

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**PETITION OF PECO ENERGY :  
COMPANY FOR APPROVAL OF ITS :  
DEFAULT SERVICE PROGRAM FOR : DOCKET NO. P-2014-2409362  
THE PERIOD FROM JUNE 1, 2015 :  
THROUGH MAY 31, 2017 :**

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**JOINT PETITION FOR PARTIAL SETTLEMENT**

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August 28, 2014

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### **EXHIBITS AND STATEMENTS IN SUPPORT**

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**JOINT PETITION FOR PARTIAL SETTLEMENT**

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**TO THE HONORABLE CYNTHIA W. FORDHAM, ADMINISTRATIVE LAW JUDGE:**

PECO Energy Company (“PECO”), the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”), NextEra Power Marketing, LLC (“NEPM”), and the Retail Energy Supply Association (“RESA”) (collectively, the “Joint Petitioners”), by their respective counsel, submit this Joint Petition For Partial Settlement (“Settlement”) of all but two issues in the above-captioned proceeding and request that the Administrative Law Judge approve the Settlement without modification.<sup>1</sup> The items reserved for litigation involve the procurement plan for PECO’s Medium Commercial Class and whether the Company should assume certain PJM Interconnection, L.L.C. (“PJM”) charges for all customer load and recover those costs on a non-bypassable basis. In support of this Settlement, the Joint Petitioners state as follows:

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<sup>1</sup> Direct Energy Services LLC (“Direct Energy”), FirstEnergy Solutions Corp. (“FES”), Interstate Gas Supply, Inc. (“IGS”), PECO Energy Suppliers Group (“PESG”) and Noble Americas Energy Solutions LLC (“Noble”), which are parties to this proceeding, have authorized the Joint Petitioners to represent that they do not oppose the Settlement. The Philadelphia Industrial Energy Users Group (“PAIEUG”) is the only party that has not joined this Joint Petition or indicated that it does not oppose the Settlement. PECO notes, however, that PAIEUG solely raised objections in testimony and its Main Brief with respect to the issues reserved for litigation.

## I. BACKGROUND

1. On March 10, 2014, PECO filed the above-captioned petition (the “DSP III Petition”) requesting that the Pennsylvania Public Utility Commission (the “Commission”) approve PECO’s third proposed default service program (the “Program”) for the period June 1, 2015 through May 31, 2017 in accordance with the Electricity Generation Customer Choice and Competition Act, 66 Pa.C.S. § 2801 *et seq.* (the “Competition Act”).

2. The Program set forth in PECO’s DSP III Petition was designed to satisfy its obligation to furnish adequate and reliable service to default service customers at the least cost over time by procuring a prudent mix of long-term, short-term and spot market generation supplies. As explained in the DSP III Petition, PECO proposed to continue most of the existing programs in its second default service proceeding (“DSP II”) as approved by the Commission.<sup>2</sup>

3. Accompanying its DSP III Petition, PECO filed the supporting data required by 52 Pa. Code § 53.52, as well as the prepared direct testimony and accompanying exhibits of Brian D. Crowe (PECO Statement No. 1); John J. McCawley (PECO Statement No. 2); Scott G. Fisher (PECO Statement No. 3); Chantale LaCasse (PECO Statement No. 4); and Alan B. Cohn (PECO Statement No. 5).

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<sup>2</sup> On October 12, 2012, the Commission approved PECO’s DSP II with certain modifications and also directed PECO to submit new proposals for various elements of its proposed retail market enhancements. *See Petition of PECO Energy Co. for Approval of Its Default Serv. Program II*, Docket No. P-2012-2283641 (Order entered October 12, 2012). In response, PECO made a series of compliance filings (December 11, 2012; February 28, 2013; and April 15, 2013), which were approved by a Secretarial Letter issued January 25, 2013, an Order entered February 14, 2013, and an Order entered June 13, 2013, respectively (collectively, the “DSP II Orders”).

4. PECO notified its customers of the filing of the DSP III Petition by inserts included in the Company's customers' bills over a thirty-day period beginning on April 1, 2014. In addition, PECO published notices in major newspapers in its electric service territory. The notices referred interested persons to PECO's website, where a copy of the entire filing was available for review. In addition, PECO served its DSP III Petition on the OCA, the OSBA, the Commission's Bureau of Investigation and Enforcement, PJM, PAIEUG and all electric generation suppliers ("EGSs") registered to provide service in PECO's service territory.

5. On March 22, 2014, the *Pennsylvania Bulletin* published the Commission's Notice setting a deadline for filing protests, complaints or petitions to intervene by April 1, 2014 and scheduling a Prehearing Conference for April 12, 2014 before Administrative Law Judge ("ALJ") Cynthia W. Fordham.

6. Petitions to Intervene were filed by CAUSE-PA, Direct Energy, FES, IGS, NEPM, Noble, PESG, PAIEUG, and RESA. The OCA filed a Notice of Intervention, Public Statement and Answer. The OSBA filed a Notice of Intervention, Answer, Verification, Public Statement and Notice of Appearance. CAUSE-PA and the PAIEUG also filed Answers to the DSP III Petition.

