

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

**REVISED DEFAULT SERVICE PLAN
COMPLIANCE FILING**

Volume I of III

September 6, 2012

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I. INTRODUCTION AND BACKGROUND

1. On August 16, 2012, the Pennsylvania Public Utility Commission (the “Commission”) issued an Opinion and Order (the “Order”) approving the Default Service Programs (“DSPs”) of Metropolitan Edison Company (“Met-Ed”), Pennsylvania Electric Company (“Penelec”), Pennsylvania Power Company (“Penn Power”) and West Penn Power Company (“West Penn”) (collectively, the “Companies”) for the period June 1, 2013 to May 31, 2015, with certain modifications. The Order directed the Companies to file a revised default service plan in compliance with these modifications, and also directed the Companies to submit new proposals for various elements of their retail market enhancement programs after consultation with other parties and stakeholders no later than October 15, 2012. *See* Order, pp. 161-162.

2. As set forth in the Companies’ Petition for Clarification (the “Clarification Petition”), filed on August 31, 2012, the Companies have sought to confirm that they can proceed with their DSP procurement and implementation plans, as approved by the Commission in the Order, and avoid the delay that would occur if the filing of a revised plan

incorporating modified retail market enhancement programs is deferred until October 15, 2012.

3. Consistent with the Clarification Petition, the Companies are submitting this Revised Default Service Plan (the “Revised Plan”) reflecting all changes to the DSPs in compliance with the Order, but without inclusion of new proposals that are the subject of the additional consultation directed by the Commission, and respectfully request the Commission accept this compliance filing no later than October 1, 2012, so that the Companies may proceed with their approved procurements.¹

4. The Revised Plan addresses those aspects of the DSPs which were revised and made final by the Order, specifically: (i) the procurement schedule and term length of the full requirements default supply contracts to be procured for default service residential and commercial customers; (ii) the application of a 50% load cap instead of a 75% load cap in the Companies’ default supply procurements; (iii) the procurement of solar photovoltaic alternative energy credits (“SPAECs”) and associated riders for recovery of SPAEC costs; and (iv) the provisions of the Companies’ proposed Default Service Support Riders pertaining to certain transmission charges and other costs which the Commission directed the Companies not to include in those riders. All other provisions of the Companies’ default service procurement, implementation and cost recovery plans were approved by the Commission without modification and, therefore, remain unchanged and will be implemented as originally filed by the Companies.

¹ The Companies intend to make an additional filing containing revisions to their retail market enhancement programs and related issues on or before October 15, 2012, consistent with the Commission’s Order.

5. In accordance with the Commission's Default Service Regulations requiring that default service programs include copies of agreements and forms to be used in the procurement of default service supply and associated tariffs (52 Pa. Code. § 54.185(d)(3) and (d)(6)), the Revised Plan includes the following documents:

- A revised Default Service Supplier Master Agreement for the Residential/Commercial Customer Classes;
- A revised Default Service Supplier Master Agreement for the Industrial Customer Class (Hourly Pricing Service);
- Revised Bidding Rules to Procure Default Service Products;
- Revised Solar Photovoltaic Requirements Charge Riders for Met-Ed, Penelec and Penn Power and Revised Solar Photovoltaic Alternative Energy Credit Rules;²
- Revised Price to Compare, Hourly Pricing, and Default Service Support Riders; and
- Revised Rules, Regulations and Rate Schedules for West Penn.

Each of the above documents and the associated changes are discussed in the remainder of this Revised Plan. The Companies have also attached "clean" and "blackline" versions of each of the documents as exhibits, with the "blackline" version showing all changes from the documents previously filed by the Companies in this proceeding.

II. REVISED DEFAULT SERVICE PLAN COMPLIANCE FILING

A. Procurement And Implementation Plans

(1) Procurement Schedule For Residential/Commercial Classes

6. As set forth in the Joint Petition and in the Order, the Companies will procure 100% of the supply required to serve residential and commercial default service customers

² Consistent with the Order (p.46), West Penn will not implement a Solar Photovoltaic Requirements Charge Rider.

during the June 1, 2013 - May 31, 2015 period through a descending clock auction for full requirements service.

7. In the Order, the Commission adopted: (i) the proposal of the Retail Energy Supply Association (“RESA”) for a mixture of twelve and twenty-four month contracts for residential default service supply; and (ii) the proposal of the Office of Small Business Advocate (“OSBA”) for a mixture of six and twelve-month contracts for commercial customers, rejecting the Companies’ proposed procurement of twenty-four month contracts for both customer classes. The Commission gave the Companies flexibility to determine the appropriate timing of these procurements, but directed that products be solicited no more than five months prior to delivery. *See* Order, p. 26. The Companies have prepared a revised procurement schedule consistent with the Order, which is attached as Exhibit A to this Revised Plan.

