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**VIA E-MAIL
AND OVERNIGHT MAIL**

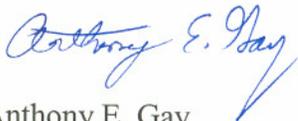
Karen Oill Moury
Director of Operations
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 3rd Floor, N-309
Harrisburg, PA 17120

Re: **Investigation of Conservation, Energy Efficiency Activities, and Demand Side
Response by Energy Utilities and Ratemaking Mechanisms to Promote Such Efforts
Pa. PUC Docket No. M-00061984**

Dear Ms. Moury:

Pursuant to the schedule developed in this docket, PECO Energy Company hereby submits its comments on Staff's Draft Report of the Demand Side Response Working Group. Please do not hesitate to contact me should you have any questions regarding these comments.

Very truly yours,



Anthony E. Gay
Assistant General Counsel
Exelon Business Services Company
Counsel for PECO Energy Company

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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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|-------------------------------------------------|---|------------------------------|
| Investigation of Conservation, | : | |
| Energy Efficiency Activities, and | : | Docket No. M-00061984 |
| Demand Side Response by Energy Utilities | : | |
| and Ratemaking Mechanisms to Promote | : | |
| Such Efforts | : | |

**PECO ENERGY COMPANY’S COMMENTS
ON STAFF’S DRAFT REPORT OF THE
DEMAND SIDE RESPONSE WORKING GROUP**

Introduction

Pursuant to the request of the Commission’s Director of Operations for comments on Staff’s Draft Report of the Demand Side Response Working Group (“Draft Report”), PECO Energy Company (“PECO”) hereby submits its comments on the Draft Report.

PECO applauds the Commission for commencing this investigation into energy efficiency and demand side response activities and appropriate ratemaking mechanisms to promote these activities in Pennsylvania. As the Commonwealth continues to transition to electric competition – and as society continues to explore measures to reduce the environmental impact of energy consumption – well-reasoned, collaborative efforts by the Commission and energy providers on energy efficiency and demand response will become increasingly important.

PECO also applauds Staff for their efforts in superintending this docket, convening the Working Group meetings, arranging for knowledgeable speakers and presentations at several meetings, and compiling the Draft Report. PECO believes that, on the whole, Staff accurately summarized the meetings and comments of the parties participating in this proceeding. PECO offers the following limited comments to: 1) direct Staff to certain information it may have inadvertently omitted in compiling the Draft Report, and 2) clarify two areas of the Working Group’s discussions that are addressed in the Draft Report.

Comments

I. The Final Report should note that PECO has deployed an Advanced Metering Infrastructure (“AMI”) network in its service territory.

One of the key directives of the Commission’s Investigation Order commencing this docket was that “[t]his investigation shall also include an analysis of needed advanced metering infrastructure . . .”¹ While the Draft Report notes that advanced metering penetration in Pennsylvania is approximately 52% (compared to a nationwide penetration of about 6%),² the Draft Report omits to report Pennsylvania’s individual utility AMI deployment and, in particular, omits the information that PECO presented on its AMI deployment at the Working Group’s January 19, 2007 meeting. PECO believes that this information should be included in Staff’s final report.

Specifically, the final report should note that PECO completed deployment of a fixed Advance Meter Reading system throughout its service territory in 2004.³ In fact, PECO’s system currently reads more than 2.2 million electric and gas meters every day. This system is used to provide a variety of information to PECO’s customers, including energy consumption, billing and outage information. PECO is continuing to develop this system to provide additional information and benefits to its customers.

PECO emphasizes this information to illustrate the fact that several Pennsylvania utilities have deployed or are in the process of deploying AMI technology in their service territories. Therefore, as PECO stated in its comments on Staff’s Draft Working Group Report Outline (“Draft Outline”), the Commission should not – and does not need to – implement a flash-cut,

¹ Investigation Order at 1.

² Draft Report at 10.

³ PECO’s Advance Meter Reading system is a radio frequency fixed network. Each of PECO’s AMI meters contains either an internal advanced meter reading module or, in the case of electromechanical meters, a retrofitted module. All of the meter modules are transmit only. Under normal circumstances, the electric meters transmit data packets every five minutes and gas meters every 15 minutes.

one-size-fits all approach to AMI deployment.⁴ Instead, the Commission should work collaboratively with utilities to assist them in implementing reasonable, cost-effective AMI programs.

II. The Final Report should clearly state that there was no consensus on whether the Commission should identify specific percentage reductions for energy demand.

PECO believes that the Draft Report does not clearly state that the Working Group did not reach consensus on the issue of whether the Commission should identify and implement specific percentage reductions for consumer energy demand.⁵ The final report should be revised in this regard so that the Commission makes no mistake on this point.

Indeed, as PECO stated in its comments on Staff's Draft Outline, it does not support fixed percentage objectives because consumer conservation programs are completely voluntary.⁶ Therefore, requiring electric distribution companies and/or electric generation suppliers to meet fixed reduction goals would be unreasonable because consumer energy use and demand reductions would be largely out of their control.

III. The Final Report should not address comments concerning declining blocks and demand charges because these issues are being addressed in the Commission's Default Service dockets.

The final paragraph of the Draft Report makes reference to arguments offered by the Office of Small Business Advocate ("OSBA") concerning the proposed elimination of declining blocks and demand charges in the Commission's Default Service rulemaking and Policy

⁴ PECO Energy Company's Comments on the Draft DSR Working Group Report Outline (filed March 9, 2007) at 3.

⁵ Draft Report at 19, stating in heading "B" that "The Commission Should Identify Quantifiable Goals As Part Of [the Program] Objectives." PECO notes that in a subsequent sentence on the same page, the Draft Report states that "PECO and others recommended that the Commission not set performance objectives based on specific percentage reductions." However, heading "B" is not consistent with this sentence.

⁶ PECO Energy Company's Comments on the Draft DSR Working Group Report Outline at 3.

Statement dockets.⁷ PECO and other utilities have taken positions on these issues as well, but they have done so in comments submitted in these dockets.⁸ These issues are being fully considered in the Commission's Default Service rulemaking and Policy Statement proceedings and they should not be addressed in Staff's final report in this proceeding.

Conclusion

Again, PECO applauds Staff for administering this investigation docket and for preparing the Draft Report. However, PECO recommends that Staff should revise the Draft Report consistent with the foregoing comments.

PECO looks forward to Staff's final report and policy recommendations that are to be submitted to the Commission on or about May 15. PECO also looks forward to working collaboratively with the Commission and Staff on these important issues in the future.

Respectfully submitted,



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⁷ Draft Report at 28.

⁸ See, e.g., Comments of PECO Energy Company to the Advance Notice of Final Rulemaking Order and Proposed Policy Statement, Docket Nos. L-00040169 & L-00070183 (filed March 2, 2007) at 12 ("PECO urges the Commission to refrain from establishing hard-and-fast rules dictating how [Default Service Providers] must price default service. Rate design, by its very nature, is an exceedingly complex matter and, in PECO's view, DSPs should be provided with more tools with which to work, not have them taken away.")