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-

PETITION OF PECO ENERGY COMPANY

Pursuant to 66 Pa. C. S. § 2807(e) of the Pennsylvania Public Utility Code ("Code"), the Default Service Regulations[1] of the Pennsylvania Public Utility Commission (the "Commission") and the Commission's Policy Statement on Default Service,[2] PECO Energy Company ("PECO" or the "Company") hereby petitions the Commission for approval of its third Default Service Program (the "Program", or "DSP III"), as set forth herein. PECO files this Petition in accordance with its responsibilities as the default service provider for its certificated service territory for the period from June 1, 2015 to May 31, 2017, following the expiration of its current default service program ("DSP II").[3] PECO requests that the Commission: (1) approve DSP III, including its procurement plan, implementation plan, contingency plan, and associated

[1] 52 Pa. Code §§ 54.181-54.189; *see also Rulemaking Re Elec. Distribution Companies' Obligation to Serve Retail Customers at the Conclusion of the Transition Period Pursuant to 66 Pa. C.S. § 2807(e)(2)*, Docket No. L-00040169 (Order entered May 10, 2007) ("*First Default Service Rulemaking Order*"); *Implementation of Act 129 of October 15, 2008: Default Serv. and Retail Elec. Mkts.*, Docket No. L-2009-2095604 (Order entered October 4, 2011) ("*Second Default Service Rulemaking Order*") (collectively, the "Default Service Regulations").

[2] 52 Pa. Code §§ 69.1801-1817; *see also Default Serv. and Retail Elec. Mkts.*, Docket No. M-2009-2140580 (Order entered September 23, 2011) ("Default Service Policy Statement").

[3] *See Petition of PECO Energy Co. for Approval of Its Default Serv. Program*, Docket No. P-2012-2283641 (Order entered October 12, 2012) ("October 12 Order"). In the October 12 Order, 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. 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, "DSP II Orders").

procurement documents and agreements for default service supply ("the Plan") for all PECO customers who do not take generation service from an alternative electric generation supplier ("EGS") or who contract for energy with an EGS which is not delivered; (2) approve PECO's proposed default service rate design and affirm PECO's right to recover all of its default service costs in accordance with 66 Pa. C.S. § 2807(e)(3.9); (3) approve NERA Economic Consulting, Inc. ("NERA") to continue as the independent third-party evaluator for PECO's default supply procurements; (4) grant a waiver of the rate design provisions of 52 Pa. Code § 54.187 and the Commission's *End State Order*,[4] to the extent necessary; (5) find that the Program includes prudent steps necessary to negotiate favorable generation supply contracts; (6) find that the Program includes prudent steps necessary to obtain least-cost generation supply on a long-term, short-term and spot market basis; (7) find that neither PECO nor its affiliates have withheld from the market any generation supply in a manner that violates federal law; (8) approve continuation of PECO's existing EGS Standard Offer Program, including the cost recovery mechanism approved in the DSP II Orders; and (9) approve PECO's proposed uniform default service supply master agreement ("SMA") as an affiliated interest agreement under 66 Pa. C.S. § 2102.

This is PECO's third proposed program for default service under Pennsylvania's Electricity Generation Customer Choice and Competition Act, 66 Pa. C.S. §§ 2801-2812 (the "Competition Act"). Under DSP II, PECO continued to meet its default service obligations while fostering competition in retail electric markets by including more market-responsive products, modified cost recovery mechanisms, and new retail market enhancements. In DSP III, PECO is proposing to continue most of the existing and successful products and programs approved by the Commission in DSP II.

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[4] *See Investigation of Pennsylvania's Retail Elec. Mrkt.: End State of Default Serv.*, Docket No. I-2011-2237952 (Order entered February 15, 2013) (the "*End State Order*").

In accordance with the Competition Act, the Commission's Default Service Regulations, and the Default Service Policy Statement, DSP III is designed to enable PECO to obtain a "prudent mix" of procurement contracts and thereby ensure that default service customers have access to an adequate and reliable supply of generation at least cost over time. PECO therefore requests that the Commission approve DSP III as requested herein and grant all other approvals necessary so that PECO can implement DSP III on a timely basis for the benefit of its customers.

