

Legal Department

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September 14, 2010

Via Overnight Mail

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

Re: Progress Report of PECO Energy Company on Implementation of its Smart Meter Technology Procurement and Installation Plan: Docket No. M-2009-2123944

Dear Secretary Chiavetta:

PECO Energy Company ("PECO") provides this update on the Implementation of its Smart Meter Technology Procurement and Installation Plan, which was approved by the Commission with certain modifications on May 6, 2010 (the "Plan"), in the above-captioned docket. Specifically, PECO is providing information about the progress of its vendor selection and contracting process and the timing of its filing on dynamic pricing programs.

PECO has selected smart meter network and meter supplier vendors as well as a vendor for installation of smart meters. PECO is in the process of negotiating comprehensive contracts for services with the vendors. Each comprehensive vendor contract will include a detailed statement of work with defined performance metrics on project schedule, call center, safety and diversity spend requirements. All final contracts will be filed with the Commission and will be conditioned on Commission approval. In preparation for the negotiation of the comprehensive contracts, PECO has entered into Letters of Intent ("LOI") with certain selected vendors, and those LOIs are attached.

Please note that the attached Letters of Intent are CONFIDENTIAL and should be accorded such treatment.

By way of background, PECO's multi-disciplinary team of technology and project management subject matter experts began the competitive vendor selection process in August 2009. A detailed Request for Proposal ("RFP") was initially sent to 26 suppliers of smart meter networks, meters, installation services, and IT integrators. In the first quarter of 2010, the PECO team narrowed scope of the RFP to the network and meter suppliers and eventually reduced the number of candidates down to three network providers and two independent meter manufacturers.

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Final selection was based on the overall best value for PECO. The system selected was required to have the technical features and capabilities to meet the requirements of Act 129 of 2008, 66 Pa. C.S. § 2807(f)(1), and the U.S. Department of Energy's Smart Grid Investment Grant deployment timeline. Key selection criteria included compatibility with the equipment of multiple meter manufacturers, an interoperable (open) communication protocol with sufficient bandwidth, the flexibility to make efficient upgrades and robust security. Additionally, systems with the ability to maintain PECO's current level of meter reading and outage management performance were preferred.

PECO has selected Sensus USA Inc. ("Sensus") to serve as its smart meter network vendor and to provide it with a portion of the smart meters themselves. PECO also has selected two other manufacturing firms to provide smart meters -- Landis+Gyr and Elster Solutions, LLC. Finally, VSI Meter Services, Inc. ("VSI") has been selected as PECO's smart meter installation contractor. Sensus is a manufacturer of gas, electric and water meters and meter communications and software, with more than 500 employees within the Commonwealth of Pennsylvania and major system deployments at Southern Company and Portland General Electric. VSI is one of the largest metering services firms in the world and will provide installation services for 600,000 AMI electric meters. The LOIs with Sensus and VSI are attached.

In addition, on August 12, PECO hosted Smart Meter Stakeholder Collaborative Meeting #8 in Harrisburg. Among the topics discussed at the meeting was a review of PECO's progress in developing dynamic pricing programs. PECO is currently integrating comments and feedback received from stakeholders at the meeting into the proposal that it will submit to the Commission. PECO expects to file its proposal in late October, rather than in September as previously planned. The additional time will allow for further development of the proposed dynamic pricing programs in light of stakeholder feedback.

Kindly return a time-stamped copy of this cover letter in the self-addressed stamped enveloped that is enclosed. Please do not hesitate to contact me at 215-841-5974 should you have any questions.

Very truly yours,



Jeanne J. Dworetzky
Assistant General Counsel

Enclosures

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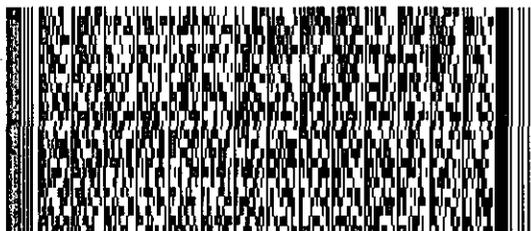
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