

**THE PENNSYLVANIA UTILITY LAW PROJECT
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December 19, 2011

Via E-Filing

Secretary Rosemary Chiavetta
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

Re:

**Joint Petition of Metropolitan Edison Company, Pennsylvania
Electric Company, Pennsylvania Power Company, and West
Penn Power Company for Approval of Their Default Service
Programs**

Docket Nos. P-2011-2273650
P-2011-2273668
P-2011-2273669
P-2011-2273670

Dear Secretary Chiavetta:

Enclosed please find the Answer of the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania ("CAUSE-PA") to the Joint Petition filed by the First Energy Companies in the captioned proceedings.

Kindly notify the undersigned if you have any questions or concerns about this filing.

Respectfully submitted,



Patrick M. Cicero, Esquire
Harry S. Geller, Esquire
Counsel for CAUSE-PA

CC: Certificate of Service

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Joint Petition of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, and West Penn Power Company for Approval of Their Default Service Programs

Docket Nos. P-2011-2273650
P-2011-2273668
P-2011-2273669
P-2011-2273670

**ANSWER OF RESPONDENT THE
COALITION FOR AFFORDABLE UTILITY SERVICES
AND ENERGY EFFICIENCY IN PENNSYLVANIA**

I. INTRODUCTION

On November 17, 2011, Metropolitan Edison Company (“Met-Ed”), Pennsylvania Electric Company (“Penelec”), Pennsylvania Power Company (“Penn Power”) and West Penn Power Company (“West Penn”) (collectively the “First Energy Companies” or “Companies”) filed a Joint Petition for Approval of their Default Service Programs. The filing was made to establish the terms and conditions under which the Companies will procure default service supplies, provide default service to non-shopping customers, and satisfy requirements imposed by the Alternative Energy Portfolio Standards Act¹ (“AEPs Act”) and recover all associated costs on a full and current basis for the period of June 1, 2013 through May 31, 2015.

On December 19, 2011, concurrent with this filing, the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”), through its attorneys at the Pennsylvania Utility Law Project, filed a Petition to Intervene in this proceeding. Although intervention has not yet been granted by the Presiding Officer, CAUSE-PA files this Answer in response to the Petition.

¹ 73 P.S. §§ 1648.1-1648.8 and related provisions of 66 Pa. C.S. §§ 2813-14.

II. ANSWER

In their Petition, the Companies propose to acquire supply for residential customers through a series of full requirements supply contracts in 50 MW tranches. Joint Petition, ¶ 12. For each residential tranche, 90% of the supply will be at a fixed price, with the remaining 10% priced at variable spot market purchases. Joint Petition, ¶ 12. The contracts for residential customers will be a mix of two-year and four-year tranche products procured on two dates: the first in November 2012 and the second in January 2013 using a multiple-round, descending clock auction. Joint Petition, ¶¶ 15, 16.

To recover their costs for serving residential customers, the Companies propose a quarterly adjustment mechanism. Joint Petition, ¶ 32. The Companies also propose a bypassable Market Adjustment Charge (“MAC”) for residential and commercial classes at a rate of \$0.005 per KWh, which would be included in the Price to Compare (“PTC”) Rider. Joint Petition, ¶ 38. The Companies propose to modify their Time-of-Use (“TOU”) rates for two of the operating Companies: Penn Power and West Penn. Joint Petition, ¶ 49. Specifically, Penn Power and West Penn propose to adopt a new Residential TOU Default Service Rider that would authorize those companies to “bid out” TOU service to an Electric Generation Supplier (“EGS”), through an “internet-based, transparent auction process.” Joint Petition, ¶¶ 50-51.

In their Petition, the Companies propose that each Company will conduct a descending clock auction for a twenty-four month retail service rate from EGSs beginning June 2013 that is priced as a “percent-off” the price-to-compare for that Company. Joint Petition, ¶ 73. This opt-in service will be available to all non-shopping customers. The Companies propose to recover the cost of the auction, including the costs incurred to form the aggregation, and the costs associated with the development of customer information materials through the Companies’ DSS

Rider, a non-bypassable rider meant to recover costs of retail market enhancements. Joint Petition, ¶ 77. Enrolled customers would be permitted to select a different EGS without penalty. Joint Petition, ¶ 78. Upon the conclusion of the twenty-four month period, an enrolled customer will not automatically revert to default service. Joint Petition, ¶ 79.

