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APR 13 2015

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

April 13, 2015

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

Re: Proposed Rulemaking Order
Docket No: L-2014-2421001

Dear Secretary Chiavetta:

Attached please find PECO Energy Company's Comments in the above referenced docket.

Sincerely,

Michael S. Swerling

MSS/adz

Attachment

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APR 13 2015

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PROPOSED RULEMAKING FOR AUTOMATIC ADJUSTMENT CLAUSES RELATED TO ELECTRIC DEFAULT SERVICE	:	**Docket No. L-2014-2421001**

COMMENTS OF PECO ENERGY COMPANY ON THE COMMISSION'S PROPOSED ORDER

I. INTRODUCTION

On May 22, 2014, the Pennsylvania Public Utility Commission (the "Commission") issued an Advance Notice of Proposed Rulemaking Order ("ANOPR Order") [1] expressing concerns that the over and under collection of revenues associated with traditional reconciliation accounting could cause volatility in default service rates. To address these concerns, the Commission recommended applying a symmetrical rate of interest to the over and under collection mechanisms used by electric distribution companies ("EDCs"). Based on comments submitted in response to the ANOPR Order, the Commission issued a Notice of Proposed Rulemaking Order ("NOPR Order") on October 2, 2014. The NOPR Order proposes to adopt a uniform policy regarding the rate of interest that should be paid or collected when reconciling costs. PECO Energy Company ("PECO") appreciates the opportunity to respond and hereby submits these comments in support of using a symmetrical rate when reconciling default service costs.

[1] See *Advance Notice of Proposed Rulemaking for Revision of the Commission's Regulations on Automatic Adjustment Clauses Related to Electric Default Service*, Docket No. L-2014-2421001 (Order entered on May 22, 2014).

II. COMMENTS

A. PECO supports using a Symmetrical Interest Rate.

PECO agrees with the following determinations made in the Commission's NOPR Order:

1) "The proposed applicable rate of interest on over and under collections would be interest at the prime rate for commercial borrowing in effect on the last day of the month the over or under collection occurred, as reported in the Wall Street Journal." (NOPR Order at 8-9).

2) "[T]he Commission cannot predict whether the Wall Street Journal will continue to be the most appropriate market index for purposes of determining the prime rate of interest, [and as such] the Commission [should] continue to reserve the right to switch to a more appropriate market index in the future." (NOPR Order at 11).

3) A *modified interest rate applicable to "excessive" portions of over or under* recoveries is not needed at this time. (NOPR Order at 14).

Accordingly, by adopting these proposals, just and reasonable rates will be based on accurate projections for the full cost of service.

B. Implementation of the symmetrical interest rate should not conflict with a previously-approved Default Service Plan.

PECO supports the Commission's decision to implement the symmetrical interest rate on a forward-looking basis commencing with the first reconciliation filing after the effective date of the regulations adopted in this rulemaking process. (NOPR Order at 11-12). However, PECO *requests one point of clarification. Specifically,* PECO's current Default Service Plan ("DSP III") was approved on December 4, 2014 and covers the period from June 1, 2015 through May 31, 2017. From PECO's perspective, the symmetrical interest rate should commence with the first reconciliation filing in the next DSP that is approved after these regulations become effective. More specifically, if these regulations are adopted during PECO's DSP III, the symmetrical interest rate should not be applied mid-phase. Instead, the symmetrical interest rate should begin when PECO's DSP IV begins. PECO believes that this approach is reasonable because it will maintain the integrity of previously approved plans that were implemented prior to the change in regulations regarding the applicable interest rate.

C. Application of the symmetrical interest rate to the Transmission Service Charge

The Commission's NOPR Order purports to apply a symmetrical interest rate to Transmission Service Charges ("TSCs"). PECO currently has a bypassable TSC and is in the process of making a portion of it TSC non-bypassable in accordance with the Commission's Opinion and Order at Docket No. P-2014-2409362.[2] The non-bypassable portion of the TSC (for all distribution customers) will include Regional Transmission Expansion Plan ("RTEP"), Transmission Enhancement Charge/Expansion Cost Recovery Charge ("TEC/ECRC") and Generation Deactivation/ Reliability Must Run ("RMR") costs. The bypassable portion of the TSC will include Network Integration Transmission Service ("NITS"), Unaccounted for Energy ("UFE") and meter error correction charges. PECO believes that the symmetrical interest rate should apply to both the non-bypassable and the bypassable portions of the TSC because it is reconciled on a quarterly basis. Accordingly, PECO requests that the Commission clarify that the symmetrical interest rate adopted in this proceeding should apply to both components (non-bypassable and bypassable) of PECO's TSC.

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[2] See *Petition of PECO Energy Company for Approval of its Default Service Program for the period from June 1, 2015 through May 31, 2017*, Docket No. P-2014-2409362 (Opinion and Order entered on December 4, 2014).

III. CONCLUSION

PECO appreciates the opportunity to comment on this important matter and requests that the Commission favorably consider these comments.

Respectfully Submitted,

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April 13, 2015 *For PECO Energy Company*

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