I. INTRODUCTION

1. PECO is a corporation organized and existing under the laws of the Commonwealth of Pennsylvania with its principal office in Philadelphia, Pennsylvania. PECO provides electric delivery service to approximately 1.6 million customers.

2. As a Pennsylvania electric distribution company ("EDC"), PECO serves as default service provider to electric customers within its service territory in accordance with its obligations under Section 2807(e) of the Public Utility Code (66 Pa. C.S. § 2807(e)). As a default service provider, PECO provides electric generation service to those customers who do not select an EGS or who return to default service after being served by an EGS that becomes unable or unwilling to serve them. PECO's current Commission-approved default service plan expires on May 31, 2015.

3. Under Sections 2807(e) (3.1) - (3.2) and (3.4) of the Competition Act, PECO is required to obtain, through competitive procurement processes, a "prudent mix" of default service supply contracts designed to ensure "adequate and reliable service" at the "least cost to customers over time." 66 Pa. C.S. § 2807(e)(3.7).

4. Section 54.185 of the Commission's Default Service Regulations provides that a default service provider should file a default service program with the Commission no later than twelve months before its current default service program will expire. Pursuant to the Default Service Regulations, such a default service program must include, *inter alia*: (1) a default service procurement plan, which sets forth PECO's strategy for procuring generation supply and complying with Pennsylvania's Alternative Energy Portfolio Standards Act, 73 P.S. § 1643.1 *et seq*. ("AEPS" or "AEPS Act"); (2) an implementation plan identifying the schedule and other details of PECO's proposed competitive procurements for default supply, with forms of supplier documents and agreements and an associated contingency plan; and (3) a rate design plan to recover all reasonable costs of default service, which includes rates, rules and conditions of service and revisions to its tariff. 52 Pa. Code § 54.185.

5. In promulgating the Default Service Regulations and Policy Statement, the Commission provided the following guidance for default service providers in designing a default service program:

- "In implementing default service standards, Act 129 requires that the Commission be concerned about rate stability as well as other considerations such as ensuring a 'prudent mix' of supply and ensuring safe and reliable service. *See* 66 Pa. C.S. §§ 2807(e)(3.2), (3.4) and (7). In our view, a default service plan that meets the 'least cost over time' standard in Act 129 should not have, as its singular focus, achieving the absolute lowest cost over the default service plan time frame but, rather, a cost for power that is both adequate and reliable and also economical relative to other options."[5]

- "The 'least cost' standard must give the [default service provider] sufficient latitude to select contracts that constitute a 'prudent mix' which includes a sufficient variety of products that adequately take into consideration price volatility, changes in generation supply, customer usage characteristics and the need to assure safe and reliable service."[6]

6. On April 29, 2011, the Commission initiated its extensive *Investigation of Pennsylvania's Retail Electricity Market* at Docket I-2011-2237952 (the "*Retail Markets Investigation*"), which ultimately led to the Commission proposing that PECO and other default service providers undertake a variety of retail market enhancements which the Commission then approved as part of DSP II. In its final order in the *Retail Markets Investigation*,[7] the Commission adopted an "End State of Default Service" in which default service providers would begin to procure default service supply using only three-month contracts and spot market-priced contracts, but also concluded that the existing statutory procurement requirements might need to be revised in order to utilize such products for residential and small commercial customers. Accordingly, PECO is proposing limited changes to its default service program and the products previously approved by the Commission in DSP II.

7. This Petition summarizes PECO's proposed DSP III and, in so doing, identifies and describes the DSP III procurement plan, implementation plan, contingency plan and

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5 *Second Default Service Rulemaking*, pp. 11-12.

6 *Second Default Service Rulemaking*, p. 38; *see also id.* at 56 (expressing preference for use of full requirements contracts in provision of default service).

