

Legal Department

2301 Market Street/S23-1
P.O. Box 8699
Philadelphia, PA 19101-8699

Telephone 215.841.4000
Fax 215.568.3389
www.exeloncorp.com

Business Services
Company

Direct Dial: 215 841 4220

June 16, 2011

VIA FEDERAL EXPRESS

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

RECEIVED

JUN 16 2011

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

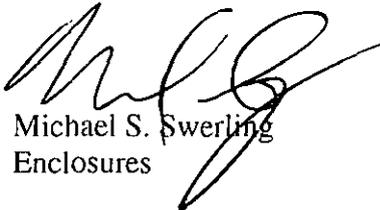
**Re: Final Rulemaking Order: Natural Gas Distribution Companies and the
Promotion of Competitive Retail Markets, Docket L-2008-2069114**

Dear Secretary Chiavetta:

Enclosed for filing are an original and fifteen (15) copies of the *Comments of PECO Energy Company to the Final Rulemaking Order* in the above-captioned matter. An additional copy of this letter is also enclosed to be date-stamped and returned to PECO Energy.

Should you have any questions concerning this filing, please contact me at 215-841-4220.

Sincerely,



Michael S. Swerling
Enclosures

RECEIVED

JUN 16 2011

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Natural Gas Distribution Companies and : Docket No. L-2008-2069114
Promotion of Competitive Retail Markets :

COMMENTS OF PECO ENERGY COMPANY TO THE FINAL RULEMAKING
ORDER

Pursuant to the June 9, 2011 Secretarial Letter from the Pennsylvania Public Utility Commission (“PUC” or the “Commission”) in the above-referenced docket, PECO Energy Company (“PECO” or the “Company”) hereby submits its comments on the competitive retail markets rulemaking.

**I. APPLICATION OF 52 PA. CODE § 62.224 TO PECO’S APPROVED
PURCHASE OF RECEIVABLES PROGRAM**

On November 20, 2009, PECO filed the *Petition of PECO Energy Company for Approval of its Natural Gas Supplier Purchase of Receivables Program* (“Petition” or “Gas POR Program”) at Docket P-2009-2143588. In its Petition, PECO requested, in part, that the Commission permit PECO: (i) to purchase the Low Volume Transportation (“LVT”) customer receivables of natural gas suppliers (“NGSs”) participating in PECO’s consolidated natural gas distribution company (“NGDC”) billing option for basic natural gas supply services in PECO’s service territory, with zero discount and without recourse by PECO to those NGSs for receivables that PECO cannot collect; (ii) to recover uncollectible expense associated with NGS receivables through its distribution rates or through a non-bypassable, non-reconcilable default service support rider which the Company may introduce in a future rate case; (iii) to defer the recovery of the information technology (“IT”) costs and other costs of implementing the Gas POR Program from all LVT customers until a specific recovery mechanism is approved in PECO’s next base rate case. (Petition at 1).

By Order entered November 8, 2010, the Commission approved the Gas POR Program as modified by the Joint Petition for Partial Settlement (“Joint Petition”). The terms and conditions of the Joint Petition were developed between parties representing residential customers (the “Office of Consumer Advocate”), small businesses (the “Office of Small Business Advocate”), and natural gas suppliers and marketers (“Direct Energy Services, LLC”; “Interstate Gas Supply, Inc.”; and “Dominion Retail, Inc.”). Accordingly, it constitutes a carefully crafted package representing reasonable negotiated compromises on the issues raised in the proceeding.

Under the terms of the Joint Petition, PECO will utilize a 1% discount on purchased NGS receivables to reduce the balance of the implementation costs until the conclusion of PECO’s first distribution rate case following the implementation of the Gas POR Program.¹ In PECO’s first distribution base rate case following the implementation of the Program, if any implementation costs remain unrecovered, PECO will propose a mechanism to recover the remaining implementation costs as a charge to LVT customers (both shopping and non-shopping) and/or as a charge to NGSs serving LVT customers in the form of a future discount on purchased receivables (at least 1% until the remaining costs are recovered). (Order at 14.) The Joint Petition also provides that PECO is authorized to defer any unrecovered implementation costs (and any associated depreciation), without interest, until the first distribution rate case following implementation of the POR when a recovery mechanism is provided for. (Order at 14-15.) In approving these cost recovery provisions, the Commission rejected Exceptions filed by the Office of Trial Staff (“OTS”) that argued a higher discount rate (5%) should be used to avoid “fully subsidizing” NGSs. (Order at 36-39).

