BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PETITION OF PECO ENERGY COMPANY
FOR APPROVAL OF ITS
DEFAULT SERVICE PROGRAM
FOR THE PERIOD FROM
JUNE 1, 2017 THROUGH MAY 31, 2019

DOCKET NO. P-2016-____________

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DIRECT TESTIMONY

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WITNESS: BRIAN D. CROWE

SUBJECTS: DEFAULT SERVICE PROGRAM
OVERVIEW, PROPOSED SCHEDULE OF
PROCEEDINGS AND CUSTOMER
NOTICE

DATED: MARCH 17, 2016
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I. INTRODUCTION AND PURPOSE

1. Q. Please state your full name and business address.
   A. My name is Brian D. Crowe. My business address is PECO Energy Company,
      2301 Market Street, 18th Floor, Philadelphia, Pennsylvania, 19103.

2. Q. By whom are you employed and in what capacity?
   A. I am employed by PECO Energy Company (“PECO” or the “Company”) as its
      Vice President of Energy Acquisition.

3. Q. What are your current duties and responsibilities as PECO’s Vice President
      of Energy Acquisition?
   A. As Vice President of Energy Acquisition, I oversee the design and execution of
      PECO’s procurement of electric supply, the Company’s interface with retail
      electric generation suppliers (“EGSs”), and its procurement of renewable energy
      in compliance with Pennsylvania’s Alternative Energy Portfolio Standards Act
      (“AEPS” or the “AEPS Act”).

4. Q. Please summarize your professional experience in the energy industry.
   A. I joined PECO in October 1987 as an engineer in the Company’s Controls
      Branch. Since that time, I have been promoted through various positions of
      increasing responsibility, including Account Manager in the Marketing
      Department, Account Executive in the Marketing Department, Corporate
      Strategist in the Company’s Corporate Planning and Development Department,
      and as Vice President of Energy Acquisition.
and Director, Customer Choice Implementation.

I joined PECO’s Regulatory and External Affairs Department in October 2000. Since that time I have held the positions of Director of Regulatory and Governmental Affairs, Director of Rates and Regulatory Affairs, and Director of Retail Rates. In March of 2009, I was promoted to my current position of Vice President, Energy Acquisition.

5. Q. What is your educational background?
   A. I earned my Bachelor of Science degree in Electrical Engineering in 1986 and my Masters of Business Administration in Finance in 1992, both from Drexel University.

6. Q. Have you previously provided testimony before the Pennsylvania Public Utility Commission (the “Commission”)?
   A. Yes. A listing of the cases in which I have submitted testimony is attached hereto as Exhibit BDC-1.

7. Q. What is the purpose of your testimony?
   A. The purpose of my testimony is to provide an overview of PECO’s fourth default service program (“DSP IV”) for procurement of electric generation to meet the needs of default service customers in PECO’s service territory for the period beginning June 1, 2017 through May 31, 2019.

   My testimony is divided into three parts. First, I describe PECO’s default service obligations under Pennsylvania’s Electricity Generation Customer Choice and
Competition Act (“Competition Act”). I then explain how PECO has satisfied those obligations under its third default service plan (“DSP III”). Second, I provide an overview of DSP IV and an introduction of supporting testimony. The Company’s additional witnesses present testimony regarding: (1) the details of PECO’s DSP IV procurement and implementation plans, including the competitive sealed bid process by which PECO will procure default service supply; (2) a recommended revision to PECO’s procurement strategy for the Small Commercial class to transition to a supply mix with equal shares of one-year and two-year fixed-price full requirements products; (3) proposed changes to PECO’s uniform Supply Master Agreement adopted in DSP III; (4) a recommended modification to PECO’s procurement classes to consolidate procurement for all commercial and industrial customers receiving hourly-priced default service (i.e., those with annual peak demands greater than 100 kW) (“Hourly C&I Customers”); and (5) continuation of PECO’s existing default service rate design, with two changes related to consolidation of Hourly C&I Customers into one procurement class under the Generation Supply Adjustment (“GSA”) (the “Consolidated Large Commercial and Industrial Class”) and the filing and reconciliation schedule for Consolidated Large Commercial and Industrial Class default service rates.

