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April 3, 2014

VIA eFILING

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
P.O. Box 3265
Harrisburg, PA 17105-3265

Re: Review of Rules, Policies and Consumer Education Measures Regarding Variable Rate Retail Electric Products
<u>Docket No.: M-2014-2406134</u>

Dear Secretary Chiavetta:

Enclosed for filing in the above-referenced matter are the **Comments of PECO Energy Company on the Commission's Questions Regarding Off-Cycle Switching.**

Sincerely,

W. Craig Williams

Encl.

cc: Office of Consumer Advocate *(via email)*
Office of Small Business Advocate *(via email)*
Office of Competitive Market Oversight *(via email)*

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

REVIEW OF RULES, POLICIES AND CONSUMER EDUCATION MEASURES REGARDING VARIABLE RATE RETAIL ELECTRIC PRODUCTS	: : : : :	**DOCKET NO. M-2014-2406134**

COMMENTS OF PECO ENERGY COMPANY
ON THE COMMISSION'S QUESTIONS
REGARDING OFF-CYCLE SWITCHING

I. INTRODUCTION

PECO Energy Company ("PECO") submits these Comments in response to the Pennsylvania Public Utility Commission's ("Commission") Order on the *Review of Rules, Policies and Consumer Education Measures Regarding Variable Rate Retail Electric Products* ("Order").[1] The Order poses certain questions about electric generation supplier ("EGS") variable-rate contracts and "mid-cycle" switching plans for electric distribution companies ("EDCs") with automatic meter reading and daily recording capabilities.[2] With regard to EDC

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[1] *Review of Rules, Policies and Consumer Education Measures Regarding Variable Rate Retail Electric Products*, Docket No. M-2014-2406134 (Order entered March 4, 2014).

[2] PECO assigns different meanings to the terms "mid-cycle switching" and "off-cycle switching." PECO uses the term "mid-cycle" switching to mean one additional switch that occurs at the mid-point of the cycle tied to the meter-read billing date. PECO uses the term "off-cycle switching" to mean switching that is not tied to the meter-read billing date. Following the issuance of the Order to which these Comments respond, the Commission issued its March 18, 2014 Secretarial Letter notifying EDCs of amendments to 52 Pa. Code, Chapter 57. *See Secretarial Letter, Proposed Rulemaking: Standard for Changing a Customer's Electricity Generation Supplier*, Docket No. L-2014-2409383 (March 18, 2014) ("Secretarial Letter on Accelerated Switching"). Those regulations, if adopted, would require EDCs to implement "off-cycle" switching. In light of the Commission's March 18th Secretarial Letter, PECO will respond to the Order in terms of its plans for "off-cycle" switching, which eliminates the need to separately address "mid-cycle" switching.

off-cycle switching, the Commission asks about the timeframe for implementation under current plans, whether these plans can be accelerated and the costs for such acceleration.

PECO appreciates the opportunity to comment on the two questions applicable to EDCs' off-cycle switching plans. On March 25, 2014, in response to the Commission's March 18, 2014 Secretarial Letter notifying EDCs that it intended to amend regulations at 52 Pa. Code, Chapter 57, PECO filed comments on the Commission's proposed regulations for accelerated customer switching.[3] PECO incorporates those comments, and the principles stated in the comments, herein by reference.[4]

II. PECO'S COMMENTS RESPONDING TO THE COMMISSION'S INFORMATION REQUESTS

A. Under current plans, when will mid-cycle EGS switches be implemented?

With the conversion to Advanced Meter Infrastructure ("AMI") technology, which permits more frequent reads of meters, PECO intends to move to "off-cycle" switching. Pursuant to its approved Smart Meter Universal Deployment Plan,[5] PECO intends to substantially complete the deployment of AMI meters and technology to its entire service territory by the end of 2014. This accelerated deployment of AMI meters and technology outpaces the statutory deadline for deployment by about ten years and also represents a five-year acceleration of PECO's original AMI deployment plans. For PECO, successful deployment of AMI meters and technology is a necessary prerequisite to the final off-cycle switching solution.

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[3] *See* Secretarial Letter on Accelerated Switching; *see also Comments of PECO Energy Company on the Commission's Proposed Amendments to Regulations at 52 Pa. Code §§ 57.171 et seq.*, Docket No. L-2014-2409383 ("PECO's Comments on Accelerated Switching").

[4] *See* PECO's Comments on Accelerated Switching, at 2.

[5] *Petition of PECO Energy Company for Approval of its Smart Meter Universal Deployment Plan*, Docket No. M-2009-2123944 (approved by Order on August 15, 2013).

With regard to off-cycle switching plans in particular, PECO intended to design its specific system requirements in accord with the rulemaking contemplated in the Final Order of the *Investigation of Pennsylvania's Retail Electricity Market: End State of Default Service*.[6] Based on preliminary analyses, PECO estimated that it would take approximately 12-15 months from final rule promulgation and implementation plan approval to complete the necessary system redesign to accomplish accelerated switching. However, in light of the recent rulemaking promulgated by the Commission on accelerated switching, PECO has committed to accomplishing off-cycle switching as expeditiously as possible, to include possible interim solutions to the eventual system redesign.[7]

B. How much can these plans be accelerated, and at what additional cost?

As PECO emphasized previously, it is fully committed to complying with the proposed accelerated-switching regulations within the six-month timeframe contemplated in the Secretarial Letter on Accelerated Switching. However, for the reasons discussed in PECO's Comments on Accelerated Switching,[8] the six-month period envisioned by the Commission will be challenging. Consequently, PECO will keep the Commission fully apprised of its progress and if, during the work period, any issues arise that might affect its ability to comply with the six-month target date for implementing off-cycle switching,

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[6] *Investigation of Pennsylvania's Retail Electricity Market: End State of Default Service*, Docket No. I-2011-2237952 (Final Order entered February 15, 2013) ("End State Final Order"). "Based on the general agreement of the parties, we will proceed with our previously announced intention of initiating a rulemaking by the end of 2013 to revise the switching regulations, with the intent of accelerating the switching process. A rulemaking will provide all interested parties with the opportunity to participate and will allow the Commission to make fully informed decisions on the complex issues involved." End State Final Order, at 72-73.

[7] PECO's Comments on Accelerated Switching, at 3-5.

[8] *Id.*

PECO will notify the Commission promptly, describe the problems encountered, lay out its plans to resolve those problems, and set forth its revised implementation time-line.

With respect to cost, it is difficult at this stage to define the scope of the work needed to achieve compliance with the regulations proposed in the March 18th Secretarial Letter on accelerated switching. Based on a limited initial analysis of the scope of interim Information Technology ("IT") changes required to provide off-cycle switching within the six-month period proposed in the Secretarial Letter, the cost of such IT modifications is estimated to be approximately $3 million. Additional implementation costs related to business process changes are not included in this estimate.

PECO respectfully requests that the Commission provide that EDCs may seek full and current cost recovery under an appropriate rate adjustment mechanism, such as PECO's existing Smart Meter Cost Recovery Surcharge Rider, or a new adjustment clause established for this purpose. In addition, EDCs should also be permitted, as an alternative to recovery under an adjustment clause that is exercisable at an EDC's option, to request approval to defer their implementation and on-going costs, establish a regulatory asset for such costs, and seek recovery in a future base rate case.

III. CONCLUSION

PECO appreciates the opportunity to answer questions about its plans for off-cycle switching and the possibility of accelerating those plans.

Respectfully submitted,

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Dated: April 3, 2014

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