

Legal Department

Exelon Business Services Company
2301 Market Street / S23-1
P.O.Box 8699
Philadelphia, PA 19101-8699

Telephone 215.841.5544
Fax 215.568.3389
www.exeloncorp.com

Business Services
Company

Direct Dial: 215 841 5974

August 23, 2005

VIA FED EX

James McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, Second Floor
Harrisburg, PA 17120

**RE: Implementation of the Alternative Energy Portfolio Standards Act of 2004
Docket No. M-00051865**

Dear Secretary McNulty:

Enclosed is an original and fifteen copies of Exelon Corporation's Comments regarding the Pennsylvania Public Utility Commission's Tentative Order issued on June 24, 2005 regarding standards for the participation of demand side response/energy efficiency resources in the AEPS market.

If additional information is needed about this matter, please contact me directly at 215-841-5974. Thank you for your assistance.

Sincerely,



Adrian D. Newall
Assistant General Counsel

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Enclosure

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Implementation of the Alternative : Docket No. M-00051865
Energy Portfolio Standards :
Act of 2004: Standards for the :
Participation of Demand Side :
Management Resources :

COMMENTS OF EXELON CORPORATION
REGARDING THE PENNSYLVANIA PUBLIC UTILITY COMMISSION'S
TENTATIVE ORDER

PECO Energy Company ("PECO") and Exelon Generation Company, LLC (collectively, "Exelon") hereby submit these comments with regard to the Pennsylvania Public Utility Commission's (the "Commission") *Tentative Order*, entered June 24, 2005 in the above referenced docket ("Tentative Order").

I. INTRODUCTION

By Order dated June 24, 2005, the Commission issued its Tentative Order representing its initial proposal for enabling the participation of demand side management and energy efficiency resources (“DSM/EE”) in the new AEPS market. The Commission also invited interested parties to comment on the topics discussed therein. Exelon hereby submits its comments regarding the Commission’s Tentative Order.

II. DISCUSSION

A. Standard Energy Savings Measures

The Tentative Order includes two means to establish qualifications for alternative energy credits (“AECs”): (1) a catalog approach for standard energy savings measures, and (2) general guidelines for metered and custom energy savings measures. Exelon supports the use of standard measures and believes that the Technical Reference Manual (“TRM”) included as Appendix A to the Commission’s Tentative Order is a good starting point for rules governing the use of DSM/EE resources. However, several of the criteria listed in the TRM, such as Operating Hours and Measure Life must be adjusted to reflect the climate in Pennsylvania. This can be accomplished by comparing the average cooling and heating days to either the national average, or the average used to develop the protocols in the TRM.

Moreover, Exelon would like to draw the Commission's attention to PECO's LIURP program where conservation measures have been installed and produce energy savings. Exelon believes that these savings should be eligible

for alternative energy credits (“AECs”) and that title to these AECs should be owned by PECO. Exelon supports the general concept that if the utility installs a DSM/EE measure, the utility should own the AEC.

B. Metered and Custom Measures

Exelon agrees with the Commission’s general guidelines concerning metered and custom measures in its Tentative Order. Exelon agrees that the rules guiding the participation of DSM/EE in the AEPS market must be flexible. Exelon concurs with the Commission that the availability of “AECs” from metered and custom measures must be determined on a case-by-case basis. Exelon does not believe that developing specific guidelines for metered or custom measures is necessary due to the fact that the TRM covers the common programs and can be adjusted, with input from the industry, from time to time.

The Commission does state in its Tentative Order that a metered or custom measure may use or incorporate equipment installed prior to the effective date of Act 213. Although Exelon agrees that equipment installed prior to Act 213 should be eligible to qualify for AECs, it believes that the Commission must promulgate clear rules that govern exactly how such equipment or installations would qualify. Moreover, Exelon concurs with the Commission that an existing facility with a useful life should only receive credit for the remainder of that time period.

C. Depreciation Schedule for Alternative Energy Credits

The Commission seeks input from interested parties regarding the development of flexible depreciation standards for demand side management involving a depreciating asset whose production of energy savings declines over

time. Exelon agrees that the depreciation schedule must be adjusted to reflect the benefit over the life of a depreciable asset and for pre-existing facilities, a credit should only be created over the remainder of that asset's useful life.

Assuming that any final TRM includes standards that reflect these principles, Exelon concurs with the Commission's goal in this regard.

D. Qualifying Measures

The Commission also seeks input from interested parties regarding the treatment of baseline calculations in order to allow the Administrator to consistently evaluate and review incremental on-site electricity production or conservation. Exelon supports the use of PJM's Customer Base Line approach or the use of a Firm Power Contract in situations where such use is feasible. However, additional verification measures must be established due to the fact that PJM's methodology was developed to measure short-term DSM initiatives, as opposed to any long-term DSM proposals.

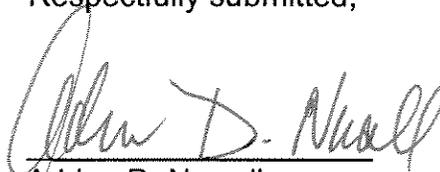
E. Implementation and Maintenance of TRM and General Guidelines

Exelon agrees that the TRM should be reviewed periodically and agrees that that a working group be utilized for that purpose.

III. CONCLUSION

Exelon would like to take this opportunity to commend the Commission for its efforts with regard to the implementation of Act 213, including the participation of DSM/EE resources in the AEPS marketplace. Exelon commits to continue to aid the Commission in this implementation process.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Adrian D. Newall". The signature is written in a cursive style with a large initial "A".

Adrian D. Newall
Counsel for Exelon Corporation
2301 Market Street, S23-1
Philadelphia, PA
(215) 841-5974
Adrian.Newall@exeloncorp.com

Dated: August 23, 2005