Third, I describe PECO’s proposed schedule for these proceedings and the notice provided to customers of PECO’s DSP IV filing.
II. OVERVIEW OF PECO’S DEFAULT SERVICE OBLIGATIONS AND PRINCIPAL FEATURES OF THIRD DEFAULT SERVICE PLAN

7. Q. Please describe PECO's default service obligations.

A. PECO is obligated to provide electric generation service to all customers within its service territory who do not select an EGS or who return to default service after being served by an EGS which becomes unable or unwilling to serve. By law, PECO is required to file a plan with the Pennsylvania Public Utility Commission (the “Commission”) which sets forth how PECO will meet its default service obligations, including a strategy for procuring generation supply, a schedule for implementation, and a rate design to recover PECO’s reasonable costs.

8. Q. How does PECO currently meet its default service obligations?

A. PECO filed an initial default service program (“DSP I”) in 2008, which was approved by the Commission in 2009 and took effect on January 1, 2011. On January 15, 2012, PECO filed DSP II, which the Commission approved on October 12, 2012, subject to resolution of various retail market enhancement issues which were addressed by PECO in subsequent filings and approved by the Commission. On March 10, 2014, PECO filed DSP III, which the Commission approved on December 4, 2014.

Under DSP III, as in DSP I and DSP II, PECO conducts competitive procurements of wholesale power and associated services for four different default service customer classes: Residential, Small Commercial (up to 100 kW annual peak demand and lighting customers), Medium Commercial (>100 kW –
500 kW annual peak demand), and Large Commercial and Industrial (>500 kW
annual peak demand). In accordance with the Public Utility Code, 66 Pa.C.S. §§
2807(3.1)-(3.4), PECO procures a “prudent mix” of contracts tailored for each
customer class designed to obtain electric supply at the “least cost over time”.

The principal procurement features of DSP III include the use of fixed-price full
requirements supply contracts for residential and small commercial customers and
spot-priced full requirements contracts for commercial and industrial customers
with demands equal to or greater than 100 kW. DSP III also includes tailored
contract lengths for each customer class. Procurement under DSP III occurs in
March and September each year, approximately two months prior to the dates of
delivery of supply obtained in the procurement, to minimize the effects of
potential wholesale “price spikes” on retail default service rates. In DSP IV,
PECO is proposing to continue each of these procurement features of DSP III.

9. **Q. Does PECO have other obligations under DSP III?**

   **A.** Yes. Consistent with its procurement obligations and its approved plan, PECO
maintains contingency plans in the event of a wholesale supplier default and uses
standardized documents and procedures approved by the Commission when
conducting its default supply procurements. In addition, in accordance with the
Commission’s direction in its Retail Markets Investigation, PECO has undertaken

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1 In accordance with the Commission’s Order in PECO’s DSP III proceeding, and the End State Order, PECO
will implement hourly-priced default service for Medium Commercial Class customers (i.e., commercial
customers with peak loads greater than 100 kW and less than or equal to 500 kW) on June 1, 2016. See
Petition of PECO Energy Co. for Approval of its Default Serv. Program for the Period from June 1, 2015
(Order entered February 15, 2013), pp. 29-32 (“End State Order”).
1 a wide range of initiatives to support retail competition.

10. Q. Has PECO met its obligations?
A. Yes. PECO has met all of its obligations to date under DSP III, including its fundamental obligation, as default service provider, to provide adequate and reliable default service to default service customers at least cost over time. In addition, PECO continued its “Standard Offer” customer referral program in which default service residential customers contacting PECO’s customer service center are encouraged to select among a group of EGSs who have voluntarily chosen to offer customers a 12-month contract priced at 7% below PECO’s default service rate at the time of the offer. This program has resulted in over 55,000 residential customer and 3,000 small commercial customer referrals to participating EGSs since June 1, 2015. PECO also expects to complete implementation of other programs to facilitate shopping, including “seamless moves” and “switch-on-connect”, by July 1, 2016.

