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VIA FIRST CLASS MAIL

VIA E-MAIL

Honorable Elizabeth H. Barnes
Administrative Law Judge
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105

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, and P-20112273670

Dear Judge Barnes:

On behalf of Exelon Generation Company, LLC and Exelon Energy Company ("ExGen") enclosed please find ExGen's Main Brief, electronically filed today with the Commission.

Copies have been served as indicated on the enclosed Certificate of Service.

Very truly yours,

Thomas McCann Mullooly
Trevor D. Stiles

cc: Service List
Rosemary Chiavetta, Secretary

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Joint Petition of Metropolitan Edison)	Docket Nos. P-2011-2273650
Company, Pennsylvania Electric)	P-2011-2273668
Company, Pennsylvania Power)	P-2011-2273669
Company and West Penn Power)	P-2011-2273670
Company for Approval of Their)	
Default Service Programs)	

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of Exelon Generation Company, LLC and Exelon Energy's Maim Brief in the above-captioned proceeding on the following as permitted by 52 Pa. Code § 1.54:

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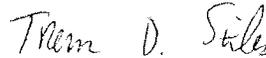
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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Joint Petition of Metropolitan Edison)	Docket Nos. P-2011-2273650
Company, Pennsylvania Electric Company,)	P-2011-2273668
Pennsylvania Power Company and West)	P-2011-2273669
Penn Power Company for Approval of Their)	P-2011-2273670
Default Service Programs)	

**MAIN BRIEF OF
EXELON GENERATION COMPANY, LLC
AND EXELON ENERGY COMPANY**

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I. INTRODUCTION AND PROCEDURAL HISTORY

Exelon Generation Company, LLC and Exelon Energy Company (collectively, “ExGen”) hereby submit this Main Brief for consideration with regard to the Default Service Programs (“DSPs” or “Programs”) filed by Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, and West Penn Power Company (collectively, the “Joint Petitioners”) on November 17, 2011, in Docket Nos. P-2011-2273650, P-2011-2273668, P-2011-2273669, and P-2011-2273670.

A. Summary and Statement of Position

ExGen addresses only one issue in this proceeding. Specifically, Generation Deactivation charges, which are non-market-based (“NMB”) and potentially significant charges that are unpredictable and unhedgeable, should be the responsibility of the Joint Petitioners with cost recovery from all customers through the Default Service Support Rider (“DSS Rider”). Recovering these charges from all load through the competitively neutral DSS Rider benefits consumers by reducing the risk profiles of wholesale suppliers and electric generation suppliers (“EGSs”). Because these charges cannot be predicted or hedged, suppliers must include adders in their pricing structures to attempt to mitigate the risk from these charges.

Recovering this non-market based charge through the DSS Rider removes this risk to suppliers and allows these charges to be recovered from all customers in a direct and transparent manner. This proposal is consistent with the Joint Petitioners’ proposal to recover other non-market based charges through the DSS Rider. Through their rebuttal testimony, the Joint Petitioners supported ExGen’s proposal (*See Met-Ed/Penelec/Penn Power/West Penn Statement No. 2-R at 21*), and no parties have opposed.

ExGen takes no position on and therefore does not respond to any of the other issues raised by the parties and included in the main brief outline. ExGen reserves the right to respond on any issues discussed in the main briefs of other parties.

B. Procedural History

On November 17, 2011, Joint Petitioners filed a joint petition for approval of their DSPs with the Pennsylvania Public Utility Commission (“Commission”). The following parties intervened, served prepared written testimony, and/or participated in the hearing held on April 10-11, 2012: ARIPPA; Coalition for Affordable Utility Services and Energy Efficiency in Pa (“CAUSE-PA”); Constellation NewEnergy, Inc. and Constellation Energy Commodities Group, Inc. (collectively, “Constellation”); Direct Energy Services (“Direct”); Dominion Retail (“Dominion”); Exelon Generation Co. and Exelon Energy Company (collectively, “ExGen”); FirstEnergy Solutions Corp. (“FES”); Met-Ed Industrial Users Group, Penelec Industrial Customer Alliance, Penn Power Users Group (“MEIUG/PICA/PPUG”); Office of Consumer Advocate (“OCA”); Office of Small Business Advocate (“OSBA”); PECO Energy Company (“PECO”); Pennsylvania State University (“PSU”); Retail Energy Supply Association (“RESA”); Washington Gas Energy Service (“Washington Gas”); West Penn Power Industrial Intervenors (“WPPII”); and York County Solid Waste Authority (“York County”).

Pursuant to the Procedural Schedule, intervening parties submitted direct testimony on February 17, 2012. Parties submitted rebuttal testimony on March 16, 2012, and surrebuttal testimony on April 4, 2012. ExGen submitted direct testimony in this proceeding: ExGen Statement No. 1, the Direct Testimony of William Berg. A hearing was held on April 11 and 12, 2012, at which time pre-filed written testimony was admitted into the record.