7. A Prehearing Conference was held on April 12, 2014, at which a schedule was established for the submission of testimony and the conduct of hearings. Specifically, and consistent with Commission practice, a schedule was adopted whereby all case-in-chief, rebuttal and surrebuttal testimony would be submitted in writing in advance of hearings. Evidentiary hearings were scheduled for July 15-18, 2014, at which all testimony and exhibits

would be placed in the record and all witnesses presented for oral rejoinder and cross-examination, if any, thereon. The ALJ thereafter issued a Scheduling Order establishing this schedule.

8. On June 5, 2014, NEPM, the OCA and RESA submitted a total of four written statements and accompanying exhibits. On June 26, 2014, PECO, the OCA, OSBA, PAIEUG, and RESA submitted eight statements constituting their rebuttal testimony in this case. On July 9, 2014, PECO, NEPM, RESA, OSBA and OCA submitted seven surrebuttal statements.

9. An evidentiary hearing was held in Philadelphia, Pennsylvania on July 17, 2014. At the hearing, PECO witnesses John J. McCawley and Alan B. Cohn provided oral rejoinder testimony, various witnesses were cross-examined and the written testimony and exhibits of all parties were admitted into evidence.<sup>3</sup>

10. After the submission of written testimony, the parties engaged in discussions to try to achieve a settlement of some or all of the issues in this case. As a result of those negotiations, the Joint Petitioners were able to reach the Settlement set forth herein and agree to a revised default service program consistent with PECO's DSP III Petition, as modified herein ("Revised DSP III"). The Joint Petitioners notified the ALJ of the Settlement on August 18, 2014. Thereafter, the ALJ deferred the filing of Reply Briefs to address the two issues reserved for litigation until September 4, 2014, after the filing of this Joint Petition.

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<sup>3</sup>At the request of the parties, the ALJ canceled the hearings scheduled for July 15-16, 18, 2014.

## **II. TERMS AND CONDITIONS OF SETTLEMENT**

11. The Settlement consists of the following terms and conditions:

### **A. Procurement Plan**

12. PECO's Revised DSP III shall have a term of two years, beginning June 1, 2015 and ending May 31, 2017.

13. In the event of the passage of legislation by the Pennsylvania General Assembly which has the effect of fundamentally changing the provision of default service in Pennsylvania (or the responsibilities of electric distribution companies ("EDCs") with respect to such service) in a manner that materially impacts the remainder of PECO's Revised DSP III, PECO will, within thirty business days of such legislation becoming law, confer with the Joint Petitioners.

14. After obtaining the Joint Petitioners' input, PECO will, if necessary to comply with such law, petition the Commission for authorization to suspend or modify any procurement solicitation events scheduled, but not yet conducted, under the Revised DSP III, or seek such other declaratory guidance as deemed appropriate by PECO, in order to implement the law. In such event, PECO will seek input and approval from the Commission on the provision of default service for the remainder of the Revised DSP III term. Nothing within this paragraph creates any additional rights in Joint Petitioners to petition to modify or terminate contracts that have been executed prior to such legislation becoming law.

15. PECO's default service customers shall be divided into four classes as in DSP I and DSP II for purposes of default service procurement: the Residential Class, the Small



Commercial Class, the Medium Commercial Class and the Large Commercial and Industrial Class.

16. The Residential Class includes all residential customers currently receiving service under PECO rate schedules R and RH.

17. The Small Commercial Class includes customers with annual peak demand of less than 100 kW served under rate schedules GS, PD and HT plus lighting customers on schedules AL, POL, SLE, SLS and TLCL.

18. The Medium Commercial Class includes customers with annual peak demand equal to greater than 100 kW, but less than or equal to 500 kW on schedules GS, PD and HT.

19. The Large Commercial and Industrial Class includes customers with annual peak demand greater than 500 kW on schedules GS, HT, PD and EP.

**(1) Residential Class**

20. For the Residential Class, PECO will continue to procure a mix of one-year and two-year fixed-price full requirements (“FPFR”) contracts and transition to a procurement design in which approximately 96% of the supply is in the form of one-year and two-year FPFR products, with six months spacing between the commencement of contract delivery periods. During the Revised DSP III period, the remaining approximately 4% of Residential Class supply currently obtained through a five-year block product (and associated spot-market purchases) expiring on December 31, 2015, will be replaced with 17-month FPFR products (approximately 3.2% of residential default service load) and spot purchases (approximately

1%) directly from the energy markets operated by PJM. PECO will procure no other block energy products after expiration of its existing block energy contract.

21. Suppliers will bid in a competitive, sealed-bid request for proposals (“RFP”) process on “tranches” corresponding to a percentage of the actual Residential default service customer load. Winning suppliers will be obligated to supply full requirements load-following service, which includes energy, capacity, ancillary services, and all other services or products necessary to serve a specified percentage of PECO’s default service load in all hours during the supply product’s delivery period.<sup>4</sup> In addition, the full requirements product requires the supplier to provide PECO all necessary alternative energy credits described in Paragraph 41, *infra*, for compliance with Pennsylvania’s Alternative Energy Portfolio Standards (“AEPS”) Act. 73 P.S. § 1648.1 *et seq.* Each of the contracts will be procured approximately two months prior to the beginning of the applicable contract delivery period.