III. OVERVIEW OF DSP IV
11. Q. What principles did PECO use in designing DSP IV?
A. In designing DSP IV, PECO adhered to the same central principles used in DSP III:
   (1) Competitive forces will produce the least cost to customers over time and, therefore, the development of retail and wholesale energy markets should continue to be encouraged.
   (2) Obtaining a “prudent mix” of default generation supply contracts at least
cost over time should take into account factors such as the benefits of price
stability and reflect the different needs of various customer types through
tailored procurement strategies.

(3) Default service rate design should be understandable and reflect the
competitive procurement of generation supply service.

(4) Default service plans should reflect “lessons learned” under earlier default
service plans to improve competitive default service procurements and
further competitive markets while maintaining compliance with Public
Utility Code requirements.

12. Q. What is PECO’s default service procurement plan for DSP IV?

A. Mr. John J. McCawley, PECO’s Director of Energy Acquisition, provides
detailed testimony regarding PECO’s proposed default service procurement plan
in PECO Statement No. 2. As Mr. McCawley explains, PECO proposes one
modification to its existing customer classes from DSP III to combine all Hourly
C&I Customers into a single Consolidated Large Commercial and Industrial
procurement group. PECO believes its proposed procurement groups properly
reflect the nature of the load of the customers in each group and a balancing of
other factors, including the evolution of competitive markets and rate stability.
PECO’s proposed procurement strategy for each customer class is as follows.

Residential Class. PECO will continue to procure approximately 96% of the
Residential Class default service supply through a mix of one- and two-year
fixed-price full requirements products with six-month spacing between the
commencement of contract delivery periods. Approximately forty percent of this portion of the supply portfolio will be comprised of one-year products and approximately sixty percent will be comprised of two-year products. The remaining approximately 4% of the Residential Class default service load will be supplied by a mix of long-term five-year fixed-price full requirements products (3.2%) and spot market purchases (0.8%). PECO will also continue to procure full requirements products approximately two months prior to delivery.

**Small Commercial Class.** PECO will replace the current mix of 100% one-year fixed-price full requirements products with equal shares of one-year and two-year fixed-price full requirements products. Like the Residential Class, all products will be procured approximately two months prior to delivery.

**Consolidated Large Commercial and Industrial Class.** PECO will continue to procure all default service supply for the Consolidated Large Commercial and Industrial Class, annually, through spot-priced full requirements products.

Consistent with the Commission’s Policy Statement\(^2\) and in order to facilitate the “prudent mix” of procurement contracts above, PECO has proposed a default service program term of two years spanning from June 1, 2017 through May 31, 2019, with some products extending beyond May 31, 2019 to help ensure that customers are not exposed to rate volatility associated with replacing a large portion of default service supply in a short period of time.

\(^2\) 52 Pa. Code § 69.1804.
13. Q. Has PECO developed an implementation plan as part of its default service program?
   A. Yes. In accordance with the Commission’s regulations, PECO’s default service program includes a detailed implementation plan consistent with this procurement strategy. In his testimony, Mr. McCawley explains this plan, including PECO’s schedule of solicitations in furtherance of its procurement strategy.

14. Q. How did PECO determine that its default service procurement plan is a sound approach to meeting “least cost over time” requirements?
   A. PECO engaged the NorthBridge Group to evaluate PECO’s proposed DSP IV procurements. In PECO Statement No. 3, Mr. Scott Fisher of The Northbridge Group reviews the “lessons learned” under DSP III with respect to procurement issues and discusses how DSP IV will provide a “prudent mix” of contracts for all customer classes, consistent with “least cost over time” requirements, while continuing to support retail competition. This includes an analysis of the results of the Company’s prior default service program procurements.