7 *See End State Order*, pp. 41, 44-46.

mechanisms to recover all reasonable costs on a full and current basis. This Petition also incorporates the following statements, which are attached hereto:

PECO Statement No. 1 – Testimony of Brian D. Crowe

Mr. Crowe is Vice President, Energy Acquisition, for PECO. His testimony provides an overview of PECO's Program, including PECO's proposed litigation schedule for these proceedings and customer notice.

PECO Statement No. 2 – Testimony of John J. McCawley

Mr. McCawley is Director of Energy Acquisition for PECO. He describes PECO's proposed default service procurement, implementation, and contingency plans for DSP III, including the use of a new SMA developed by the procurement collaboration working group established by the Commission's Office of Competitive Market Oversight ("OCMO") and additional proposed initiatives to enhance retail competition.

PECO Statement No. 3 – Testimony of Scott G. Fisher

Mr. Fisher is a Principal of the NorthBridge Group, an economic consulting firm. Mr. Fisher provides an expert evaluation of PECO's proposed procurement plan as well as a review of "lessons learned" under DSP II, which includes a quantitative analysis of the prices obtained in PECO's DSP II default service supply solicitations.

PECO Statement No. 4 – Testimony of Dr. Chantale LaCasse

Dr. LaCasse is a Senior Vice President of NERA. Dr. LaCasse testifies regarding the procedures for PECO's procurements and proposed changes in DSP III, as well as the role and responsibilities of NERA as the proposed independent evaluator.

PECO Statement No. 5 – Testimony of Alan B. Cohn

Mr. Cohn is PECO's Manager of Regulatory Strategy. Mr. Cohn describes PECO's existing Generation Supply Adjustment ("GSA") and proposed improvements in default service cost recovery.

8. In order to have sufficient time to undertake the competitive procurement process to obtain default generation supplies for service on and after June 1, 2015 as described in this Petition, PECO requests approval of DSP III by December 2014. Accordingly, PECO

respectfully requests that the Commission act upon this Petition on or before its scheduled December 4, 2014 public meeting date.

II. PECO'S DEFAULT SERVICE PROCUREMENT AND IMPLEMENTATION PLANS

A. Procurement Classes, Program Term And Supply Portfolio

9. Under DSP II, PECO conducts competitive procurements of wholesale power and associated services for four different default service customer classes: (i) Residential customers, (ii) Small Commercial customers with less than 100 kW of annual peak demand and lighting customers; (iii) Medium Commercial customers whose annual peak demand is equal to or greater than 100 kW but less than or equal to 500 kW; and (iv) Large Commercial and Industrial customers with annual peak demands greater than 500 kW.

10. As explained in the testimony of Mr. Crowe and Mr. McCawley, PECO is proposing to maintain the same division of default service customers in DSP III as in DSP II for purposes of default supply procurement. This division continues to reflect the nature of the load requirements of each customer class and the consideration of other factors, including rate stability.[8]

11. In light of its favorable experience to date, PECO proposes to maintain the basic procurement strategy established in DSP II, which utilizes short time periods between the

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[8] The Commission's Default Service Regulations and Policy Statement provide that customers should be divided into three classes based upon peak load contributions of 0-25 kW, 25-500 kW, and 500 kW and above. *See* 52 Pa. Code §§ 54.187 & 69.1806. As Mr. McCawley explains in his testimony, the Commission has previously granted PECO a waiver from these regulations to support the 100 kW "breakpoint" among PECO's commercial customers. The resulting Medium Commercial class is also consistent with the Commission's recommendations for the end state of default service. *See End State Order*, p. 31. In accordance with 52 Pa. Code § 54.185(g), PECO again requests a waiver of the applicable provisions of the Default Service Regulations.

solicitation and delivery of supply products, as well as fixed-price full requirements, load-following contracts.

12. A full requirements, load-following contract requires a supplier to provide energy, capacity, ancillary services, and all other services or products necessary to serve a specified percentage of default service load twenty-four hours a day, over the term of the contract. Because the contract is "load-following", the amount of energy and other services and products a supplier must provide will vary depending upon PECO's actual default service load.