¹ See the Commission’s Opinion and Order (“Order”) at 14, which was entered on November 8, 2010.

PECO believes the approved cost recovery provisions are in the public interest because they appropriately support the development of retail competition. The use of a modest NGS receivables discount will ensure that suppliers are contributing to the costs of the Gas POR Program. The deferral mechanism ensures that PECO will recover implementation costs associated with this voluntary program with a return on capital costs, but also provides flexibility to assign those costs either to NGSs or LVT customers when the actual costs are known and further reduced through the POR discount.

PECO acknowledges that its Gas POR Program is not entirely consistent with the newly proposed POR regulations at 52 Pa. Code § 62.224. Because the Gas POR Program does not have a defined length of term, the Company would be required to implement significant conforming changes within 36 months of the effective date of the new regulations, including changes that would preclude the possibility of recovering incremental implementation costs from LVT customers through base rates. *See* 52 Pa. Code § 62.224. The incremental costs to implement a POR program in conformity with the proposed regulations could be significant. Consequently, if such incremental implementation costs must be recovered by a discount to purchased receivables, the discount could be so large that it would not be economically feasible for NGSs to participate in the POR program at all. In its September 9, 2010 comments, PECO requested that the proposed regulations provide flexibility regarding cost recovery, and not mandate the use of a discount. (Comments at 4). PECO renews its request for flexibility in these comments, and respectfully submits that it should not be forced now to unravel an already approved program that is based on a meaningful, Commission-sanctioned, settlement between diverse parties.

Should the Commission determine that PECO must make some conforming changes in light of the new regulations, PECO believes that the implementation cost recovery component of the Gas POR Program should remain unchanged because it provides needed flexibility in light of current shopping levels in PECO's territory.

II. USE OF THE TERM "PGC" IN SECTION 62.223(A)(1)

The proposed regulations circulated by the Commission's Secretarial Letter dated June 9, 2011 would revise the definition of "PTC Rate" to inappropriately include non-commodity elements that recover costs incurred on behalf of both sales and low volume transportation customers. Specifically, the proposed regulations issued with the Commission's Order of February 23, 2011, Section 62.223(a) state, in pertinent part, as follows:

- (a) The PTC rate shall be expressed on a per MCF or DTH basis and consist of the following elements:
 - (1) The *gas cost commodity rate* determined in the NGC's Section 1307(f) proceeding, including the reconciliation for over and under collections.
[Emphasis added.]

After this language was proposed, the Independent Regulatory Review Commission ("IRRC") issued a document to the PUC entitled, *IRRC Questions and Areas for Discussion on Public Utility Commission Regulation #57-269/IRRC #2772 "Natural Gas Distribution Companies and the Promotion of Competitive Retail Markets"*. In that document, IRRC asked the following questions to the PUC:

Section 62.222 defines the term "PGC" as "natural gas costs which are collected...under 66 Pa.C.S. § 1307(f)." However, Paragraph 62.223(a)(1) uses the term "**gas cost commodity rate**" determined in the NGDC's 1307(f) proceeding. Why wasn't the defined term "PGC" used in Paragraph 62.223(a)(1)? Is the term "gas cost commodity rate" defined in statute or another regulation?

In response to IRRRC's questions, the PUC revised §62.223(a)(1) on June 9, 2011, to state the following:

- (1) The *PGC*, including the reconciliation for over and under collections. [Emphasis added.]

“The PGC” is not equivalent to “gas commodity rate” and, as a result, the Commission’s proposed change could effect a substantive change which, PECO believes, the Commission did not intend. By substituting “the PGC” for “[t]he gas cost commodity rate determined in the NGC’s Section 1307(f) proceeding,” the Commission is introducing a potential ambiguity because, for PECO certainly, and for other NGDCs possibly, the “PGC” includes non-commodity elements that recover costs incurred on behalf of both sales and low volume transportation customers and, therefore, with the Commission’s prior approval, are charged to both classes of customers.