15. Q. Mr. Crowe, why is PECO proposing to transition to some longer term products for the Small Commercial class as part of DSP IV?
   A. As Mr. Fisher explains, the use of one- and two-year fixed-price full requirements products for the Small Commercial class price stability benefits for all small non-residential customers who may not have the knowledge or resources to elect a competitive EGS offering that provides the price stability they seek.

16. Q. Does PECO’s DSP IV provide for a competitive bid process?
A. Yes. In PECO Statement No. 4, Dr. Chantale LaCasse of NERA, explains that PECO will continue to use a competitive “Request for Proposals” process in its procurements in light of the positive experience under DSP III.

17. Q. Is PECO revising its supply master agreement (“SMA”) or other documentation for use with wholesale suppliers in these procurements?

A. Yes. As explained by Mr. McCawley, PECO is proposing to continue to use a uniform SMA, as envisioned by the Commission in the End State Order. PECO is proposing limited changes to the uniform SMA to reflect technical clarifications described by Mr. McCawley.

18. Q. Does PECO propose that its generation affiliates again be permitted to participate in its competitive procurements?

A. Yes. As explained by Dr. LaCasse, PECO’s competitive bid process will continue to comply with the Commission’s codes of conduct and includes protocols to ensure that its generation affiliates do not receive an advantage in the bidding process or any other aspect of PECO’s default service implementation plan.

19. Q. Is PECO taking any additional steps to enhance retail competition?

A. Yes. As discussed by Mr. McCawley in his testimony, PECO proposes to continue the Standard Offer Program for the period June 1, 2017 through May 31, 2019.
20. **Q.** Is PECO proposing any revisions to its existing default service rate design as part of DSP IV?

**A.** Yes. Although PECO’s rate design will remain essentially the same as under DSP III, the Company is proposing certain modifications to streamline the recovery of hourly-priced default service costs. In PECO Statement No. 5, **Mr. Alan B. Cohn** explains the current operation of the GSA and describes PECO’s proposal to combine Hourly-Priced C&I Customers into the Consolidated Large Commercial and Industrial Class for purposes of the GSA. Mr. Cohn also explains PECO’s proposed changes to the default service rate filing schedule for the Consolidated Large Commercial and Industrial Class, including the reconciliation of over/undercollections of default service costs on a semi-annual, instead of a monthly, basis.

**IV. PROCEDURAL SCHEDULE AND NOTICE**

21. **Q.** Mr. Crowe, please describe the procedural schedule PECO is proposing for this proceeding.

**A.** In accordance with the nine-month period for approval of a default service plan under the Public Utility Code, PECO proposes the following schedule for this proceeding:

- **March 17, 2016**       Petition Filing
- **April 12, 2016**       Prehearing Conference
- **June 3, 2016**         Other Parties’ Direct Testimony Due
- **June 24, 2016**        Rebuttal Testimony Due
Q. How will PECO provide notice to its customers of this filing?

A. PECO is providing extensive public notice of this filing to its customers. First, PECO will include a stand-alone bill insert in all customer bills over a thirty-day period beginning on April 1, 2016. This stand-alone bill insert will notify customers of this filing, where they may obtain copies of the filing, and how they may participate in this proceeding by filing comments or complaints with the Commission. Second, PECO is publishing notices containing similar information in all of the major newspapers serving PECO’s service territory. All notices will refer to PECO’s website, (peco.com/rates), where a copy of the entire filing will be maintained. PECO is also serving copies of this filing on the Pennsylvania Office of Consumer Advocate, the Pennsylvania Office of Small Business Advocate, the Commission’s Bureau of Investigation and Enforcement, PJM, and all EGSs registered in PECO’s service territory, and requesting the Commission to publish notice of this filing in the Pennsylvania Bulletin.
V. CONCLUSION

23. Q. Does this conclude your direct testimony?

A. Yes.