II. DEFAULT SERVICE PROCUREMENT AND IMPLEMENTATION PLANS

[Reserved]

III. RATE DESIGN AND COST RECOVERY

[A-C Reserved]

D. Default Service Support Rider

1. [Reserved]
2. Generation Deactivation Charges

If a generator in PJM wants to deactivate a unit, it must provide PJM with notice of that intent at least ninety days prior to the unit's proposed deactivation date. (ExGen St. 1 at 2). PJM then studies the transmission system to determine whether the proposed deactivation could adversely affect system reliability. (*Id.*). PJM notifies the generation owner of (1) any specific reliability concerns and (2) the estimated period to construct required transmission upgrades. (*Id.* at 2-3). Although the generation owner retains the right to deactivate the unit even if PJM identifies reliability issues, to maintain system reliability, the generation owner may elect to continue to operate the unit past its planned deactivation date pending the completion of necessary transmission upgrades. (*Id.* at 3). A generation owner who chooses to continue to operate the unit pending completion of transmission upgrades beyond the requested deactivation date will recover its costs. (*Id.*). PJM collects revenues for such generators by imposing a Generation Deactivation charge on certain entities. (*Id.*).

Load serving entities within zones where such reliability impacts are identified are allocated a proportional share of Generation Deactivation charges by PJM. (*Id.* at 3) These charges have the potential to be significant. Because suppliers cannot hedge these potentially significant costs, they must include a premium in their bids to cover the future uncertainty of those costs. (*Id.* at 4). These unknown, but potentially large, costs lack transparency and can

cause customers to pay significantly more than required by the actual Generation Deactivation charges. (*Id.*). That these costs are unknown, unknowable, and cannot be hedged drives up market prices, to the detriment of all parties. (*Id.*). Recovering the Generation Deactivation charges through the DSS Rider reduces these risks and makes these costs transparent to consumers. (*Id.*). For these reasons, and because of the similar treatment being proposed for other non-market based charges in the Joint Petitioners DSP, ExGen proposed in direct testimony that these charges be collected from all customers through the DSS Rider. (*Id.* at 4, 7).

The Joint Petitioners supported this proposal in their rebuttal testimony and noted that there are “several good reasons why generation deactivation charges should be collected through the DSS Riders,” and “it makes sense to include generation deactivation charges in the NMB Service Transmission Charges proposed by [the Joint Petitioners] and recommended for collection through the competitively neutral, non-bypassable DSS Riders.” (Met-Ed/Penelec/Penn Power/West Penn Statement No. 2-R at 21). The Joint Petitioners proposed revised tariff sheets (REV-22 through REV-26) to include Generation Deactivation charges as a component of NMB Services Transmission Charges in the DSS Rider. (*Id.*).

Furthermore, when addressing the Joint Petitioners’ proposal to recover NMB charges through the DSS Rider, the OSBA recognized the validity of the concept, stating that “if neither wholesale nor retail suppliers have any reasonable control over a particular cost item, all customers should benefit over the longer term by shifting the cost responsibility back to the EDC.” (OSBA St. 2 at 5). Notably, no parties have expressed opposition to ExGen’s proposal. Utilities elsewhere in PJM—the FirstEnergy Ohio utilities and Duke Energy Ohio—already assume responsibility for Generation Deactivation charges for all customers in those service territories. (Met-Ed/Penelec/Penn Power/West Penn St. 7 at 8).

ExGen therefore urges the Commission to approve its proposal that the Joint Petitioners assume responsibility for Generation Deactivation charges for all the load in their zones and recover them from all customers through the competitively neutral DSS Rider.

3. [Reserved]

4. [Reserved]

[E-H Reserved]

IV. COMPETITIVE MARKET ENHANCEMENTS

[Reserved]

V. OPERATIONAL ISSUES

[Reserved]

VI. AFFILIATED INTEREST APPROVAL

[Reserved]

VII. CONCLUSION

Like other non-market based charges, Generation Deactivation charges are uncertain and impossible to hedge. Because such charges cannot be reliably predicted, wholesale suppliers and EGSs must build a risk premium into their bid, ultimately driving up costs for consumers. As Mr. Berg testified, and as the Joint Petitioners agreed, it makes good sense to pass Generation Deactivation charges through the DSS Rider: doing so reduces risks, thus reducing consumer prices while providing additional transparency.

WHEREFORE, Exelon Generation Company, LLC and Exelon Energy Company request that the Administrative Law Judge issue a Recommended Decision including the approval of the revised tariff sheets contained in Met-Ed/Penelec/Penn Power/West Penn Exhibits REV-22 through REV-26, consistent with the recommendations set forth in this Main Brief.

Dated: May 2, 2012

Respectfully submitted,

EXELON GENERATION COMPANY, LLC AND
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