13. Under DSP II, the Residential class supply portfolio includes a blend of laddered one-year and two-year full requirements products, with six-month spacing between the commencement of contract delivery periods. PECO reduced its block and spot supply purchases initiated in DSP I and, by the end of DSP II, PECO will be procuring only a small amount of around-the-clock energy (50 MW) under a long-term block contract, which expires on December 31, 2015. After the first DSP II procurement was held in Fall 2012, each of the supply contracts for the Residential class was procured approximately two to four months prior to the beginning of the applicable contract delivery period.

14. Under DSP III, PECO will continue to procure a mix of one-year and two-year fixed-price full requirements, load-following products. The supply portfolio includes a mix of products that transition to a procurement design in which approximately 96% of the supply is in the form of one-year and two-year fixed-price full requirements products, with six-month spacing between the commencement of contract delivery periods. Forty percent of this portion of the supply portfolio comprises one-year products and 60% comprises two-year products. The remaining approximately 4% of the default service supply portfolio for the Residential customer

class consists of a mix of "long-term" products and spot purchases.[9] As in DSP II, each of the contracts will be procured approximately 2-4 months prior to the beginning of the applicable contract delivery period.

15. As explained in detail by Mr. McCawley, PECO does not support further procurement of block energy products beyond those purchases provided for under DSP I and phased out during DSP II. Instead, PECO proposes to replace the 50 MW block energy contract that will expire on December 31, 2015 with a four-year, five-month full requirements product split into two tranches (about 3.2% of residential default service load). The remaining portion of the default service residential customer supply (approximately 1%) will be procured directly from the energy markets operated by PJM Interconnection, L.L.C ("PJM"). As Mr. Fisher explains in Statement No. 3, the overall mix of products satisfies the Public Utility Code's "prudent mix" requirement.

16. The Small Commercial class is currently served with one-year fixed-price full requirements products, each laddered with six-month spacing between the commencement of delivery periods. PECO is not proposing changes to this procurement strategy. Each of the contracts for the Small Commercial class will be procured approximately two to four months prior to delivery of the energy.

17. For the Medium Commercial class, PECO proposes to maintain the current portfolio of six-month fixed-price full requirements products without overlap. Each of the contracts for the Medium Commercial class will be procured approximately two to four months prior to delivery of the energy.

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9 Section 2807(e)(3.2)(iii) of the Act characterizes "long-term" purchase contracts as those of more than four years.

18. Consistent with the current practice under DSP II, customers in the Medium Commercial Class with interval meters will be supplied by fixed-price contracts in the same manner as other customers in the Medium Commercial Class. To the extent necessary, PECO requests a waiver of the *End State Order* (pp. 31-32) to maintain this supply portfolio pending the completion of advanced meter infrastructure ("AMI") deployment for the entire Medium Commercial class, including testing and implementation of back-office and other information technology ("IT") systems. Migrating medium commercial customers with AMI interval meters to spot priced default supply at the same time as PECO is deploying AMI meters to customers creates additional risk of deployment issues, a potential for wholesale default service suppliers to include a premium in bids to cover more uncertainty in customer load, and additional billing system changes with associated administrative costs.

19. With respect to the Large Commercial and Industrial class, PECO proposes to continue to procure all default service supply through spot-priced full requirements contracts in the same manner as in DSP II.

20. PECO's Plan encompasses default service procurement for the above classes for the period beginning June 1, 2015 through May 31, 2017. This term is consistent with the Commission's Policy Statement, which recommends that default service programs following an initial program should run for a two-year period. *See* 52 Pa. Code § 69.1804 ("Subsequent [default service] programs should be for two years, unless otherwise directed by the Commission.").

21. The proposed portfolios for the Large Commercial and Industrial and Medium Commercial classes do not include any supply products with delivery periods that extend beyond May 31, 2017, the end of the DSP III period. The recommended solicitations for Residential and

Small Commercial class supply products with delivery periods that extend beyond May 31, 2017 (the end of the DSP III period) are not until September 2015 and September 2016, respectively. *See* 52 Pa. Code 54.186(b)(4) ("Procurement plans may include solicitations and contracts whose durations extend beyond the program period."). These supply products avoid subjecting residential and small commercial customers to a "hard stop" with regard to their supply products which can result in rate volatility associated with replacing a large portion of default service supply in a short period of time at the end of the DSP III period. At the same time, a significant amount of time remains between the anticipated approval of PECO's DSP III in December 2014 and any procurement of default service supply extending beyond the DSP III period. This approach is consistent with the approach approved by the Commission in DSP II. The uniform SMA also includes provisions under which PECO's obligations may be assigned.