The Companies also propose to implement a Customer Referral Program for non-shopping residential customers who call the Companies' call center with any of the following requests: (a) a call to move service from one location to another within the service territory or to establish service for the first time within the territory ("New Mover request"); (b) a high bill complaint; and (c) an inquiry about customer choice. Joint Petition, ¶ 82. The Companies propose to recover the cost of the Customer Referral Program through the Companies' DSS Rider, a non-bypassable rider meant to recover costs of retail market enhancements. Joint Petition, ¶ 87.

The Companies also propose to make a number of different tariff changes, as well as details for the procurement for solar alternative energy credits. The details of how the Companies intend to comply with their commitments from the Merger of West Penn Power with the other First Energy Companies are also set forth in the filing.

CAUSE-PA has preliminarily reviewed the Companies' Joint Petition and identified a number of significant issues presented by the filing. CAUSE-PA anticipates that additional issues will arise as a more comprehensive review of the Companies' filing is undertaken, discovery is conducted, and the Companies' testimony is presented. However, the preliminary issues identified by CAUSE-PA include:

A. Market Adjustment Clause

The Companies propose to institute a new charge on all non-shopping residential customers called the Market Adjustment Clause (“MAC”) in the amount of \$0.005 per kWh. This charge would be bypassable by those customers who choose an alternative supplier. Ostensibly, the charge is designed to compensate the Companies for the obligation and attendant risks of procuring electric power for customers who choose not to shop. The Companies also state that the MAC “will have the collateral benefit of enhancing competition by creating additional ‘headroom’ beneath the price-to-compare for competitive offers.” Joint Petition, ¶ 38.

CAUSE-PA questions the need to add this additional surcharge onto residential customers. The Companies should be required to prove that any additional charges assessed solely to compensate them for the so called “risk” of providing service to non-shopping customers are justified and lawful in light of their obligations as a default service provider to serve all non-shopping customers pursuant to Act 129 of 2008.² Additionally, CAUSE-PA submits that the Companies’ should be required to prove, through empirical evidence, that it is reasonable to make this additional charge at all, that it is reasonable to make the charge bypassable, and that it is reasonable to make it in the amount of \$0.005 per kWh.

B. Retail Opt-In Auction

The Companies propose to institute a retail opt-in auction open to all non-shopping customers that would have a fixed rate lower than the price-to-compare. The term of the fixed price would be twenty-four months and a customer would remain with the winning EGS indefinitely unless affirmatively choosing to switch.

CAUSE-PA intends to examine both the hazards and benefits that this auction would have for low-income residential customers and submits that the Companies should be required to

² 66 Pa. C.S. § 2807.

demonstrate that each component of their opt-in auction proposal is permissible under current law and regulations and that the process proposed adequately safeguards the rights of all residential customers, particularly low-income and otherwise vulnerable customers. Furthermore, the Companies should be required to demonstrate how their Universal Service Programs would be fully integrated into their proposed auction structure without any reduction of benefits and safeguards to Universal Service Program participants. Finally, CAUSE-PA intends to examine why the Companies believe that the costs of an opt-in auction should be borne by residential customers through a non-bypassable charge as opposed to the program being paid for by the participating EGSs. All of these issues must be thoroughly reviewed through discovery and a hearing in order to ensure that the Companies' low-income customers are not harmed by participation in such an auction.

C. Customer Referral Program

The Companies propose to institute a Customer Referral Program for all calls to their call center for, including, among other things, high bill complaints. CAUSE-PA intends to examine the appropriateness of including calls regarding high bill complaints, as well as the appropriateness of how questions and applications concerning universal service are handled and coordinated through this call center in a customer referral program. CAUSE-PA submits that the Companies must demonstrate that each of the proposed call types is appropriate for referrals to occur and that the Customer Referral Program will not unduly affect the Companies' customer service obligations to resolve customer complaints and billing disputes.

CAUSE-PA also intends to examine why the Companies believe that the costs of the Customer Referral Program should be borne by residential customers through a non-bypassable charge as opposed to the program being paid for by the participating EGSs. All of these issues

must be thoroughly reviewed through discovery and a hearing in order to ensure that the Companies' low-income customers are not harmed by a new Customer Referral program.

WHEREFORE, CAUSE-PA respectfully requests that this matter be set for hearings. Hearings are necessary to ensure that the default service rates that will be charged starting June 1, 2013 are just and reasonable and that the propose program changes and additions are consistent with Pennsylvania law.

Respectfully submitted,

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Certificate of Service

I hereby certify that I have this day served copies of the **Answer of the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania**, upon the following parties as set forth below in accordance with the requirements of 52 Pa. Code § 1.54:

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