22. The procurement terms and schedule for the Residential Class FPCR contracts are set forth in Exhibit A.

**(2) Small Commercial Class**

23. The Small Commercial Class load will continue to be supplied by one-year FPCR products, each laddered with six-month spacing between the commencement of contract delivery periods. Each of the contracts for the Small Commercial Class will be procured through a competitive sealed-bid process in the same manner as FPCR products for the Residential Class approximately two months prior to delivery of energy under the contract.

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<sup>4</sup> PECO remains responsible for all distribution services to its default service customers. The assignment of responsibility for PJM transmission-related costs is reserved for litigation as discussed in Section II.E, *infra*.

24. The procurement terms and schedule for the Small Commercial Class portfolio are set forth in Exhibit A.

**(3) Medium Commercial Class**

25. The issue of procurement of Medium Commercial default service supply, including but not limited to whether Medium Commercial default service should be priced on an hourly basis, is reserved for litigation. Nothing in this Joint Petition shall prejudice the parties with respect to their litigation position in opposition to or support of hourly pricing for Medium Commercial customers, provided, however, that PECO shall support the implementation of hourly priced default service for Medium Commercial customers in such litigation in accordance with the following paragraphs.

26. PECO will use commercially reasonable efforts to implement and test billing and data management system changes necessary to implement hourly priced default service for Medium Commercial customers (“Hourly Pricing Transition”) as soon as reasonably possible and in no event later than June 1, 2016, subject to the following conditions:

- a) No later than September 1, 2015, PECO will provide a status update to the parties on the implementation and testing of the system changes necessary to support hourly priced default service for Medium Commercial customers.
- b) If PECO determines that it can complete the implementation and testing of the necessary system changes on or before June 1, 2016, PECO will cancel the March 2016 FPFR product solicitation for Medium Commercial customers and will instead include all Medium Commercial customers in its Large

Commercial and Industrial procurement group and solicit hourly priced default service supply for that procurement group for delivery commencing June 1, 2016.

- c) If PECO determines that it cannot complete the implementation and testing of necessary systems changes in order to implement the Hourly Pricing Transition by June 1, 2016, then PECO will confer with the parties to this proceeding and the Office of Competitive Market Oversight (“OCMO”). If OCMO agrees that the Hourly Pricing Transition cannot reasonably be completed by June 1, 2016, PECO will proceed with the scheduled March 2016 FPFR solicitation for Medium Commercial customers and file a report with OCMO on the status of the system changes. PECO will provide a copy of the report filed with OCMO to the parties at the time of filing.
- d) If PECO proceeds with the FPFR solicitation under Paragraph 29(b), the term of the FPFR contracts solicited for Medium Commercial customers will end on November 30, 2016.

27. Should the Commission determine that default service for Medium Commercial customers should be priced on an hourly basis, the parties agree to PECO’s implementation of the Hourly Pricing Transition as described in Paragraph 26.

28. PECO commits to deploy and test the necessary systems changes to support an effective date of implementation for hourly priced default service for the Medium Commercial class no later than December 1, 2016.

**(4) Large Commercial and Industrial Class**

29. For its Large Commercial and Industrial customers, PECO will continue to solicit hourly-priced default service contracts for full requirements products for all default service supply.

30. PECO will procure default service supply for the Large Commercial and Industrial Class annually as shown on Exhibit A.

**(5) Procurement Schedule**

31. Default service supply procurements scheduled in January/February of 2015 and 2016 will be moved to March 2015 and 2016. In order to facilitate selection and transfer of PJM Auction Revenue Rights (“ARRs”) to wholesale default service suppliers, the Joint Petitioners agree that PECO shall be permitted to employ a consultant for ARR analysis and selection. The costs of the consultant and any associated financial outcome from PECO’s ARR selection (whether positive or negative) will be passed through PECO’s Generation Supply Adjustment (“GSA”) charge to default service customers in each class consistent with the ARRs assigned to suppliers, provided that the portion of consultant costs allocated to Residential customers shall not exceed \$25,000 per year.

32. The 17-month FPCR contracts for the Residential Class will be procured in the scheduled September 2015 procurements.

**B. Contingency Plans**

33. PECO will continue utilizing the contingency plans approved in the DSP II Orders. Specifically, 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 unserved 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.

34. In the event that bids for six or more tranches of FPFR products solicited in a default service procurement for the Residential Class are not approved by the Commission (and, as a result, PECO expects to serve the portion of its Residential default service load associated with such tranches through PJM spot market purchases), PECO shall file a plan with the Commission within fourteen business days of the rejection of bid results by the Commission which offers alternative options for procurement of the equivalent amount of default service supply from wholesale default service suppliers.

35. In the event of a supplier default and the immediate need to obtain supply for default service, 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 for an alternative procurement.