22. The following table summarizes the proposed procurement plan for each customer class:

Residential	Small Commercial	Medium Commercial	Large Commercial and Industrial
• 96% of the load is supplied by a mix of products representing a transition to: - 40% 1-year fixed-price full requirements products with delivery periods that overlap on a semi-annual basis - 60% 2-year fixed-price full requirements products with delivery periods that overlap on a semi-annual basis • The other 4% of the default service load initially is supplied by the pre-existing five-year block energy product purchased in 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 is replaced by fixed-price full requirements products spanning four years and five months (approximately 3% of the supply) and spot purchases (approximately 1% of the supply) • All products are procured approximately 2-4 months before the start of delivery of that product	• 100% one-year fixed-price full requirements products • Delivery periods overlap on a semi-annual basis • All products are procured approximately 2-4 months prior to delivery	• 100% six-month fixed-price full requirements products • No overlapping delivery periods • All products are procured approximately 2-4 months prior to delivery	• 100% spot-priced full requirements products • No overlapping delivery periods. • All products are procured 4 months prior to delivery.

23. Each seller of full requirements default service supply will deliver a percentage of PECO's default service load pursuant to the terms of the SMA. As envisioned by the Commission in the *End State Order*, PECO is proposing to use the most recent version of the uniform SMA developed through the Office of Competitive Market Oversight ("OCMO") procurement working group. As described in the testimony of Mr. McCawley, the uniform SMA is generally consistent with the SMA used by PECO in DSP I and DSP II. If the Commission

directs any changes in the final uniform SMA, PECO will address such changes in a supplemental filing.

24. As part of the EDC-specific sections of the uniform SMA, PECO is proposing to revise the allocation of responsibility for PJM meter error correction charges and generation deactivation charges during DSP III. As Mr. McCawley explains, PJM will allocate meter error correction charges in the PECO PJM Zone during DSP III to all load serving entities (default service suppliers and EGSs), as permitted by the PJM tariff, instead of requiring default service suppliers to continue to cover all such costs. PECO is also proposing to assume responsibility for collecting generation deactivation charges associated with its default service load from default service customers under PECO's bypassable default service transmission rate instead of as part of the price for default service supply paid to wholesale suppliers. This change will result in the collection of generation deactivation charges in the same manner as other default service-related transmission charges.

B. Competitive Bid Solicitation Process And Independent Evaluator

25. As described in the testimony of Mr. McCawley, PECO intends to solicit bids for default service supply beginning in February 2015. PECO's proposed solicitations extend over the DSP III term and are intended to avoid problems associated with procuring significant amounts of supply at a single point in time when prices may be highest.

26. Consistent with DSP II, all bids for default service supply will be obtained through a fair, non-discriminatory, and competitive request for proposals ("RFP") process conducted by an independent third-party evaluator, and PECO proposes to retain NERA in this independent evaluator role for DSP III. In her testimony, Dr. LaCasse of NERA describes several proposed changes to the RFP rules for DSP III to conform to the uniform SMA. Dr.

LaCasse also discusses PECO's proposal to maintain the DSP II "load cap" so that no supplier will be permitted to provide more than 50% of the default supply for any one of PECO's procurement classes at any point in time during DSP III.

27. As Dr. LaCasse explains, PECO's proposed competitive procurement process complies with the Commission's codes of conduct and includes protocols to ensure that PECO's wholesale generation affiliates do not receive an advantage in the bidding process or any other aspect of PECO's default service implementation plan. As with PECO's prior default service plans and in order to permit the participation of wholesale generation affiliates of PECO in its default supply competitive procurements (as allowed by Section 54.186(b)(6) of the Default Service Regulations, 52 Pa. Code § 54.186(b)(6)), PECO also respectfully requests that the Commission approve the uniform SMA as an affiliated interest agreement under 66 Pa. C.S. § 2102.

