions and qualify bidders in  
19 time for the start of the delivery period. Furthermore, providing an alternative  
20 procurement structure (instead of only spot purchases) may discourage some  
21 suppliers from participating in the scheduled procurements in hope of  
22 participating in contingency procurements, when fewer suppliers may be bidding

1 and prices could be less competitive. The Commission should therefore approve  
2 PECO's contingency plans as proposed, consistent with DSP I and DSP II.

3 **IV. UNIFORM SUPPLY MASTER AGREEMENT**

4 **15. Q. OCA witness Hahn generally agrees that the Uniform SMA is reasonable,**  
5 **but expresses concern over certain provisions regarding creditworthiness.**  
6 **How do you respond?**

7 A. Mr. Hahn's concern about limiting supplier default risk relates to language in  
8 Sections 6.1 and 6.5 of the Uniform SMA that provides PECO with discretion to  
9 agree to less restrictive creditworthiness requirements for suppliers than those set  
10 forth in the RFP. While Mr. Hahn does not propose any changes to the Uniform  
11 SMA, I believe his concerns are misplaced.

12 Section 6.1 is designed to ensure that suppliers have clear obligations to maintain  
13 creditworthiness requirements during the term of the Uniform SMA. The  
14 language in the Uniform SMA is intended to give PECO flexibility to address  
15 changing market conditions while maintaining default service supply for  
16 customers. While this language did not appear in the supply master agreement  
17 used by PECO in DSP II, identical language in other supply master agreements  
18 used by Pennsylvania EDCs was approved by the Commission in other default  
19 service proceedings and this language was therefore adopted by the EDCs in the  
20 development of the Uniform SMA.

21 Section 6.5 provides a mechanism for the Company to manage credit  
22 requirements for suppliers which can vary based upon market conditions and

1 changes in supplier creditworthiness. Article 14 of PECO's Commission-  
2 approved supply master agreement for DSP II includes a similar provision, and  
3 language similar to Section 6.5 has also been previously approved by the  
4 Commission in other default service proceedings.

5 PECO has not been required to exercise its discretion under Article 14 of its DSP  
6 II supply master agreement. In the event that circumstances change, PECO  
7 intends to exercise its discretion under both Section 6.1 and 6.5 consistent with  
8 the Uniform SMA provisions and ensure that all suppliers are treated equally in  
9 those circumstances for the benefit of customers.

10 **16. Q. Have you reviewed NEPM's criticisms of the minimum unsecured debt**  
11 **rating requirements for issuers of Letters of Credit ("LOCs") proposed by**  
12 **PECO as part of the Uniform SMA developed through the Commission's**  
13 **Office of Competitive Market Oversight ("OCMO") procurement working**  
14 **group collaborative process?**

15 A. Yes. NEPM opposes the A/A2 minimum unsecured debt rating requirement for  
16 financial institutions that issue LOCs to wholesale suppliers in Section 6.7(b) of  
17 the Uniform SMA, which represents an increase of one level from the A-/A3  
18 minimum unsecured debt rating for LOCs under PECO's DSP II supply master  
19 agreement. Mr. Cheslock contends that this increased rating is inconsistent with  
20 wholesale power supply agreements adopted by the Edison Electric Institute, and  
21 may limit the financial institutions and banks that can issue LOCs to wholesale  
22 suppliers.



1 Currently, these costs are paid by all LSEs in the PECO Zone – i.e. EGSs and  
2 PECO on behalf of FPFR suppliers – in proportion to the load they serve. Mr.  
3 Hahn’s concern is based on the incorrect view that PECO’s proposal would shift  
4 responsibility for Generation Deactivation charges from EGSs as LSEs to PECO  
5 in its role as the EDC. However, PECO’s proposed charge will result in  
6 Generation Deactivation charges being collected directly by PECO from default  
7 service customers under PECO’s bypassable default service transmission rate  
8 instead of indirectly as part of the price for default service supply paid to  
9 wholesale suppliers, which is ultimately included in default service rates. Under  
10 PECO’s proposal, EGSs will continue to pay for Generation Deactivation charges  
11 associated with the load they serve (which the EGS may or may not pass on to  
12 shopping customers as part of its competitive price).

13 **19. Q. Does Mr. Hahn oppose PECO’s proposal if Generation Deactivation charges**  
14 **continue to be the responsibility of all LSEs?**

15 A. I do not believe so. Because EGSs will continue to be responsible for Generation  
16 Deactivation charges as LSEs, Mr. Hahn’s concern that those costs will not be  
17 collected from all PECO customers is unwarranted.

18 **20. Q. Mr. McCawley, please describe the proposal of RESA to transfer PJM costs**  
19 **from LSEs to PECO for recovery from both shopping and non-shopping**  
20 **customers.**

21 A. Mr. Hudson, on behalf of RESA, has proposed that PECO undertake  
22 responsibility for collecting and recovering from customers certain PJM

1 transmission charges, including Generation Deactivation and Network Integration  
2 Transmission Service (“NITS”), and costs associated with transmission upgrades  
3 (“RTEP”), as well as unaccounted for energy (“UFE”). Mr. Hudson asserts that  
4 because the future amount of these costs is unknown and suppliers cannot hedge  
5 these risks, suppliers may charge customers a premium that is much higher than  
6 the actual charges. For this reason, he believes that shifting these unknown costs  
7 from all EGSs directly to all customers through PECO, via a “non-bypassable  
8 tariff charge,” will reduce market prices and benefit all stakeholders.