**C. Default Service Implementation Plan and Independent Evaluator**

36. Attached as Exhibit B to the Joint Petition is the form of the Supplier Master Agreement (“SMA”) that PECO will execute with wholesale suppliers that are successful bidders in PECO’s default service supply procurements.

37. Section 6.7 of PECO’s SMA (Exhibit B) will permit suppliers to use standby irrevocable letters of credit (“LOCs”) acceptable to PECO in its sole discretion issued by a bank or other financial institution with a minimum “A-” senior unsecured debt rating (or, if unavailable, corporate issuer rating discounted one notch) from Standard and Poor’s and “A3” from Moody’s.

38. The Joint Petitioners agree to the request for proposals (“RFP”) for PECO’s competitive sealed-bid solicitations attached to the Joint Petition as Exhibit C. Exhibit C is a revised version of PECO Exhibit CL-2 to reflect the procurement plan and products set forth in this Settlement. The Joint Petitioners also agree to the RFP protocol set forth in PECO Exhibit CL-3.

39. PECO will appoint NERA Economic Consulting, Inc. (“NERA”) as the independent third-party evaluator for PECO’ default service procurements.

40. The Commission has previously approved PECO’s SMA as an affiliated interest agreement so that PECO’s affiliates may participate in default service supply procurements, and PECO is maintaining the same protocols and other protections in its Revised DSP III to be administered by the Independent Evaluator. In the event that an affiliate of PECO is a winning bidder in a default supply procurement, it will need to execute

the SMA in the same manner and time period as other bidders. PECO therefore requests advance approval of the SMA (Exhibit B) by the Commission as an affiliated interest agreement.

**D. Alternative Energy Portfolio Standards Act Compliance**

41. Under the SMA, as in DSP II, PECO will continue to require each full requirements default service supplier to transfer Tier I solar, Tier I non-solar, and Tier II AECs to PECO corresponding to PECO's AEPS obligations associated with the amount of default service load served by that supplier.

42. In addition, PECO will continue to allocate AECs obtained through its prior Commission-approved Tier I solar, Tier I non-solar, and Tier II procurements towards suppliers' AEPS obligations in accordance with each customer class and the percentage of load served by each supplier. PECO will retain a percentage of its AECs to meet the AEPS requirements associated with any default service customer load not supplied by full requirements contracts. PECO will also buy and sell AECs as required to meet AEPS requirements and manage its inventory of AECs obtained in prior procurements as previously authorized by the Commission.

**E. Rate Design And Cost Recovery**

**(1) Generation Supply Adjustment**

43. PECO will continue to recover the cost of default service from default service customers through a GSA charge. For each customer class with peak loads up to 500 kW – i.e., the Residential, Small Commercial and Medium Commercial Classes – default service



rates established pursuant to the GSA will continue to change quarterly.<sup>5</sup> Such rates will continue to recover: (1) generation costs, certain transmission costs and ancillary service costs established through PECO's competitive procurements; (2) supply management, administrative costs (including costs incurred by PECO to implement Commission-approved retail market enhancement programs) and working capital, as provided in 52 Pa. Code § 69.1808; and (3) applicable taxes. The projected GSA for each quarter, which forms the basis of the Price-to-Compare ("PTC"), will be filed by PECO 45 days before the start of each quarter.

44. The Joint Petitioners agree that over/under collections of default service charges for the Residential, Small Commercial and Medium Commercial Classes will be reconciled on a semi-annual basis instead of a quarterly basis.<sup>6</sup>

45. PECO's default service rates for the Large Commercial and Industrial Class will also continue to be charged through the GSA. For those customers, default service rates will continue to be based upon the price paid to winning suppliers in PECO's hourly-priced service procurements, which includes the PJM day-ahead hourly locational marginal price ("LMP") for the PJM PECO Zone, plus associated costs, such as capacity, ancillary services, PJM administrative expenses and costs to comply with AEPS requirements that are incurred to

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<sup>5</sup> In the event that interval meters are deployed to all Medium Commercial customers and the Commission directs that PECO implement the Hourly Pricing Transition in accordance with Paragraph 26 of this Joint Petition, default service rates established under the GSA for the Medium Commercial Class will be established in the same manner as the rates for the Large Commercial & Industrial Class.

<sup>6</sup> If the Commission determines that Medium Commercial default service should be priced on an hourly basis, the default service rates for the Medium Commercial Class will include a monthly reconciliation component. To minimize the impact on the Price-to-Compare arising from the transition to a one-month (instead of six-month) reconciliation period, any over/undercollections associated with such transition may be refunded or recouped over several months.

provide hourly-priced service. PECO will continue to file a monthly projection of the AEPS and ancillary service costs at least 45 days prior to the start of each month for customers and EGSs to use. The default service rates for the Large Commercial and Industrial Class also include a monthly reconciliation component to refund or recoup GSA over/under collections from prior periods. To mitigate wide swings in the PTC from month-to-month, PECO will continue to combine any two months with large over/undercollections for the Large Commercial and Industrial Class.