With specific reference to PECO, its tariff contains an unbundled rate element, designated the “Balancing Service Cost,” which is considered part of its “PGC” and which recovers the cost of storage and related services for sales customers and to low volume transportation customers and, therefore, is charged to both. Accordingly, the Balancing Service Cost assures that sales and low volume transportation customers pay their appropriate share of the cost of storage that is used to serve each class of customers.

The Balancing Service Cost was established in PECO’s restructuring proceeding as part of the “unbundling” of its rates required by the Natural Gas Choice and Competition Act (66 Pa. C.S. §2201 *et seq.*) In that case, the Commission approved the Balancing Service Cost “to be recovered from both shopping and non-shopping customers.” *Pa. P.U.C. v. PECO Energy Company*, Docket No. R-00994787 (June 2, 2000), p. 17. Accordingly, the Balancing Service Cost does not represent a charge that would be avoided – or should be avoided – if a customer

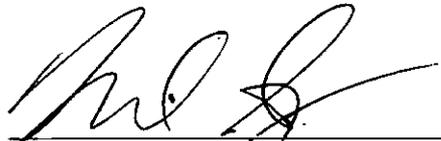
migrates from sales service to low volume transportation service. As such, the Balancing Service Cost should not be included in the Price to Compare.

The Commission's Order in PECO's restructuring case, as well as the terms of the Balance Service Cost as currently set forth in PECO's tariff, establish that the Balancing Service Cost should not be included in the Price to Compare. That said, the Commission should not issue a regulation that lacks the necessary precision to clearly inform all stakeholders how the PTC provisions of Section 62.223(a) will be applied. For that reason, PECO requests that the Commission revise Section 62.223(a)(1) of the proposed regulations to read: "The PGC, including the reconciliation of over and under collections, but excluding non-commodity components that, pursuant to the Commission's prior Orders, are properly charged to both sales and low volume transportation customers."

III. CONCLUSION

PECO appreciates the opportunity to participate in this important proceeding and believes that the Company's recommended revisions can further support competitive retail markets for natural gas.

Respectfully submitted,



Michael S. Swerling
Exelon Business Services Company
2301 Market Street
P.O. Box 8699
Philadelphia, PA 19101-8699
Phone: 215.841.4220
Fax: 215.568.3389
michael.swerling@exeloncorp.com

RECEIVED

JUN 16 2011

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

June 16, 2011

For PECO Energy Company

Conditions Summary

Service Guide, which contains the complete Terms and Conditions, go to fedex.com.

"I," "we," "our," "us," and "FedEx" refer to FedEx Corporation, its employees, and agents, the sender, its employees, and agents.

By giving us your package to deliver, you agree to the terms of this Airbill and in the current FedEx Service Guide and in the current FedEx Service Guide and this Airbill, the sender will control. No one is authorized to modify this Agreement.

Packaging And Completing Airbill

adequately packaging your goods and completing this Airbill. If you omit the number of packages, our billing will be based on the number of packages we received. If the number of packages we received is less than the "default" weight per package as stated on the Airbill, we will bill you based on the "default" weight per package as stated on the Airbill.

Payment Even if you give us different instructions, you will always be primarily responsible for the cost of the package as well as any cost we incur in either returning the package to you or warehousing it pending disposition.

Our Liability And Liabilities

If a value is declared and paid for, our liability for the package is limited to US\$100. You may pay an additional amount for an additional US\$100 of declared value. The additional amount does not constitute, nor do we provide, cargo insurance.

We will not be liable for any damage, whether actual, special, or consequential, in excess of the actual value of a shipment, whether or not FedEx had notice that such damages might be incurred, including but not limited to loss of income or profits.

We won't be liable:

- for your acts or omissions, including but not limited to improper or insufficient packing, securing, marking, or addressing, or those of the recipient or anyone else with an interest in the package.
- if you or the recipient violates any of the terms of our Agreement.
- for loss of or damage to shipments of prohibited items.
- for loss, damage, or delay caused by events we cannot control, including but not limited to acts of God, perils of the air, weather conditions, acts of public enemies, war, strikes, civil commotions, or acts of public authorities with actual or apparent authority.

