

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

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

SURREBUTTAL TESTIMONY

WITNESS: JOHN J. McCAWLEY, P. E.

SUBJECTS: CONTINGENCY PLANS AND
STANDARD OFFER PROGRAM

DATED: JULY 9, 2014

TABLE OF CONTENTS

	Page
I. INTRODUCTION AND PURPOSE OF TESTIMONY	1
II. CONTINGENCY PLANS	2
III. STANDARD OFFER PROGRAM.....	3
IV. CONCLUSION	5

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
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**SURREBUTTAL TESTIMONY
OF
JOHN J. McCAWLEY**

I. INTRODUCTION AND PURPOSE OF TESTIMONY

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

A. My name is John J. McCawley. My business address is 2301 Market Street, Philadelphia, PA, 19103.

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

A. Yes. I submitted direct and rebuttal testimony on behalf of PECO Energy Company (“PECO” or the “Company”), which have been designated as PECO Statement Nos. 2 and 2-R.

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

A. The purpose of my surrebuttal testimony is to respond to portions of the rebuttal testimony of Retail Energy Supply Association (“RESA”) witness Richard J. Hudson, Jr. Specifically, I will address the following issues: (1) Mr. Hudson’s endorsement of certain changes to PECO’s contingency plans recommended by the Office of Consumer Advocate (“OCA”) witness Richard S. Hahn; and (2) Mr. Hudson’s concerns regarding the costs to administer the Company’s Electric Generation Supplier (“EGS”) Standard Offer Program (“SOP”).

1 RFPs and approve PECO's contingency plan as proposed, which is identical to
2 the contingency plans approved for PECO by the Commission in DSP I and DSP
3 II.

4 **III. STANDARD OFFER PROGRAM**

5 **5. Q. What does Mr. Hudson recommend concerning the costs to implement and**
6 **administer the SOP?**

7 A. Mr. Hudson raises concerns that PECO's SOP appears to be more costly than the
8 standard offer customer referral programs implemented by other Pennsylvania
9 electric distribution companies ("EDCs"). As a result, he recommends that
10 PECO's SOP cost levels be examined in RESA's proposed stakeholder
11 collaborative process to explore means to reduce those costs and confirm that the
12 costs incurred by PECO to date are reasonable.

13 **6. Q. Do you agree with Mr. Hudson's recommendation?**

14 A. In part. As of February 19, 2014, PECO had fully recovered its one-time costs for
15 information technology changes necessary to implement the SOP in accordance
16 with the Commission's Orders in DSP II. The Company does not believe it is
17 appropriate to now "confirm" the reasonableness of these implementation costs in
18 yet another proceeding. However, PECO would welcome stakeholder
19 recommendations regarding potential improvements to the administration of the
20 SOP, including recommendations that could lead to a reduction in ongoing
21 operational costs.

1 **7. Q. Mr. Hudson also believes that PECO’s use of a third party servicer,**
2 **Allconnect, to administer customer enrollment in the SOP raises questions**
3 **regarding program costs that should be examined in the stakeholder**
4 **collaborative and suggests that PECO should receive compensation if**
5 **Allconnect enrolls a customer in other services offered by Allconnect. How**
6 **do you respond?**

7 A. Allconnect is used by other Pennsylvania EDCs in administering the SOP, and I
8 do not believe PECO’s existing contract needs to be examined in the proposed
9 collaborative. In addition, PECO already receives compensation associated with
10 customers who are transferred to Allconnect (equal to \$5 per customer) and all of
11 that compensation is used to reduce the cost of the SOP.

12 Under its arrangement with Allconnect, PECO’s customer service representatives
13 transfer eligible callers who affirmatively elect to receive additional information
14 about the SOP to Allconnect after the customer’s initial contact with PECO’s call
15 center. After completing its presentation of the SOP, Allconnect may offer
16 customers who are moving to a new address an opportunity – entirely separate
17 and distinct from the SOP – to order and set up additional home services (such as
18 telephone or cable service) through Allconnect. PECO pays Allconnect \$30 for
19 each customer that enrolls in the SOP, and PECO receives payment (the \$5 I
20 described above) for every call transferred to Allconnect. The payments by
21 Allconnect through May 31, 2014, reduced the cost of the SOP to EGSs and
22 customers by \$97,000.

IV. CONCLUSION

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2 **8. Q. Does this conclude your surrebuttal testimony?**

3 A. Yes, it does.