

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**INVESTIGATION OF** :  
**PENNSYLVANIA'S RETAIL** : **DOCKET NO. I-2011-2237952**  
**ELECTRICITY MARKET** :

**TESTIMONY OF DENIS P. O'BRIEN  
ON BEHALF OF  
PECO ENERGY COMPANY, EXELON GENERATION COMPANY,  
AND EXELON ENERGY COMPANY**

**JUNE 8, 2011 *En Banc* HEARING**

Good afternoon Chairman Powelson, Vice Chairman Coleman, Commissioners Cawley, Christy, and Gardner and Judge Buckley. My name is Denis O'Brien, and I am the President and Chief Executive Officer of PECO Energy Company. I am also an Executive Vice President of Exelon Corporation, which owns PECO and also owns Exelon Generation Company and Exelon Energy Company, which are Exelon's generation and power marketing businesses. I would like to thank you and express our appreciation for the opportunity to appear today.

The Commission has explained that the first phase of this Investigation will assess the current status of the retail market and explore what changes need to be made to allow customers to best realize the benefits of competition. I will address both of these objectives in my testimony.

At the start of this year, the retail electric market in PECO's service territory entered a new phase. Previously, the rates PECO charged for default service were capped. Those rate caps were lifted on January 1st, and the last five months have seen dramatic change.

Today, nearly 20% of PECO's customers are buying their electricity from EGSs, and EGSs serve more than half of PECO's entire customer load. Each day, PECO receives more than 1,000 enrollments from customers switching their generation service from PECO to one of more than 50 competing suppliers. We believe this is a very promising start for retail competition in our service territory.

At PECO, and Exelon as a whole, we are staunch advocates for competitive electricity markets at both the wholesale and retail level. We have worked hard to expand competitive market opportunities and to encourage our distribution customers to shop for electric supply. I fully expect the amount of shopping will continue to expand as dozens of EGSs compete for customers.

As you may know, Exelon participates in energy markets in multiple states, including Pennsylvania, Illinois, and Texas. Each of these states has a unique retail market design, which has developed from that state's history, regulation, and collaborative stakeholder processes. While each of these markets is different in design, they all provide competitive and reliable service to customers.

Exelon appreciates the Commission convening this investigation. We believe that these stakeholder proceedings can provide a forum for the planful and deliberate assessment of proposed changes to the default service model, with the goal of helping customers further realize the benefits of competition. With these thoughts in mind, Exelon recommends that the Commission take two initial steps. First, it should define the specific criteria for a sustainable competitive retail market in Pennsylvania. This is a critical step, because it will enable stakeholders to meaningfully assess proposals for change.

Second, the Commission should adopt guiding principles for its review of alternative default service models, including the following:

**Change Should Not Impose Undue Risks, Or Unnecessary Costs.** PECO and its customers have made significant investments to support retail shopping under the current default service model. Any change to a fundamentally different model will require a transition structure that avoids uncertainty and unnecessary costs for customers, EDCs and wholesale and retail suppliers and that maintains current protections for customers.

**Change Should Be Prospective.** Any changes to default service must not break current contracts or undermine future contracts. During the time this investigation is pending, the Commission also will be considering plans for default service after May 31, 2013, and any uncertainty surrounding Pennsylvania's electricity markets could create significant premiums in the wholesale cost of default service supply.

**Change Must Consider Wholesale Markets.** If an EGS fails to deliver supply to its customers in PECO's service territory, Pennsylvania law and PJM rules require PECO to manage that failure and ensure uninterrupted service to those customers. If the DSP role is shifted from EDCs, EDCs should not be required to "backstop" a new DSP.

**Customer Care and Billing Functions Should Remain With EDCs.** Customer care and billing functions should not be transferred to EGSs or other third parties at this time. Duplication of these functions by EGSs will likely increase costs and confuse customers and is not necessary to foster the growth of competitive markets.

**Customers Must Have The Right To Choose Which Product They Will Buy.** Exelon is a strong advocate of customer choice and does not support mechanisms that force customers to receive service with pricing or characteristics they do not select.

Taken together, we believe these principles will help preserve what has already been accomplished under the Competition Act while ensuring that changes to the default service model are truly improvements for customers.

We look forward to participating fully in the Commission's investigation and improving the retail electric market for our customers and for all Pennsylvanians. I will be happy to answer any questions. Thank you.