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September 22, 2010

Via Federal Express and Electronic Mail

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

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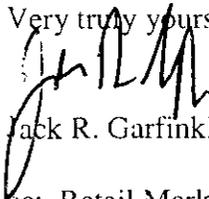
Re: Reports on Rate Ready Billing Platforms - Docket No. M-2010-2189433

Dear Secretary Chiavetta:

Pursuant to the instructions contained in the Secretarial Letter dated August 23, 2010 regarding the filing of comments to the reports on Rate Ready Billing Platforms prepared by the *Retail Markets Working Group (RMWG) and the Commission Staff*, PECO Energy Company is hereby enclosing for filing one original and three (3) copies of its comments. An additional copy of PECO Energy Company's comments will be served on the RMWG electronically.

Kindly return a time-stamped copy of this cover letter in the self-addressed stamped envelope that is enclosed. Please do not hesitate to contact me if you have any questions regarding this filing.

Very truly yours,



Jack R. Garfinkle

cc: Retail Markets Working Group (via electronic mail only)

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

REPORTS ON RATE READY BILLING PLATFORMS : Docket No. M-2010-2189433

COMMENTS OF PECO ENERGY COMPANY
TO
RETAIL MARKET WORKING GROUP AND COMMISSION STAFF
REPORTS ON RATE READY BILLING PLATFORMS

INTRODUCTION

In *PPL Electric Utilities Corporation Retail Markets*, Docket No. M-2009-2104271 (Order entered April 19, 2010), the Pennsylvania Public Utility Commission (the "PUC" or the "Commission") directed the Retail Markets Working Group (the "RMWG") to discuss whether the consensus plan for a Rate Ready billing platform developed for PPL Electric Utilities Corporation by the Commission's Electronic Data Exchange Working Group ("EDEWG") could serve as a statewide model for Rate Ready billing platforms. The Commission directed the RMWG to submit a report (the "RMWG Report") and Commission Staff was directed to submit an independent recommendation to the Commission (the "Commission Staff Report" and together with the RMWG Report, the "Rate Ready Reports") following its receipt and review of the RMWG Report. The RMWG Report¹ was filed with the Commission on July 23, 2010. The Commission Staff Report² was filed on August 6, 2010.

By Secretarial Letter dated August 23, 2010, the Commission issued both the RMWG Report and the Commission Staff Report for comment by interested parties. Comments were requested to be filed within thirty days of the date of the Secretarial Letter. PECO Energy

¹ *Retail Markets Working Group Rate Ready Report* dated July 23, 2010.

² *Commission Staff Rate Ready Report with Recommendations* dated August 6, 2010.

Company (“PECO”) welcomes this opportunity to provide its comments to the Rate Ready Reports.

PECO COMMENTS TO THE RMWG REPORT

The purpose of the RMWG Report is to “provide insight to the Pennsylvania Public Utility Commission (Commission) on the needs of Electric General Suppliers (EGSs) for a uniform statewide rate ready billing platform as well as to evaluate the system capabilities of Electric Distribution Companies (EDCs) to conform to a uniform standard.”³ As a preliminary step in analyzing whether adoption of a statewide, uniform Rate Ready billing platform is needed, the RMWG polled EGS members of the working group to determine, among other things, the necessity of Rate Ready billing to their business plans and whether their business plans would be adversely affected by the lack of a Rate Ready platform in their service territory. The results of that poll indicated that almost half of those EGSs responding did not contemplate the use of Rate Ready billing in every EDC territory, and over 88% of the responding EGSs agreed that their business plan would not be greatly affected by the lack of a Rate Ready platform in their service territories.⁴ PECO believes that these results clearly indicate that the need for Rate Ready billing platforms is not an absolute requirement for EGSs for participating in, and developing, a robust retail choice market.

The RMWG Report includes discussion of a number of topics regarding Rate Ready Billing platform implementation including rate code vs. price driven model requirements, design requirements, and platform functionality. PECO does not have any specific comments with respect to these sections other than to note that, in many instances, there still is not a consensus among working group members regarding the optimal or preferred choice for implementation.

³ *RMWG Report* at page 2.

⁴ *RMWG Report* at page 3.

In the event that the Commission concludes that Rate Ready billing should be implemented and that such billing platforms should be consistent across the Commonwealth, more time will be needed to reach consensus on these open issues.