C. Consistency With Regional Transmission Organization Requirements

28. In accordance with the Default Service Regulations, PECO's Program is also "consistent with the legal and technical requirements pertaining to the generation, sale and transmission of electricity of the [regional transmission organization] in whose control area the DSP is providing service." 52 Pa. Code § 54.185(e)(4). As explained by Mr. McCawley, PECO's SMA will continue to impose requirements on both PECO and its suppliers to maintain specific qualifications under applicable PJM agreements and rules, as well as all other regulatory authorizations (including those of the Federal Energy Regulatory Commission) necessary to perform all contractual obligations. Furthermore, as described by Dr. LaCasse, suppliers seeking to bid to provide default service generation must be able to establish that they can fulfill all

technical and regulatory requirements of the SMA, including demonstrating that there is no impediment to becoming a "load serving entity" (an "LSE") under PJM's rules.

D. AEPS Compliance

29. As Mr. McCawley describes in his testimony, PECO will continue to satisfy its AEPS obligations with respect to sales to default service customers by requiring each full requirements default service supplier to transfer Tier I (including solar photovoltaic) and Tier II alternative energy credits ("AECs") to PECO corresponding to PECO's AEPS obligations associated with the amount of default service load served by that supplier.

30. In addition, PECO will continue to allocate AECs obtained through its prior AEPS procurements towards suppliers' AEPS obligations under the SMA in accordance with the percentage of load served by each supplier. PECO will retain a percentage of its AECs to meet the AEPS requirements associated with the remaining portion of the residential customer load served by PECO in accordance with its first default service program. 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.[10]

III. CONTINGENCY PLANS

31. In accordance with the Default Service Regulations (52 Pa. Code § 54.185(e)(5)), PECO has developed contingency plans in DSP III to address the possibility that PECO does not obtain sufficient supply through its procurement processes or experiences a supplier default under the SMA. In light of PECO's schedule of procurements and the short period between the

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[10] *See Petition of PECO Energy Company for Approval to Procure Tier II Alternative Energy Credits and Additional Tier I and Solar Alternative Energy Credits*, Docket No. P-2010-2210975 (Order entered February 14, 2011).

procurement and delivery of supply, PECO will assume the responsibility of an LSE for any tranches that are unfilled in a default supply procurement. For those tranches, PECO will procure default service supply from PJM-administered markets for energy, capacity, and ancillary services and obtain sufficient AECs at market prices or from the Company's AEC inventory to satisfy any near-term obligations under the AEPS Act. For products with supply periods of six months or more, the unfilled tranches will be included in PECO's next scheduled procurement with a shortened supply period so that the product delivery will end on the same end date as originally anticipated. For example, unfilled tranches of one-year products will be redesigned in the next procurement with a reduced supply delivery term of six months.

32. In the event of a supplier default and the immediate need to obtain default service supply that PECO otherwise would have received, PECO will initially rely on filling that supplier's portion of PECO's default service load through PJM-administered markets. 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 of that plan on an expedited basis.

IV. RATE DESIGN AND COST RECOVERY

33. In DSP III, PECO proposes to continue its existing rate design approved by the Commission in DSP II with one change to the reconciliation process to improve price signals to customers.

34. Consistent with the Commission's Default Service Regulations (52 Pa. Code §§ 54.187(i) through (k)), PECO currently adjusts and reconciles its default service rates on a quarterly basis for customers with load requirements up to 500 kW (i.e., residential, small

commercial, and medium commercial customers) and on a monthly basis for large commercial and industrial customers. Under DSP III, PECO will continue to adjust the cost of generation supply in this manner.