46. PECO shall be permitted to file the GSA and Reconciliation tariff pages set forth set forth in PECO Exhibits ABC-2 and ABC-3 to become effective as of June 1, 2015, subject to resolution of the issues related to the Hourly Pricing Transition and recovery of PJM charges.

(2) Other Tariff Changes

47. Effective June 1, 2015, PECO shall be permitted to implement tariff changes set forth in PECO Exhibits ABC-2, ABC-3, ABC-6 and ABC-7 related to the recovery of costs incurred to implement any additional retail market enhancements directed by the Commission during DSP III, as well as costs associated with the retail opt-in program suspended during DSP II, subject to resolution of the issues related to the Hourly Pricing Transition and recovery of PJM charges.

### (3) Recovery of Certain PJM Charges

48. The issue of whether certain PJM charges should be recovered by PECO through a non-bypassable transmission service charge is reserved for litigation.<sup>7</sup> Nothing in this Joint Petition shall prejudice the parties with respect to their litigation position in opposition to or support of a non-bypassable transmission service charge, provided, however, that PECO shall support a non-bypassable transmission service charge in accordance with the following paragraphs.

- a) The non-bypassable transmission service charge shall recover the following PJM charges from all distribution customers on a class basis: (1) Transmission Enhancement charges (a/k/a Regional Transmission Expansion Plan “RTEP”) (PJM bill line 1108); (2) Expansion Cost Recovery charges (PJM bill line 1730); and (3) Generation Deactivation/Reliability Must Run (“RMR”) charges (PJM bill line 1930) for which charges are set after the approval of PECO’s Revised DSP III by the Commission.
- b) Generation Deactivation/RMR charges will continue to be the responsibility of DSP II wholesale default service suppliers until the terms of the applicable DSP II supply master agreements expire.

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<sup>7</sup> The electric service tariff pages and supplier tariff provisions referenced in this Joint Petition do not change the current assignment of responsibility for PJM charges to load-serving entities (except for meter error correction charges which will now be allocated to all load-serving entities as permitted by the PJM tariff instead of requiring default service suppliers to cover all such costs). PECO will address any Commission determinations regarding collection of PJM charges through a non-bypassable transmission charge in a subsequent compliance filing.

- c) **Costs to implement this non-bypassable transmission service charge will be included in the non-bypassable transmission service charge and allocated to classes consistent with the methodology used in PECO's current transmission service charge.**
- d) **PECO will amend its Electric Generation Supplier Coordination Tariff to include an appendix listing those PJM billing items that are the responsibility of EGSs.**

**49. Should the Commission approve a non-bypassable transmission service charge for PECO distribution customers, Joint Petitioners agree to PECO's implementation of the non-bypassable transmission charge as described in Paragraph 48.**

**50. Joint Petitioners further agree that the charges listed in Paragraph 48 are the only charges that shall be included in a non-bypassable transmission service charge if such charge is approved by the Commission for PECO's service territory. Unaccounted for Energy, meter error correction charges, and any other PJM charges shall not be included in any PECO non-bypassable transmission service charge or litigated in this proceeding (provided, however, that all issues with respect to Network Integration Transmission Service ("NITS") may be litigated in this proceeding).**

#### **F. Standard Offer Program**

##### **(1) Program Administration**

**51. PECO's currently-effective EGS Standard Offer Program ("Standard Offer Program" or "SOP"), including the cost recovery mechanisms approved by the Commission in**

the DSP II Orders, will continue until the earlier of: (1) six months following a Commission Order modifying the SOP as a result of a settlement reached through the stakeholder process outlined in Paragraphs 57-61 below; (2) a Commission Order modifying the SOP as a result of a statewide investigation of standard offer customer referral programs; or (3) May 31, 2017.

52. PECO will post the discounted SOP price to its “SUCCESS” EGS website at the time each quarterly PTC is published.

53. Within ninety days of the Commission’s approval of the Settlement, PECO will revise its SOP scripts, with review by the OCMO, to incorporate the following OCA-requested disclosures (“OCA Script Changes”):

- 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.

54. PECO agrees that there will be no additional costs to EGSs or customers for the OCA Script Changes.

55. At the same time that it implements the OCA Script Changes, PECO will revise its SOP request for proposals and rules to allow EGSs to participate on a per class basis.

PECO will endeavor to minimize implementation costs of this revision. Any costs associated

with making this modification shall only be considered for recovery in PECO's next distribution rate case, provided, however, that any fees received from any third-party servicer under contract to PECO shall be used to reduce the implementation costs of this revision prior to reducing other SOP implementation or operating costs. To the extent that these costs are deemed recoverable, Joint Petitioners agree that PECO shall recover the costs through the SOP cost-recovery mechanism.

56. PECO will conduct quarterly briefings of PECO customer service representatives about providing information regarding the SOP during customer contacts with PECO's call center. There will be no additional cost to EGSs or customers for these quarterly briefings.

## (2) Stakeholder Process

57. Following the Commission's expected Order regarding PECO's Revised DSP III, PECO will convene a stakeholder process and will hold at least three stakeholder meetings during the period January 2015 through March 2015 (with at least one meeting in person) to discuss the Standard Offer Program.