The RMWG Report omits a substantive discussion of a number of important considerations regarding the implementation of Rate Ready billing by EDCs. First, the RMWG Report does not include any cost-benefit analysis regarding the implementation of Rate Ready billing. Although the RMWG was not able to reach consensus on the necessity of a cost-benefit analysis prior to a Commission directive to implement Rate Ready billing, PECO believes that a cost-benefit analysis is essential for determining whether or not to move forward with this platform. In fact, PECO already has prepared such an analysis. In Appendix I attached to these comments, PECO has attached its own internal cost-benefit analysis for implementing Rate Ready billing (the "Analysis"). The Analysis illustrates that, based on PECO's estimated \$3.3 million information technology investment needs to implement rate ready billing, customers would incur an annual carrying charge of \$957,000.⁵ Moreover, in determining benefits to customers, the Analysis includes estimates of various levels of shopping, participation in EGS Rate Ready billing, annual back office savings for EGS' and a sharing of these savings with customers (in the form of lower prices), and concludes that the annual benefit to customers would be around \$410,000, nearly half of the costs (\$957,000). Accordingly, based on the results of this Analysis, PECO continues to advise that the Commission should consider carefully the estimated costs and the perceived benefits of Rate Ready billing before mandating its use across the Commonwealth. PECO is not alone in this regard as the RMWG notes that "[the]

⁵ As the RMWG Report notes, the \$3.3 million IT estimate from PECO does not include all costs that may be incurred in connection with implementing a rate ready billing platform. For example, testing and qualification costs, including Sarbanes-Oxley controls, were not included in PECO's estimate. See *RMWG Report* at page 28.

OCA, EAP, PPLalso suggested that the issue of cost recovery be discussed before any Commission directives regarding statewide implementation of Rate Ready billing are made.”⁶

The RMWG Report also does not include a substantive discussion of cost recovery and cost allocation regarding Rate Ready billing, based on a Commission Staff determination that the areas of cost recovery and cost allocation were outside the scope of the RMWG Report.⁷ PECO also believes that these important subjects should be addressed by the Commission before mandating Rate Ready billing implementation.

Finally, the RMWG Report does not discuss any proposed timing of Rate Ready billing implementation. As PECO has noted, and as included in the RMWG Report, implementation of a Rate Ready billing platform will require significant effort by EDCs. Accordingly, if the Commission does conclude that Rate Ready billing is in the best interest of customers and directs EDCs to implement those billing platforms, consideration should be given to ensuring that EDCs are provided with sufficient time to implement without causing disruption to the numerous important projects currently in development.

PECO COMMENTS TO THE COMMISSION STAFF REPORT

As noted above, the Commission directed the RMWG to submit a report and that the Commission Staff “submit an independent recommendation to the Commission following its receipt of the RMWG Report.”⁸ The RMWG report was filed with the Commission on July 23,

⁶ *RMWG Report* at page 28.

⁷ *RMWG Report* at page 29.

⁸ Secretarial Letter dated August 23, 2010 regarding Reports on Rate Ready Billing Platforms (Docket No. M-2010-2189433).

2010 and the Commission Staff subsequently issued their independent report and recommendations on August 6, 2010.

The Commission Staff Report correctly notes that the “most difficult question is whether or not EDCs that do not have an existing Rate Ready billing platform should be directed to build one at this point in time.”⁹ PECO maintains that in order to answer this question, the Commission must consider all relevant information, including whether or not the benefits of implementing Rate Ready billing exceed its costs. As noted above, PECO has determined that, at the present time, it does not appear that there would be a financial benefit to customers if it were to implement Rate Ready billing.

PECO agrees with the Commission Staff’s concerns regarding a full build-out by PECO of a Rate Ready platform at this time. As noted in the Commission Staff Report, PECO is now ramping up its existing systems to manage expected greater demand from EGSs as rate caps expire at the end of 2010. Requiring PECO to simultaneously build-out a Rate Ready platform would greatly interfere with PECO’s current IT efforts regarding its existing systems. As a result, PECO concurs that it is prudent for the Commission to observe existing Rate Ready platforms once their operations begin. PECO suggests that during this interim period, the Commission review the important questions of cost-benefit, cost recovery and cost allocation so that it has all relevant information available to make a final determination on the need for Commonwealth-wide implementation of Rate Ready billing platforms.