(2) Default Service Supplier Master Agreements

8. Each winning bidder of a default service supply procurement is required to enter into a supplier master agreement (“SMA”) which governs the duties, rights and obligations in connection with the sale and purchase of default service supply to serve a Company’s retail default service customers. The Companies use two similar SMAs for default service supply – a Residential/Commercial SMA and a SMA for the Industrial Customer Class (Hourly Pricing Service).

9. The Companies have revised the SMAs to reflect the following changes to implement the Order:

- Additions to the Definitions, Section 2.2, and Appendix E of the Residential/Commercial Customer Class SMA and Appendix D of the Industrial Customer Class SMA to address the procurement of SPAECs as discussed in Section II.B, *infra*;
- Additions to Section 6.3 and Appendix A to include credit requirements for six and twelve-month default supply contracts instead of only two-year contracts, as described *supra*; and
- Revisions to the Definitions, Section 2.2, Appendix D of the Residential/Commercial Customer Class SMA and Appendix C of the Industrial Customer Class SMA to provide that default service suppliers are responsible for the costs of PJM Network Integration Transmission Service (“NITS”) as well as generation deactivation charges and unaccounted-for energy costs (*see* Order, pp. 161-162).

10. In addition, the Companies have made several non-substantive changes to the SMAs as part of this filing, including identification of a new legal representative of the Companies for receipt of notices under the SMAs and clarifying edits to Appendix D of the Industrial SMA and Appendix E of the Residential/Commercial SMA.

11. Copies of the SMAs incorporating the above revisions are attached as Exhibit B (Residential/Commercial Customer Class SMA) and Exhibit C (Industrial Customer Class SMA) to this Revised Plan.

(3) Bidding Rules to Procure Default Service Products

12. In the Order, the Commission adopted the proposals of the Office of Consumer Advocate (“OCA”) and RESA to lower the load cap on the amount of default service supply that could be won by a single supplier on an aggregated load basis across all auction products for each auction from 75% to 50%. A revised copy of the Bidding Rules to Procure Default Service Products reflecting the 50% load cap (*see* Section 4.2.2) as well as changes addressing SPAEC procurement consistent with the Order is attached as Exhibit D.

13. In light of the reduction in the length of Residential/Commercial supply contract terms described in Section II(A)(1) *supra*, the Companies have also reduced the pre-bid security from \$500,000 to \$250,000 for all products in that auction (*see* Section 4.2.2), which the Companies anticipate will further encourage bidder participation. For clarity, the Bidding Rules have also been revised to use the term “Commercial/Residential” and “Industrial (Hourly Priced)” instead of “Fixed Price” and “Hourly Priced” when referring to the respective default supply auctions.

B. Alternative Energy Credit Procurement

14. In the Joint Petition, the Companies proposed to procure 40% of the SPAECs required to meet the requirements of Pennsylvania’s Alternative Energy Portfolio Standards (“AEPS”) Act for both shopping and non-shopping customers in each Company’s service territory after June 1, 2013, in satisfaction of commitments made in the FirstEnergy-Allegheny merger to undertake long-term procurements for 40% of the SPAEC requirements through June 1, 2021. The Commission rejected this proposal in the Order and directed that the Companies continue the same procurement arrangements utilized under the Companies’ existing default service plans, in which Met-Ed, Penelec, and Penn Power procure SPAECs for 100% of their shopping and non-shopping load and West Penn procures SPAECs only for its non-shopping load. *See* Order, p. 46. As part of this decision, the Commission also rejected a proposed Solar Photovoltaic Requirements Charge Rider for West Penn similar to riders in effect for the other Companies.

15. The Companies have prepared a revised SPAEC procurement schedule for Met-Ed, Penelec, and Penn Power, which is attached as Exhibit E. Under this schedule, those three companies will conduct SPAEC procurements as originally proposed in November 2012,

but will do so for an amount of SPAECs necessary to meet 100% of the anticipated SPAEC requirements for their shopping and non-shopping customers.

16. In light of the Commission's rejection of the Companies' proposed 40% SPAEC procurement and proposed Solar Photovoltaic Requirements Charge Rider for West Penn, West Penn will continue to require each default service supplier to provide SPAECs associated with the load served by the supplier. However, SPAECs that West Penn procures under long-term contracts previously approved by the Commission will be used to reduce the number of SPAECs that those suppliers would otherwise be obligated to transfer to West Penn under the SMAs.³ These SPAECs will be allocated on a *pro rata* basis in accordance with the percentage of default service load served by suppliers, and suppliers will be informed of the exact amount of SPAECs that will be allocated in each procurement of default service supply so that the reduction in SPAEC obligations may be factored into supplier bids.

