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September 10, 2012

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

**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-2011-2273670**

Dear Secretary Chiavetta:

Enclosed please find the original of Washington Gas Energy Services, Inc.'s ("WGES") Answer to the Petition for Clarification filed by the Office of Consumer Advocate ("OCA") and the Petition for Reconsideration and/or Clarification of the Retail Energy Supply Association ("RESA"). This Answer was electronically filed today.

Copies of the Answer have been served in accordance with the attached Certificate of Service. If you have any questions, please do not hesitate to contact me. Thank you.

Best Regards,

STEVENS & LEE



Michael A. Gruin

cc: Certificate of Service

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A PROFESSIONAL CORPORATION

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

JOINT PETITION OF METROPOLITAN	:	
EDISON COMPANY, PENNSYLVANIA	:	Docket Nos. P-2011-2273650
ELECTRIC COMPANY, PENNSYLVANIA	:	P-2011-2273668
POWER COMPANY AND WEST PENN	:	P-2011-2273669
POWER COMPANY FOR APPROVAL OF	:	P-2011-2273670
THEIR DEFAULT SERVICE PROGRAMS	:	

**ANSWER OF WASHINGTON GAS ENERGY SERVICES, INC.
TO THE PETITIONS FOR RECONSIDERATION AND/OR CLARIFICATION OF
THE OFFICE OF CONSUMER ADVOCATE
AND
THE RETAIL ENERGY SUPPLY ASSOCIATION**

Pursuant to 52 Pa. Code § 5.572(e), Washington Gas Energy Services, Inc. (“WGES”) hereby files its combined Answer to the Petition for Clarification filed by the Office of Consumer Advocate (“OCA”) and the Petition for Reconsideration and/or Clarification of the Retail Energy Supply Association (“RESA”).

I. INTRODUCTION AND SUMMARY OF POSITION

On August 16, 2012, the Pennsylvania Public Utility Commission (“Commission”) issued its Opinion and Order in the above captioned proceeding (“the August 16th Order”). The August 16th Order made significant changes to the First Energy Companies’ proposed Retail Opt-In Auction Program. The Commission determined that the “auction” concept should be scrapped,

and instead, the Commission directed the Companies to implement an “ROI Aggregation Program”, with the following elements¹:

- a one-year product offered by participating Electric Generation Suppliers (“EGSs”)
- an initial four month flat-rate, equal to five percent off the PTC at the time of enrollment
- thereafter, the product converting to an EGS-determined fixed price offering for the remaining eight months and
- the inclusion of a fifty dollar bonus, to be paid at the conclusion of the initial four-month period

Electric Generation Suppliers who wish to participate in the Retail Aggregation Program would be required to submit the terms and conditions of their eight-month fixed price product to the Commission for review and approval, no less than 45-days before offers are extended to potential customers. The Commission also directed the Companies to consult with EGSs and resubmit a plan or proposal for Commission review regarding how EGSs will pay for the Standard Offer Customer Referral Program and the ROI Aggregation Program.

On August 31, 2012, various parties filed Petitions seeking Reconsideration and/or Clarification of the August 16th Order. WGES is filing this Answer in response to the Petitions filed by OCA and RESA. While WGES joins OCA and RESA in requesting clarification regarding the Retail Opt-in Aggregation Program that the Commission outlined in the August 16th Order, WGES is not fully in agreement with the positions of the OCA and RESA on all points, as set forth more fully below.

¹ August 16th Order, at pp. 108-109

II. ARGUMENT

A. EGS Participation in ROI Aggregation Program and Customer Allocation Methodology

As RESA's Petition notes, the August 16th Order directed Companies to implement a ROI Aggregation Program, but it did not provide any direction on how customers would be allocated to participating EGSs. RESA is correct on this point, and it is important for the Commission to provide guidance not only on this issue, but also on the issue of EGS participation in the Program. The Order adopted a 50% supplier load cap, which implies that there will be some type of process to allocate participating customers to participating EGSs. But the Order provides no guidance on what that process should entail, other than to indicate that a Descending Clock Auction process will not be necessary.² Furthermore, the August 16th Order did not provide any guidance regarding how participating suppliers would be selected for the ROI Aggregation Program, or whether an EGS who wishes to participate can be excluded. It is important for the Commission to provide clarification on these basic parameters to guide the parties during the upcoming collaborative process. WGES respectfully submits that if no auction process is to be used, then all EGSs who wish to participate and who meet the financial requirements should be permitted to do so, and that customers should be allocated to the participating EGSs on an equitable basis.

B. Price Terms Under the Retail Aggregation Program

As outlined in the August 16th Order, the Aggregation Program would include an EGS-specific, Commission-approved fixed price product in months five through twelve.³ But, as

² August 16th Order, at p. 131

³ Id., at p. 118

noted by both the OCA and RESA, the Order does not provide any further guidance on the composition of the product. OCA seeks clarification regarding whether all customers in the Program must be provided with the same price term, and what the Commission's review of EGS products would entail.⁴ RESA seeks clarification that EGSs will have the flexibility to individually determine the price terms in months five through twelve, and that the Commission will not be approving individual EGS prices.⁵ WGES agrees that clarification is needed on this pricing issue, especially in light of the fact that the Commission is restricted in its price-regulation of electricity supply. But there is another issue that the OCA and RESA Petitions do not explicitly raise, but which is clearly relevant based on the points they raise, i.e. the timing of Commission approval of the EGS products and the corresponding impact on EGS participation in the Program. EGS participation could be chilled if EGSs will not know if their product meets Commission approval until after the Program participation deadline passes. On the other hand, if general rules or boundaries for the pricing terms were clarified upfront, EGSs would be able to participate in the Program with the confidence that their price proposals would be acceptable. Therefore, in addressing the clarifications requested by OCA and RESA, it is important for the Commission to consider the impact of the timing of its review of EGS Aggregation Program product proposals, and the benefits of providing upfront guidance on pricing and other terms that EGSs can follow in preparing their product offerings.

⁴ OCA Petition for Clarification, at p. 6

⁵ RESA Petition for Reconsideration and/or Clarification, at p. 13

III. CONCLUSION

For the foregoing reasons, WGES respectfully submits that the Commission clarify the August 16th, 2012 Order, for the reasons set forth in the Petitions of the OCA and RESA and in this Answer.

Respectfully submitted,

Dated: September 10, 2012

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By: 

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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

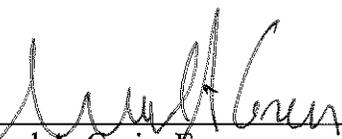
CERTIFICATE OF SERVICE

I hereby certify that I have this day served by First Class U.S. Mail and Electronic Mail a true and correct copy of the foregoing Answer to Petitions for Clarification and/or Reconsideration upon the parties listed below, in accordance with the requirements of § 1.54 (relating to service by a party)

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