35. Currently, PECO compares its actual default service supply costs to the revenue that is billed to customers under the GSA for default service and reconciles the differences in these amounts quarterly (or monthly for large industrial customers), which means that any over or under difference arising in one quarter will be refunded or recovered beginning three months after the end of the quarter which gave rise to the difference. This timing, in combination with billing cycle lag (the time between when default service supply costs are incurred and revenue to pay those costs is billed) and seasonal variations can result in substantial "swings" in the over/under collection component of the GSA. In order to reduce these "swings" for residential and commercial customers, PECO is proposing to reconcile the over/undercollection component of the GSA (known as the "E-Factor") on a semi-annual basis. This change will reduce potentially significant fluctuations in default service rates and provide better information for customer shopping decisions.

36. PECO is also proposing limited tariff changes related to the recovery of costs incurred by PECO 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.

37. In light of the Commission's *End State Order* and its consideration of possible changes to the current default service model, PECO also requests that the Commission expressly affirm PECO's right to full and current recovery of all costs of DSP III in accordance with 66 Pa. C.S. § 2807(e)(3.9).

V. RETAIL MARKET ENHANCEMENTS

38. During DSP II, PECO implemented a variety of programs to support EGSs and expand retail choice. These programs include PECO's Standard Offer Program, a new/moving customer referral program, use of an EGS selected through a competitive bid process to provide the commodity service associated with PECO's time-of-use pilot offering, referral of former PECO Wind customers to interested EGSs that could provide "green energy" product offerings, and a seamless moves collaborative. As described by Mr. Crowe, over 15,000 customers have switched to EGSs under the Standard Offer Program, and the rate of customer switching to the Standard Offer is now over 400 customers per week. Based on this success, PECO proposes to continue offering the Standard Offer Program from June 1, 2015 to May 31, 2017. Consistent with PECO's existing tariff and the DSP II Orders, the Company further proposes to continue to recover Standard Offer Program costs through an EGS participant fee of $30 per enrolled customer, with any remaining costs recovered in the following manner: (1) fifty percent from EGSs through a 0.2% Purchase of Receivables discount; and (2) fifty percent from residential and small commercial default service customers via the GSA.

39. In addition to continuation of the Standard Offer Program, PECO has proposed three additional initiatives, which Mr. McCawley describes in his testimony:

- ***Seamless Moves.*** In accordance with the *End State Order*, PECO will implement seamless moves by June 1, 2015[11]. Specifically, PECO will develop a new electronic data interchange ("EDI") move transaction to allow acceptance of an EGS enrollment request on a "pending active" customer account that is set to be active at a specified date in the future rather than placing the customer on default

[11] *End State Order*, at 74-75.

service during the brief period before the account becomes active. Once the move transaction has been sent by PECO to the EGS for an eligible account, the EGS will begin service on the new account seamlessly on the start date.

- ***Instant Connect.*** With the system change to allow PECO to accept an EGS enrollment on pending active and active accounts, customers will be able to select an EGS at the time they establish an account. When a customer contacts PECO to request a new connection, PECO will provide the customer with a new account number and information about EGS enrollment options. After an EGS is selected and receives the new account number, it may submit an enrollment transaction to PECO on the pending active account with eleven days advance notice to effect an instant connect. If eleven-day notice is not provided, PECO will ensure that the EGS is made the service provider as soon as possible.

- ***Customer Account Number Access for EGSs.*** By May 2014, PECO will enhance its existing, pass code-protected Supplier Customer Choice Energy Systems Solution ("SUCCESS") website portal to add a feature that will allow EGSs to submit account number requests when such information is not available from the customer or PECO's Eligible Customer List ("ECL") by uploading a delimited file. Once an EGS submits a request, PECO will deliver the file back within seconds with an appended response tailored to the search results for each individual inquiry in the file (e.g., the account number for an exact match or "no hit" if no data matches the inquiry). PECO expects to introduce this new SUCCESS feature during the DSP III term to facilitate EGS marketing at public locations and community events where customers do not have their account information in their possession.