17. The SMAs and Bidding Rules to Procure Default Service Products have been revised to reflect this allocation for West Penn, and a revised copy of the Companies' SPAEC Request for Proposals Rules reflecting the removal of West Penn is attached as Exhibit F. Revised Solar Photovoltaic Requirements Charge Riders for Met-Ed, Penelec, and Penn

³ The SPAECs delivered to West Penn under long-term contracts are used to satisfy AEPS requirements associated with spot-priced default service supply procured directly by West Penn. *See* Order, *Petition of West Penn Power Company d/b/a Allegheny Power for Approval of its Retail Electric Default Service Program and Competitive Procurement Plan for Service at the Conclusion of the Restructuring Transition Period (Petition of Allegheny Power to Modify its Procurement of Solar Alternative Energy Credits and Alternative Energy Credits Under its Default Service Plan)*, Docket No. P-00072342 (Order entered September 8, 2010) ("AEC Order"). As West Penn will be procuring all default service supply through full requirements contracts after June 1, 2013, the Companies believe the SPAECs from these long-term contracts should continue to be allocated towards the AEPS requirements associated with full requirements default service supply, with costs recovered from default service customers. The Commission has approved a similar mechanism for other Pennsylvania EDCs. *See, e.g.,* Joint Petition for Settlement, *Petition of PECO Energy Company for Approval of its Default Service Program and Rate Mitigation Plan*, Docket No. P-2008-2062739 (Order entered June 2, 2009), ¶ 44. Tier I non-solar AECs also obtained by West Penn under long-term contracts executed pursuant to the AEC Order will be allocated in the manner previously described for SPAECs and the costs will be recovered in the same fashion as well.

Power providing for recovery of the cost of 100% of SPAEC requirements are also attached as Exhibit G.⁴

18. The cost of SPAECs for West Penn default service customers will be recovered from those customers under revised West Penn Price to Compare and Hourly Pricing Default Service Riders, copies of which are included in Exhibits H and I, and references to a West Penn Solar Photovoltaic Rider have been removed in the revised West Penn Rules, Regulations and Rate Schedules as shown in Exhibit K.

C. Price To Compare Riders, Hourly Pricing Riders, Default Service Support Riders, And Revisions To Electric Generation Supplier Tariffs

19. In the Joint Petition, the Companies proposed to recover the costs of certain PJM-related charges (the Non-Market Based Transmission Charge, or “NMB Charge”) and retail market programs from all customers through a non-bypassable Default Service Support rider. The Commission rejected this proposal in part, and as a result the Companies will collect PJM Regional Transmission Enhancement Planning Charges (“RTEP”) and Expansion Cost Recovery costs through the NMB Charge of their Default Service Support Rider, but other NMB Charges will remain the responsibility of EGSs. *See* Order, pp. 66-78, 82-83 and 161. The Companies have prepared revised Price to Compare, Hourly Pricing, and Default Service Riders in conformance with the Order, which are attached as Exhibits H, I, and J.⁵ Given the Commission’s direction with respect to the Companies’ obligations regarding PJM costs and the possibility that the Companies may be required to serve load directly under the

⁴ No changes are required to the form SPAEC Purchase and Sale Agreement (Exhibit RLS-3) incorporated into the SPAEC Request for Proposals Rules other than the removal of West Penn Power from the title page of the form Agreement.

⁵ The riders included in Exhibit G through K are *pro forma* only; complete riders will be filed after the Companies’ 2012 default service auctions with an effective date of June 1, 2013.

contingency plans approved by the Commission, the riders have been revised to clarify that the Companies are entitled to recover all procurement contingency costs (i.e., not only those arising from a supplier default). Minor corrections have also been incorporated and shown in the “blackline” versions of tariff provisions (e.g., use of “Default Service charges” instead of “Generation Charges” in West Penn Rules and Regulations).

20. In addition, the Companies have prepared revisions to their Electric Generation Supplier (“EGS”) Tariffs providing that EGSs will no longer be responsible for RTEP and Expansion Cost charges consistent with the Commission’s direction in the Order. These revised tariffs are being filed in the dockets of the Companies’ default service proceedings contemporaneously with this filing.⁶

⁶ The Companies’ Supplier Tariffs are also being revised to provide that Met-Ed, Penelec, and Penn Power will continue to provide 100% of the EGSs’ solar AEPS requirements through May 31, 2015.

III. CONCLUSION

WHEREFORE, the Companies respectfully request that the Commission issue an order by October 1, 2012, accepting this Revised Default Service Plan, including all exhibits, in compliance with the Opinion and Order entered in these proceedings on August 16, 2012.

Respectfully submitted,



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