CONCLUSION

PECO appreciates the time and effort that went into the development and publication of the Rate Ready Reports and this opportunity to comment on them. While PECO believes that

⁹ Commission Staff Report at page 2.

the Rate Ready Reports accurately reflect the discussions that occurred and information that was provided during the working group meetings, those reports continue to omit any analysis of whether or not the costs outweigh the benefits of rate ready billing implementation. PECO again requests that a cost-benefit analysis be performed before any Commission directive is issued with respect to Commonwealth-wide implementation of rate ready billing which requires EDCs to make additional investments in rate ready platforms.

PECO respectfully requests that the Commission adopt its comments as proposed herein.

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Respectfully submitted,



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Dated: September 22, 2010

Attachment 1:

PECO Energy Company

Cost / Benefit Analysis for Implementing Rate Ready Billing

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Costs: \$3,300,000.00
 Annual Carrying Charge Rate: 29%
 Annual Carrying Costs: **\$957,000**
 Annual Cost

Benefits:

Annual Operating Savings/ customer	\$18.00			% That Would Use Rate Ready	Potential Number of Rate Ready Customers
Default Procurement Classes:	Total Customers	Percent Shopping	Total Shopping Customers		
Residential	1,482,11	20%	296,423	20%	59,285
Small Commercial	155,56	30%	46,669	20%	9,334
Medium Commercial	6,418	70%	4,493	10%	449
Large Commercial and Industrial	1,852	90%	1,667	0%	0
Total	1,645,95	21%	349,252	20%	69,068

of Potential Rate Ready Billing Customers: 69,068
 % of Savings Passed On in Lower Prices: 33%
 Monthly Savings/Customer: \$ 5.94
 Aggregate Annual Savings: **\$410,262**
Benefit to Cost Ratio: 43%

Rate Ready Billing Cost / Benefit Analysis

Cost Assumptions:	
Implementation costs are IT systems costs recovered over 5 years	
O&M costs are no different than Bill Ready billing costs	
Implementation costs are:	\$ 3,300,000
Annual Capital Carrying Charge Rate for 5 years is	29%
Benefits Assumptions:	
Benefits of Rate Ready billing are manifested in EGS back office O&M savings	
These savings can be estimated annually on a per customer basis	\$18.00
A portion of these savings is passed onto customers in form of lower price	33%
Default Procurement Classes:	% Shoppi % that use Rate Ready
Residential	20% 20%
Small Commercial	30% 20%
Medium Commercial	70% 10%
Large Commercial and Industrial	90% 0%

Costs:	\$ 3,300,000.00
Annual Carrying Charge Rate:	29%
Annual Carrying Costs	\$ 957,000
Annual Cost	

Benefits:					
Annual Operating Savings/ customer	\$18.00				Potential Number of Rate Ready Customers
		Total Customers	Percent Shopping	Total Shopping Customers	% That Would Use Rate Ready
Default Procurement Classes:					
Residential		1,482,116	20%	296,423	20%
Small Commercial		155,564	30%	46,669	20%
Medium Commercial		6,418	70%	4,493	10%
Large Commercial and Industrial		1,852	90%	1,667	0%
Total		1,645,950	21%	349,252	20%

# of Potential Rate Ready Billing Customers	69,068
% of Savings Passed On in Lower Prices	33%
Monthly Savings/Customer	\$ 5.94
Aggregate Annual Savings	\$ 410,262
Benefit to Cost Ratio	43%

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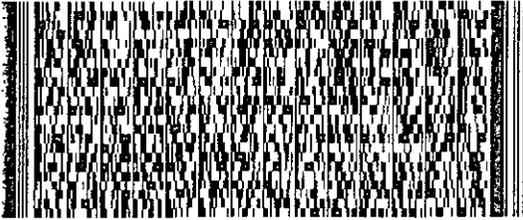
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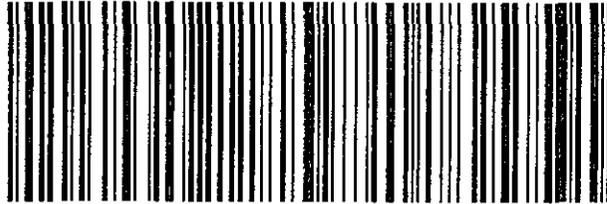
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