



100 Pine Street • PO Box 1166 • Harrisburg, PA 17108-1166
Tel: 717.232.8000 • Fax: 717.237.5300

Adeolu A. Bakare
Direct Dial: 717.237.5290
Direct Fax: 717.260.1744
abakare@mwn.com

May 26, 2015

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

VIA ELECTRONIC FILING

**RE: Establishment of a Non-Bypassable Transmission Charge (NBT)
PECO Energy Electric Tariff No. 4, Supplement 126
Effective June 1, 2015; Docket No. P-2014-2409362**

Dear Secretary Chiavetta:

On December 4, 2014, the Pennsylvania Public Utility Commission ("PUC" or "Commission") entered an Opinion and Order at Docket No. P-2014-2409362, approving PECO Energy Company's ("PECO" or "Company") Petition for Approval of its Default Service Plan Phase III ("DSP III") subject to certain conditions, including submission of a Compliance Filing proposing tariff provisions for implementation of a Non-Bypassable Transmission Charge ("NBT").¹ The Philadelphia Area Industrial Energy Users Group ("PAIEUG"), an ad hoc group of large commercial and industrial ("C&I") customers receiving service from PECO, was a party to this proceeding.

Pursuant to the December 4 Order, PECO filed Supplement No. 126 to PECO Energy Electric Tariff No. 4 on May 15, 2015 ("Supplement No. 126"), in order to implement the NBT. Although PAIEUG does not agree that Supplement No. 126 provides the most appropriate correlation of cost causation based recovery, in consideration of the circumstances described below and for purposes of only this limited Compliance Filing, PAIEUG does not oppose the implementation of Supplement No. 126.

In this instance, Supplement No. 126 establishes the procedure for collecting RTEP, Expansion Recovery, and RMR charges, all of which are transmission-related charges, from both shopping and non-shopping customers. Prior to implementation of Supplement No. 126, shopping customers would have these charges collected by their Electric Generation Suppliers ("EGS"). For large C&I customers, the EGS would most likely have been collecting these charges based upon each large C&I customer's individual Network Service Peak Load ("NSPL"), or 1-Coincident Peak ("CP").² Through use of the 1-CP for purposes of collecting transmission and transmission-related charges, large C&I customers can control transmission and transmission-related costs by minimizing usage during the 1-CP timeframe.

¹ The December 4 Order approved recovery of only Regional Transmission Enhancement Plan ("RTEP"), Expansion Recovery, and Generation Deactivation/Reliability Must Run ("RMR") charges through an NBT.

² Generally, the 1-CP is also thought of as a customer's NSPL.

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With respect to Supplement No. 126, PECO is proposing to utilize a 5-CP calculation for the purpose of collecting the aforementioned transmission-related costs from large C&I customers.³ Currently, EGSs generally utilize a customer's individual 5-CP for purposes of determining a customer's capacity costs.⁴ In addition, as of the time of the filing, PECO is projecting the large C&I customer share of the dollars at issue under Supplement No. 126 to be approximately \$9 million for the period of June 1, 2015 through November 1, 2015.

PAIEUG maintains that collecting RTEP, Expansion Recovery, and RMR costs on an individual NSPL basis would most accurately reflect cost causation principles for purposes of collecting these costs from large C&I customers. With that being said, PAIEUG is aware that upgrading the Company's billing system to allow for implementation of a 1-CP collection for purposes of an NBT would purportedly be an expensive undertaking. Moreover, pursuant to Supplement No. 126, PAIEUG recognizes that the costs to be collected from large C&I customers under Supplement No. 126, as of the time of the filing, are estimated at approximately \$9 million. In addition, PAIEUG understands that PECO will not be modifying its current methodology with respect to a customer's 5-CP determination during the DSP Phase III.

Because of the costs of the system upgrades, combined with the limited charges to be collected under Supplement No. 126 and PECO's maintenance of the current 5-CP calculation, PAIEUG does not oppose PECO's use of the 5-CP as set forth under Supplement No. 126 at this time. Importantly, PAIEUG views the cost collection methodology set forth under Supplement No. 126 to be applicable to only those charges approved for recovery through the NBT in the Company's DSP Phase III proceeding.⁵ In addition, PAIEUG submits that this collection of costs should not be precedential for any cost collection issues that arise in any future DSP proceedings. Moreover, PAIEUG reserves the right to address this collection, or the collection of any other transmission-based charges in any future proceedings before the Commission.

³ As set forth in Supplement No. 126, PECO will allocate the total RTEP, Expansion Recovery, and RMR costs to each customer class using the total class NSPL. This letter does not address the allocation methodology but rather focuses solely on the methodology proposed by PECO for purposes of collecting the aforementioned costs from customers. *See* Supplement No. 126, page 40AA (stating that "The cost shall be allocated to each rate class based upon the coincident peak used by PJM to establish the network service obligation.").

⁴ Generally, the 5-CP is also thought of as a customer's Peak Load Contribution ("PLC").

⁵ For example, according to Supplement No. 126, PECO will be collecting \$9,067,492 from large C&I customers through November 2015; however, one of the arguments raised by PECO and other parties in the DSP III proceeding involved the purported volatility of these costs. As such, if during PECO's DSP Phase IV proceeding, these costs should suddenly prove to increase significantly, PAIEUG reserves the right to address any cost collection issues related thereto.

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As shown by the attached Certificate of Service, all parties to this proceeding are being duly served with a copy of this document. Thank you.

Sincerely,

McNEES WALLACE & NURICK LLC

By 

Adeolu A. Bakare

Counsel to the Philadelphia Area Industrial Energy Users Group

c: Richard Webster, Jr., PECO Energy Company
Kenneth M. Kulak, Morgan Lewis and Bockius LLP
Craig Williams, PECO Energy Company
C. Walker-Davis, Director, Office of Special Assistants
P. T. Diskin, Director, Bureau of Technical Utility Services
D. P. Hosler, Director, Bureau of Audits
J. E. Simms, Director, Bureaus of Investigation & Enforcement
Office of Consumer Advocate
Office of Small Business Advocate