58. To facilitate discussion at the stakeholder meetings, PECO will provide participants the following information: (1) SOP scripts; (2) customer enrollment figures by supplier with supplier names redacted and SOP prices for the period August 1, 2013 to July 31, 2014; (3) statistics regarding EGS participation in the SOP from inception through the enrollment period beginning December 1, 2014; (4) a report of all informal or formal complaints related to the SOP filed with the Commission during the period August 1, 2013

through November 30, 2014; and (5) detailed historical and projected implementation and ongoing cost data.

59. The stakeholder meetings will address, at a minimum, the following issues:

- Recommendations by EGSs and other parties that would improve administration of the SOP and increase participation levels;
- EGS proposed changes to the SOP product composition that might improve the customer experience as well as increase EGS participation;
- The OCA's recommended changes to the SOP scripts, administrative process and product composition that might improve the customer experience as well as increase EGS participation; and
- Steps to reduce the costs of the program, including administrative cost savings measures.

60. The stakeholder meetings will not address any proposals to recover SOP costs from Medium Commercial or Large Commercial and Industrial customers or changes to mechanisms for recovery of SOP costs from non-participating EGSs.

61. Any changes or modifications agreed upon by all parties at the stakeholder meetings will be presented to the Commission by PECO in a petition to modify the SOP, and PECO shall implement the modifications contained therein within six months of final approval of such petition by the Commission.

### G. Request For Waivers

62. The Commission's regulations (52 Pa. Code § 54.187) and Policy Statement (52 Pa. Code § 69.1805) provide that default service providers should design procurement classes based upon peak loads of 0-25 kW, 25-500 kW, and 500 kW and greater, but default service providers may propose to depart from these specific ranges, including to "preserve existing customer classes." If necessary, the Joint Petitioners respectfully request that the Commission grant PECO a waiver of 52 Pa. Code § 54.187 to allow PECO's procurement classes to be as delineated in Section II.A, *supra*.

63. To the extent necessary, the Joint Petitioners also respectfully request that the Commission grant PECO a waiver of 52 Pa. Code §§ 54.187(i) and (j) to allow PECO to implement semi-annual reconciliation of the over/under collection component of the GSA for the Residential, Small Commercial and Medium Commercial Classes as explained in Section II.E, *supra*.

### III. THE SETTLEMENT IS IN THE PUBLIC INTEREST

64. PECO, the OCA, the OSBA, CAUSE-PA, NEPM, and RESA have prepared, and attached to this Joint Petition, Statements in Support identified as Attachments A through F, respectively, setting forth the bases on which they believe the Settlement is in the public interest.

65. The Joint Petitioners submit that the Settlement is in the public interest for the following additional reasons:



- ***Substantial Litigation And Associated Costs Will Be Avoided.*** The Settlement amicably and expeditiously resolves a number of important and contentious issues. The administrative burden and costs to litigate these matters to conclusion would be substantial.
- ***The Settlement Is Consistent With Commission Policies Promoting Negotiated Settlements.*** The Joint Petitioners arrived at the Settlement terms after conducting extensive discovery and engaging in in-depth discussions over several weeks. The Settlement terms and conditions constitute a carefully crafted package representing reasonable negotiated compromises on the issues addressed herein. Thus, the Settlement is consistent with the Commission's rules and practices encouraging negotiated settlements (*see* 52 Pa. Code §§ 5.231, 69.391 and 69.401), and is supported by a substantial record.

#### IV. ADDITIONAL TERMS AND CONDITIONS

66. The Joint Petitioners agree that this Settlement, subject to the Commission resolution of the two issues reserved for briefing, represents the default service procurement plan for all of PECO's customer classes for the Revised DSP III term. PECO shall be entitled to recover all costs incurred by them under their procurement plan as set forth in this Settlement, and the Joint Petitioners agree that they shall neither challenge nor seek disallowance of such costs (including pursuant to 66 Pa.C.S. §§ 2807(e)(3.8) and (3.9)), provided that PECO's procurements are made in accordance with the approved plan and there has been no fraud, collusion, or market manipulation with regard to the contracts entered into under the plan.

67. This Settlement is proposed by the Joint Petitioners to settle the instant case and is made without any admission against, or prejudice to, any position which any Joint Petitioner might adopt during subsequent litigation of this case or any other case. It is understood, however, that Paragraph 66 shall be binding upon the Joint Petitioners should the Settlement be approved.

68. This Settlement is conditioned upon the Commission's approval of the terms and conditions contained herein without modification. If the Commission should disapprove the Settlement or modify the terms and conditions herein, this Settlement may be withdrawn upon written notice to the Commission and all active parties within five business days following entry of the Commission's Order by any of the Joint Petitioners and, in such event, shall be of no force and effect. In the event that the Commission disapproves the Settlement or the Company or any other Joint Petitioner elects to withdraw as provided above, the Joint Petitioners reserve their respective rights to fully litigate this case, including but not limited to presentation of witnesses, cross-examination and legal argument through submission of Briefs, Exceptions and Replies to Exceptions.