40. The Commission is currently reviewing the program design and cost recovery mechanisms for these additional retail market enhancements in separate proceedings.[12]

VI. PROCEDURAL ISSUES AND COMMISSION APPROVAL

41. In accordance with the nine-month period for approval of a default service plan under Section 2807(e)(3.6) of the Public Utility Code, PECO proposes the following schedule for this proceeding:

March 10, 2014	Petition Filing
April 22, 2014	Prehearing Conference
June 3, 2014	Other Parties' Direct Testimony Due
June 24, 2014	Rebuttal Testimony Due
July 8, 2014	Surrebuttal Testimony Due
July 15-18, 2014	Oral Rejoinder and Hearings
August 5, 2014	Initial Briefs
August 19, 2014	Reply Briefs
September 30, 2014	Recommended Decision

[12] *See* PECO Energy Company's Plan for Accomplishing Seamless Moves and Instant Connects, Investigation *of Pennsylvania's Retail Elec. Mrkt: End State of Default Service*, Docket No. I-2011-2237952 (filed Dec. 18, 2013); PECO Energy Company's Compliance Filing Regarding Customer Account Number Access for EGSs, *EDC Customer Account Number Access Mechanism for EGSs*, Docket No. M-2013-2355751 (filed Dec. 18, 2013).

October 20, 2014	Exceptions
November 3, 2014	Reply Exceptions
December 4, 2014	Commission Order

VII. NOTICE

42. In accordance with Section 54.188 of the Commission's Default Service Regulations, PECO is providing public notice of this filing to its customers in several ways. First, PECO will include a stand-alone insert in all customer bills over a thirty-day period beginning on April 1, 2014. This stand-alone bill insert will notify customers of this filing, where they may obtain copies, and how they may participate in this proceeding by filing comments or complaints with the Commission. In addition, PECO will publish notices containing similar information in all of the major newspapers serving its service territory. Finally, all notices will refer to PECO's website, (www.peco.com/know), where a copy of the entire filing will be maintained.

43. In addition to the above notices, PECO is also serving copies of this filing on the Pennsylvania Office of Consumer Advocate, the Pennsylvania Office of Small Business Advocate, the Commission's Bureau of Investigation and Enforcement, PJM, the Philadelphia Area Industrial Energy Users Group and all EGSs registered in PECO's service territory.

44. PECO respectfully requests the Commission publish notice of this filing in the *Pennsylvania Bulletin*, with a reasonable deadline for intervention in this proceeding in light of the above notice PECO is providing and PECO's proposed schedule. Should the Commission conclude that further notice of this filing is appropriate, PECO will provide such additional notice as directed by the Commission.

VIII. CONCLUSION

Based upon the foregoing, including the attached testimony and exhibits, PECO respectfully requests that the Commission grant this Petition and enter an order, pursuant to the requirements of 66 Pa. C.S. § 2807(e)(3.7):

(1) Approving PECO's proposed Program, including its default service procurement plan, implementation plan, contingency plan and related bidder rules, SMA, credit documents, and other associated agreements, for all PECO customers who do not take generation service from an alternative electric generation supplier or who contract for energy with an alternative electric generation supplier which is not delivered;

(2) Approving NERA Economic Consulting, Inc. to continue as the independent third-party evaluator for PECO's default supply procurements;

(3) Finding that the Program includes prudent steps necessary to negotiate favorable generation supply contracts;

(4) Finding that the Program includes prudent steps necessary to obtain least-cost generation supply 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 permit PECO to procure generation for four procurement classes and semi-annual reconciliation of the over/under collection component of the GSA for residential, small commercial and medium commercial customers as set forth herein;

(7) Approving PECO's proposed tariff changes related to the recovery of default service costs, including costs to implement additional retail market enhancement

programs and costs associated with the retail opt-in program suspended during DSP II, and affirming PECO's right to recover all of its default service costs in accordance with 66 Pa. C.S. § 2807(e)(3.9);

(8) Granting a waiver of the *End State Order* to permit PECO to continue its practice of procuring generation for medium commercial customers with interval meters in the same manner as other customers in the Medium Commercial class;

(9) Approving continuation of PECO's Standard Offer Program and the associated cost recovery mechanism; and

(10) Approving PECO's proposed uniform supply master agreement under 66 Pa. C.S. § 2102.

Respectfully submitted,

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For PECO Energy Company

Dated: March 10, 2014