9 **21. Q. Is the Commission currently considering a similar proposal in any other**  
10 **proceedings?**

11 A. Yes. In the default service proceedings of Metropolitan Edison Company,  
12 Pennsylvania Electric Company, Pennsylvania Power Company and West Penn  
13 Power Company (collectively, “FirstEnergy EDCs”) at Docket No. P-2013-  
14 2391368, *et al.*, the FirstEnergy EDCs proposed to assume responsibility for PJM  
15 Generation Deactivation charges, UFE costs and PJM charges for tie line,  
16 generation and retail customer meter data errors discovered after financial  
17 settlement (“Meter Adjustments”) and recover the associated costs on a non-  
18 bypassable basis under their Default Service Support Riders (“DSSRs”). This  
19 would be in addition to DSSR recovery of RTEP and Expansion Cost Recovery  
20 Change (“ECRC”) costs, which the Commission approved in a prior default  
21 service proceeding involving the FirstEnergy EDCs. In the pending case, both  
22 RESA and FirstEnergy Solutions (“FES”) recommended expanding the  
23 FirstEnergy EDCs’ proposal to include NITS, which the FirstEnergy EDCs

1 subsequently endorsed. On May 6, 2014, Administrative Law Judge Susan D.  
2 Colwell issued her decision recommending approval of a joint petition for  
3 settlement (“FirstEnergy Settlement”) that provides, among other things, that the  
4 FirstEnergy EDCs will recover Generation Deactivation charges, UFE and Meter  
5 Adjustments through their non-bypassable DSSRs.<sup>4</sup> With respect to the recovery  
6 of NITS costs, which was reserved for litigation by the parties to the FirstEnergy  
7 Settlement, Judge Colwell concluded in the Recommended Decision, p. 38, that  
8 while there was sufficient evidence to support a finding that inclusion of NITS in  
9 the DSSR was now justified, she was constrained to deny the RESA/FES proposal  
10 because of the Commission’s treatment of NITS costs in the FirstEnergy EDCs’  
11 prior default service proceedings.

12 **22. Q. In light of the developments in the FirstEnergy EDCs’ proceedings, does**  
13 **PECO agree to assume responsibility for any of the non-market based**  
14 **charges set forth in RESA’s proposal?**

15 A. No, as the Commission has not ruled on Judge Colwell’s Recommended  
16 Decision. Consistent with DSP II, PECO believes that LSEs, including EGSs,  
17 should be responsible for PJM charges assigned to LSEs. However, as noted in  
18 my direct testimony, PECO will continue to monitor the FirstEnergy EDCs’  
19 proceedings and will take into consideration any Commission direction to the  
20 FirstEnergy EDCs as it may apply to PECO’s proposals for DSP III.

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<sup>4</sup> See Secretarial Letter, *Joint Petition of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company for Approval of their Default Service Programs*, Docket Nos. P-2013-2391368 *et al.* (entered May 6, 2014) (“Recommended Decision”).



1 EGSs serve both residential and small commercial customers; (3) quarterly  
2 training of PECO customer service representatives about presenting the SOP; and  
3 (4) issuance of communications to customers about the SOP on a quarterly basis.

4 **24. Q. Does PECO support the collaborative proposed by RESA and the generic**  
5 **review of referral programs proposed by the OCA?**

6 A. Yes, the Company supports both processes as means to evaluate and identify  
7 potential improvements to the SOP. However, the completion of these reviews  
8 should not be a prerequisite to the continuation of the SOP for the term of  
9 PECO's DSP III.

10 **25. Q. Mr. McCawley, does PECO agree with any of the specific SOP design**  
11 **changes proposed by the OCA or RESA?**

12 A. Not at this time. PECO believes that the collaborative proposed by RESA is the  
13 appropriate venue to consider operational and design changes to the SOP,  
14 including the appropriate allocation of additional administrative costs incurred as  
15 a result of those changes.

16 I would, however, like to respond to the OCA's proposal that PECO modify  
17 requirements for end of term notices in light of the recent *Final-Omitted*  
18 *Rulemaking Order*. The Company believes that the current Commission-  
19 approved SOP Rules include clear and appropriate customer protections regarding  
20 end of term notices and reporting requirements for participating EGS. These  
21 protections and reporting requirements provide the Commission with ample  
22 information to monitor the actions of those suppliers and enforce its new

1 regulations promulgated as part of the *Final-Omitted Rulemaking Order*. The  
2 Company does not believe it is appropriate to shift enforcement responsibilities  
3 for the Commission’s regulations to PECO.

4 **26. Q. Do you agree with the OCA’s recommendation to perform a survey or**  
5 **convene a focus group of customers participating in the SOP?**

6 A. PECO does not believe that information generated from such a survey or focus  
7 group is relevant to continuation of the SOP consistent with the Commission’s  
8 observation in the *End State Order* (pp. 12-13) that standard offer customer  
9 referral programs will “improve the overall operation of the competitive market in  
10 the near term.” Similar to proposals to change SOP design, the collaborative or  
11 generic review proceeding would be appropriate venues for deciding what data  
12 should be collected and how the data will be used to evaluate the SOP.

13 **27. Q. Is PECO taking any steps to improve the presentation of the SOP during**  
14 **eligible customer contacts with the Company’s call center?**

15 A. Yes. To endeavor to increase SOP enrollments, PECO has consulted with other  
16 Pennsylvania EDCs and stakeholders to share best practices on implementation of  
17 standard offer customer referral programs. As a result of those discussions,  
18 PECO is in the process of revising its call handling process to transfer all eligible  
19 calls to a third-party servicer (Allconnect) used by other Pennsylvania EDCs to  
20 provide further information regarding the SOP after a customer’s initial contact  
21 with PECO’s call center.

22

VII. CONCLUSION

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2 **28. Q. Does this conclude your rebuttal testimony?**

3 A. Yes, it does.