69. If the Administrative Law Judge, in her Recommended Decision, recommends that the Commission adopt the Settlement as herein proposed without modification, the Joint Petitioners agree to waive the filing of Exceptions. However, the Joint Petitioners do not waive their rights to file Exceptions with respect to any modifications to the terms and conditions of this Settlement, or any additional matters proposed by the Administrative Law Judge in her Recommended Decision (including the ALJ's determination regarding the separately briefed issues concerning the Medium Commercial Class procurement plan and

collection of various PJM charges). The Joint Petitioners also reserve the right to file Replies to any Exceptions that may be filed.


**WHEREFORE**, the Joint Petitioners, by their respective counsel, respectfully request that Administrative Law Judge Fordham enter a Recommended Decision and the Commission enter an Order:

1. Approving the Settlement and PECO's Revised DSP III as set forth herein, including all terms and conditions thereof, subject to the resolution of the issue reserved for briefing;
2. Approving the selection of NERA Economic Consulting, Inc. to continue as the independent third-party evaluator for PECO's default service procurements;
3. Finding that PECO's Revised DSP III includes prudent steps necessary to negotiate favorable generation supply contracts;
4. Finding that the PECO's Revised DSP III includes prudent steps necessary to obtain least cost generation supply contracts on a long-term, short-term and spot market basis;
5. Finding that neither PECO nor its affiliates have withheld from the market any generation supply in a manner that violates federal law;
6. Granting a waiver of the rate design provisions of 52 Pa. Code § 54.187, to the extent necessary, to permit PECO to procure generation for four procurement classes and semi-annual reconciliation of the over/undercollection component of the GSA for Residential, Small Commercial and Medium Commercial customer as set forth in PECO's Revised DSP III;
7. Approving the form SMA attached to the Joint Petition as an affiliated interest agreement pursuant to 66 Pa.C.S. § 2102;

8. Authorizing the electric service tariff riders and new supplier tariff provisions attached to the DSP III Petition to become effective as of June 1, 2015.

9. Terminating the proceeding at Docket No. P-2014-2409362 following a Commission decision on the issues of medium commercial class procurement and collection of certain PJM charges through a non-bypassable transmission service charge reserved by the parties.

Respectfully submitted,



Romulo L. Diaz, Jr., Esquire (Pa. No. 88795)  
Anthony E. Gay, Esquire (Pa. No. 74624)  
W. Craig Williams, Esquire (Pa. No. 306405)  
PECO Energy Company  
2301 Market Street  
Philadelphia, PA 19101-8699  
Phone: 215.841.4635  
Fax: 215.568.3389  
E-mail: [Craig.Williams@Exeloncorp.com](mailto:Craig.Williams@Exeloncorp.com)

Thomas P. Gadsden, Esquire (Pa. No. 28478)  
Kenneth M. Kulak, Esquire (Pa. No. 75509)  
Brooke E. McGlinn, Esquire (Pa. No. 204918)  
Morgan, Lewis & Bockius LLP  
1701 Market Street  
Philadelphia, PA 19103-2921  
Phone: 215.963.5234  
Fax: 215.963.5001  
E-mail: [tgadsden@morganlewis.com](mailto:tgadsden@morganlewis.com)

Dated: August 28, 2014

*Counsel for PECO Energy Company*

*Christy M. Appleby*

---

Candis A. Tunilo  
Christy M. Appleby  
Lauren M. Burge  
Assistant Consumer Advocates  
Office of Consumer Advocate  
555 Walnut Street  
Forum Place, 5<sup>th</sup> Floor  
Harrisburg, PA 17101-1923

*Counsel for Office of Consumer Advocate*

---

Harry S. Geller  
Pennsylvania Utility Law Project  
118 Locust Street  
Harrisburg, PA 17101

*Counsel for CAUSE-PA*

---

Daniel Clearfield  
Deanne M. O'Dell  
Sarah C. Stoner  
Eckert Seamans Cherin & Mellott, P.C.  
213 Market Street, 8th Floor  
P.O. Box 1248  
Harrisburg, PA 17108-1248

*Counsel for Retail Energy Supply Association*

---

Elizabeth Rose Triscari  
Deputy Small Business Advocate  
Office of Small Business Advocate  
Commerce Building, Suite 1102  
300 North Second Street  
Harrisburg, PA 17101

*Counsel for Office of Small Business Advocate*

---

Todd Stewart  
Hawke McKeon & Sniscak LLP  
100 N. Tenth Street  
P.O. Box 1778  
Harrisburg, PA 17105-1778

*Counsel for the Next Era Power Marketing, LLC*

---

Candis A. Tunilo  
Christy M. Appleby  
Lauren M. Burge  
Assistant Consumer Advocates  
Office of Consumer Advocate  
555 Walnut Street  
Forum Place, 5<sup>th</sup> Floor  
Harrisburg, PA 17101-1923