Declared Value Limits

- The maximum declared value allowed for a FedEx Envelope or FedEx Pak shipment is US\$500.
- For other shipments, the maximum declared value allowed is US\$50,000 per package, unless your package contains items of extraordinary value, in which case the maximum declared value allowed is US\$1,000 per package.
- Items of extraordinary value include shipments containing such items as artwork, jewelry, furs, precious metals, negotiable instruments, and other items listed in the current FedEx Service Guide.
- You may send more than one package on this Airbill and fill in the total declared value for all packages, not to exceed the US\$500, US\$1,000, or US\$50,000 per package limit described above. (Example: 5 packages can have a total declared value of up to US\$250,000.) In that case, our liability is limited to the actual value of the package(s) lost or damaged, but may not exceed the maximum allowable declared value(s) or the total declared value, whichever is less. You are responsible for proving the actual loss or damage.

Filing A Claim YOU MUST MAKE ALL CLAIMS IN WRITING or online at fedex.com and notify us of your claim within strict time limits set out in the current FedEx Service Guide.

You may call our Customer Service department at 1.800.GoFedEx 1.800.463.3339 to report a claim; however, you must still file a timely written claim. We aren't obligated to act on any claim until you have paid all transportation charges, and you may not deduct the amount of your claim from those charges.

If the recipient accepts your package without noting any damage on the delivery record, we will assume the package was delivered in good condition. For us to process your claim, you must make the original shipping cartons and packing available for inspection.

Right To Inspect We may, at our option, open and inspect your packages before or after you give them to us to deliver.

Right Of Rejection We reserve the right to reject a shipment when such shipment would be likely to cause delay or damage to other shipments, equipment, or personnel; or if the shipment is prohibited by law; or if the shipment would violate any terms of our Airbill or the current FedEx Service Guide.

C.O.D. Services C.O.D. SERVICE IS NOT AVAILABLE WITH THIS AIRBILL. If C.O.D. Service is required, please use a FedEx C.O.D. Airbill.

Air Transportation Tax Included A federal excise tax when required by the Internal Revenue Code on the air transportation portion of this service, if any, is paid by us.

Money-Back Guarantee In the event of untimely delivery, FedEx will, at your request and with some limitations, refund or credit all transportation charges. See the current FedEx Service Guide for more information.

FedEx NEW Package
Express US Airbill

FedEx Tracking Number 8750 1798 1839

0200 Form ID No.

FedEx Retrieval Copy

1 From
Date 6/16/2011 Sender's FedEx Account Number _____
Sender's Name _____ Phone 215 441-4320
Company Enron
Address 2301 Market St #23-1 Dept./Floor/Suite/Room _____
City Philadelphia State PA ZIP 19103

2 Your Internal Billing Reference

3 To
Recipient's Name Rosemary Chavira Phone _____
Company Publ. Utility Commission

Address Commonwealth Keystone Bldg HOLD Weekday
We cannot deliver to P.O. boxes or P.O. ZIP codes. Dept./Floor/Suite/Room _____
Address 400 North Street HOLD Saturday
Use this line for the HOLD location address or for continuation of your shipping address. Dept./Floor/Suite/Room _____

City Harrisburg State PA ZIP 17120



8750 1798 1839

4 Express Package Service

NOTE: Service order has changed. Please select carefully.
 Next Business Day 2 of 3 Business Days 1 of 2 Business Days
 06 FedEx First Overnight
 01 FedEx Priority Overnight
 05 FedEx Standard Overnight
 49 NEW FedEx 2Day A.M.
 03 FedEx 2Day
 20 FedEx Express Saver

5 Packaging

06 FedEx Envelope* 02 FedEx Pak* 03 FedEx Box 04 FedEx Tube 01 Other

6 Special Handling and Delivery Signature Options

03 SATURDAY DELIVERY

No Signature Required
 10 Direct Signature
 34 Indirect Signature
Does this shipment contain dangerous goods?
 No 04 Yes
 06 Dry Ice
 Cargo Aircraft Only

7 Payment Bill to:

Sender Recipient 2 Third Party 3 Credit Card 4 Cash/Cheque 5
Total Packages _____ Total Weight _____ lbs. Credit Card Auth. 2458

*Our liability is limited to \$100 unless you declare a higher value. See the current FedEx Service Guide for details.

fedex.com 1.800.GoFedEx 1.800.463.3339