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March 14, 2011

Via Electronic Filing

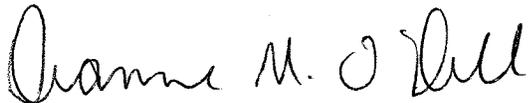
Rosemary Chiavetta, Secretary
PA Public Utility Commission
PO Box 3265
Harrisburg, PA 17105-3265

Re: Petition of PECO Energy Company for Approval of its Smart Meter Technology Procurement and Installation Plan – Petition for Approval of PECO Energy Company's Initial Dynamic Pricing and Customer Acceptance Plan, Docket No. M-2009-2123944

Dear Secretary Chiavetta:

On behalf of Direct Energy Services, LLC and Direct Energy Business, LLC enclosed please find the original of its Reply to the Exceptions of the Office of Consumer Advocate along with the electronic filing confirmation page with regard to the above-referenced matter. Copies have been served in accordance with the attached Certificate of Service.

Sincerely yours,



Deanne M. O'Dell, Esq.

DMO/lww
Enclosure

cc: Cert. of Service w/enc.
Office of Special Assistants

CERTIFICATE OF SERVICE

I hereby certify that this day I served a copy of Direct Energy's Reply to the Exceptions of the Office of Consumer Advocate upon the persons listed below in the manner indicated in accordance with the requirements of 52 Pa. Code Section 1.54.

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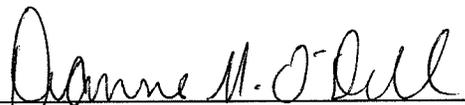
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Deanne M. O'Dell, Esq.

Dated: March 14, 2011

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of PECO Energy Company for :
Approval of its Smart Meter Technology : Docket No.: M-2009-2123944
Procurement and Installation Plan :
Petition for Approval of PECO Energy :
Company's Initial Dynamic Pricing and :
Customer Acceptance Plan :

**DIRECT ENERGY SERVICES, LLC REPLY TO THE EXCEPTIONS OF THE
OFFICE OF CONSUMER ADVOCATE**

In this proceeding, PECO Energy Company ("PECO") proposes to offer two different rates: critical peak pricing ("CPP") and Time of Use ("TOU") in furtherance of the requirements of Section 2807(5) of the Public Utility Code. 66 Pa. C.S. § 2807(5). On January 28, 2011, PECO filed a Joint Petition for Partial Settlement ("Joint Petition") which addresses all issues not related to PECO's recovery of development and implementation costs regarding PECO's proposal pricing plans. Direct Energy does not oppose the settlement. The only outstanding issue is whether the development and implementation costs of PECO's plan should be collected from both shopping and non-shopping customers. The Office of Consumer Advocate ("OCA") proposes that all customers, shopping and non-shopping customers, should pay these costs. PECO, the Office of Small Business Advocate ("OSBA"), and the Philadelphia Area Industrial Energy Users Group ("PAIEUG") all oppose OCA's proposal.

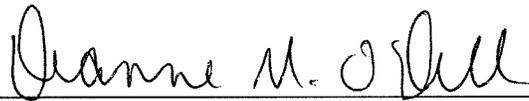
By Recommended Decision ("RD") dated February 16, 2011, Administrative Law Judge ("ALJ") Marlane R. Chestnut correctly rejected OCA's position and concluded that customers who are not able to participate in a program should not be required to pay for the costs of the program. RD at 20. On March 7, 2011, OCA filed Exceptions to the RD essentially restating its

arguments that electric generation suppliers (“EGSs”) and shopping customers will benefit from the dynamic programs and, therefore, they should be required to pay for them. OCA Exceptions at 4-5. For the reasons discussed below, the ALJ properly rejected OCA’s arguments and its exceptions must likewise be denied.

The ALJ properly rejected OCA’s claims that Commission precedent regarding the TOU plans of Duquesne Light Company and PPL Electric Utilities TOU programs are somehow distinguishable from this case. RD at 18. *See Petition of Duquesne Light Co. for Approval of a Time-of-Use Plan*, Docket No. P-200902122718 Opinion and Order entered March 9, 2010; *PPL Elec. Util. Corp. Supplement No. 94 to Tariff Electric-Pa.P.U.C. 201 Time-of Use Rates*, Docket No. R-2010-2201138, Opinion and Order entered December 2, 2010. In its Exceptions, OCA cites to the testimony of its witnesses as evidence that non-shopping and electric generation suppliers (“EGSs”) will benefit by information gathered during the dynamic pricing pilot program. However, as well-explained by the ALJ, “this generalized benefit is speculative and unquantifiable and unsupported by the record in this proceeding.” RD at 19. OCA has offered nothing concrete or tangible to show how shopping customers and/or EGSs would benefit from programs available only to default service customers to justify making them pay for it. For this reason, the ALJ properly denied OCA’s proposal and OCA’s exception should also be denied.

In conclusion, PECO's proposal to recover costs from default service customers is consistent with the Commission's recent determinations on this issue in other similar proceedings and does not unfairly require customers who cannot participate in the programs to pay for them. Therefore, OCA's exceptions should be denied and the RD adopted.

Respectfully submitted,



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