*Counsel for Office of Consumer Advocate*

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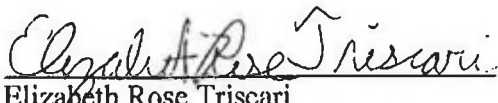
Harry S. Geller  
Pennsylvania Utility Law Project  
118 Locust Street  
Harrisburg, PA 17101

*Counsel for CAUSE-PA*

---

Daniel Clearfield  
Deanne M. O'Dell  
Sarah C. Stoner  
Eckert Seamans Cherin & Mellott, P.C.  
213 Market Street, 8th Floor  
P.O. Box 1248  
Harrisburg, PA 17108-1248

*Counsel for Retail Energy Supply Association*

  
Elizabeth Rose Triscari  
Deputy Small Business Advocate  
Office of Small Business Advocate  
Commerce Building, Suite 1102  
300 North Second Street  
Harrisburg, PA 17101

*Counsel for Office of Small Business Advocate*

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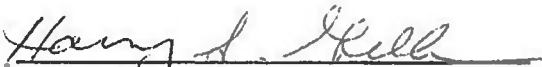
Todd Stewart  
Hawke McKeon & Sniscak LLP  
100 N. Tenth Street  
P.O. Box 1778  
Harrisburg, PA 17105-1778

*Counsel for the Next Era Power Marketing, LLC*

---

Candis A. Tunilo  
Christy M. Appleby  
Lauren M. Burge  
Assistant Consumer Advocates  
Office of Consumer Advocate  
555 Walnut Street  
Forum Place, 5<sup>th</sup> Floor  
Harrisburg, PA 17101-1923

*Counsel for Office of Consumer Advocate*



Harry S. Geller  
Pennsylvania Utility Law Project  
118 Locust Street  
Harrisburg, PA 17101

*Counsel for CAUSE-PA*

---

Daniel Clearfield  
Deanne M. O'Dell  
Sarah C. Stoner  
Eckert Seamans Cherin & Mellott, P.C.  
213 Market Street, 8th Floor  
P.O. Box 1248  
Harrisburg, PA 17108-1248

*Counsel for Retail Energy Supply Association*

---

Elizabeth Rose Triscari  
Deputy Small Business Advocate  
Office of Small Business Advocate  
Commerce Building, Suite 1102  
300 North Second Street  
Harrisburg, PA 17101

*Counsel for Office of Small Business Advocate*

---

Todd Stewart  
Hawke McKeon & Sniscak LLP  
100 N. Tenth Street  
P.O. Box 1778  
Harrisburg, PA 17105-1778

*Counsel for the Next Era Power Marketing, LLC*

---

Candis A. Tunilo  
Christy M. Appleby  
Lauren M. Burge  
Assistant Consumer Advocates  
Office of Consumer Advocate  
555 Walnut Street  
Forum Place, 5<sup>th</sup> Floor  
Harrisburg, PA 17101-1923

*Counsel for Office of Consumer Advocate*

---

Harry S. Geller  
Pennsylvania Utility Law Project  
118 Locust Street  
Harrisburg, PA 17101

*Counsel for CAUSE-PA*

---

Daniel Clearfield  
Deanne M. O'Dell  
Sarah C. Stoner  
Eckert Seamans Cherin & Mellott, P.C.  
213 Market Street, 8th Floor  
P.O. Box 1248  
Harrisburg, PA 17108-1248


*Counsel for Retail Energy Supply Association*

---

Elizabeth Rose Triscari  
Deputy Small Business Advocate  
Office of Small Business Advocate  
Commerce Building, Suite 1102  
300 North Second Street  
Harrisburg, PA 17101

*Counsel for Office of Small Business  
Advocate*

---

  
Todd Stewart  
Hawke McKeon & Sniscak LLP  
100 N. Tenth Street  
P.O. Box 1778  
Harrisburg, PA 17105-1778

*Counsel for the Next Era Power Marketing,  
LLC*



---

Candis A. Tunilo  
Christy M. Appleby  
Lauren M. Burge  
Assistant Consumer Advocates  
Office of Consumer Advocate  
555 Walnut Street  
Forum Place, 5<sup>th</sup> Floor  
Harrisburg, PA 17101-1923

*Counsel for Office of Consumer Advocate*

---

Harry S. Geller  
Pennsylvania Utility Law Project  
118 Locust Street  
Harrisburg, PA 17101

*Counsel for CAUSE-PA*



---

Daniel Clearfield  
Deanne M. O'Dell  
Sarah C. Stoner  
Eckert Seamans Cherin & Mellott, P.C.  
213 Market Street, 8th Floor  
P.O. Box 1248  
Harrisburg, PA 17108-1248

*Counsel for Retail Energy Supply Association*

---

Elizabeth Rose Triscari  
Deputy Small Business Advocate  
Office of Small Business Advocate  
Commerce Building, Suite 1102  
300 North Second Street  
Harrisburg, PA 17101

*Counsel for Office of Small Business Advocate*

---

Todd Stewart  
Hawke McKeon & Sniscak LLP  
100 N. Tenth Street  
P.O. Box 1778  
Harrisburg, PA 17105-1778

*Counsel for the Next Era Power Marketing, LLC*