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September 24, 2012

**VIA E-FILING AND OVERNIGHT DELIVERY**

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street  
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 No. P-2011-2273650, Docket No. P-2011-2273668,  
Docket No. P-2011-2273669 and Docket No. P-2011-2273670**

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Dear Secretary Chiavetta:

Enclosed for filing is the unbound original **Reply of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company to Comments of Med-Ed Industrial Users Group, Penelec Industrial Customer Alliance, Penn Power Users Group and West Penn Power Industrial Intervenors to the Revised Default Service Plan Compliance Filing** (the "Reply") in the above-captioned proceeding.

As indicated on the enclosed Certificate of Service, copies of this letter and the Reply are being served on all active parties and the presiding Administrative Law Judge.

Sincerely,



Thomas P. Gadsden

TPG/tp

Enclosures

c: Per Certificate of Service

Almaty Beijing Boston Brussels Chicago Dallas Frankfurt Harrisburg Houston Irvine London Los Angeles Miami  
Moscow New York Palo Alto Paris Philadelphia Pittsburgh Princeton San Francisco Tokyo Washington Wilmington

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

**CERTIFICATE OF SERVICE**

I hereby certify and affirm that I have this day served copies of the **Reply of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company to Comments of Med-Ed Industrial Users Group, Penelec Industrial Customer Alliance, Penn Power Users Group and West Penn Power Industrial Intervenors to the Revised Default Service Plan Compliance Filing** upon the following persons, in the matter specified below, in accordance with the requirements of 52 Pa. Code § 1.54:

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Dated: September 24, 2012

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

**REPLY OF  
METROPOLITAN EDISON COMPANY, PENNSYLVANIA ELECTRIC COMPANY,  
PENNSYLVANIA POWER COMPANY AND WEST PENN POWER COMPANY  
TO THE COMMENTS OF THE MET-ED INDUSTRIAL USERS GROUP, PENELEC  
INDUSTRIAL CUSTOMER ALLIANCE, PENN POWER USERS GROUP AND  
WEST PENN POWER INDUSTRIAL INTERVENORS ON THE REVISED  
DEFAULT SERVICE PLAN COMPLIANCE FILING**

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September 24, 2012

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## I. INTRODUCTION AND OVERVIEW

Metropolitan Edison Company (“Met-Ed”), Pennsylvania Electric Company (“Penelec”), Pennsylvania Power Company (“Penn Power”) and West Penn Power Company (“West Penn”) (collectively, or any combination of the foregoing, the “Companies”) hereby reply to Comments filed by the four *ad hoc* groups of industrial customers (hereafter, the “Industrials”)<sup>1</sup> with respect to the Companies’ Revised Default Service Plan Compliance Filing (“Compliance Filing”). The Compliance Filing was made on September 6, 2012 pursuant to Ordering Paragraphs 18 and 19 of the Pennsylvania Public Utility Commission’s (“Commission” or the “PUC”) Order entered on August 16, 2012 in this proceeding (“August 16 Order”). By that Order, the Commission approved, with modifications, the Default Service Programs for the period from June 1, 2013 to May 31, 2015 (“DSPs”) that the Companies filed on November 17, 2011.

The Compliance Filing was submitted to reflect all changes in the Companies’ DSPs needed to comply with the August 16 Order exclusive of those areas for which the Commission has required additional consultation among interested parties, namely, retail market enhancement programs for all Companies and time of use programs proposed by West Penn and Penn Power. Accordingly, the Compliance Filing included the following:

- A revised Default Service Supplier Master Agreement (“SMA”) for the Residential/Commercial Customer Classes (“Residential/Commercial SMA”);
- A revised Default Service SMA for the Industrial Customer Class (Hourly Pricing Service) (“Industrial SMA”);
- Revised Bidding Rules to Procure Default Service Products;

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<sup>1</sup> The Industrials consist of the Met-Ed Industrial Users Group (“MEIUG”), the Penelec Industrial Customer Alliance (“PICA”), the Penn Power Users Group (“PPUG”) and the West Penn Power Industrial Intervenors (“WPPII”).

- Revised Solar Photovoltaic Requirements Charge Riders for Met-Ed, Penelec and Penn Power and Revised Solar Photovoltaic Alternative Energy Credit Rules;<sup>2</sup>
- Revised Price to Compare Default Service Rate Riders (“PTC Riders”), Hourly Pricing Default Service Riders (“HP Riders”), and Default Service Support Riders (“DSS Riders”); and
- Revised Rules, Regulations and Rate Schedules for West Penn.

On September 17, 2012, the Industrials filed Comments that question whether relevant parts of the Compliance Filing conform to the Commission’s decision on the Companies’ proposal to obtain Non-Market Based (“NMB”) transmission services for both shopping and default service customers and recover the associated NMB transmission costs on a non-bypassable basis through their DSS Riders. *See* August 16 Order, pp. 63-86. As initially proposed by the Companies, NMB transmission costs included charges imposed by PJM Interconnection LLC (“PJM”) for Network Integration Transmission Service (“NITS”), Regional Transmission Expansion Planning (“RTEP”) and Transmission Enhancement (also referred to in this proceeding as Transmission Expansion costs). Exelon Generation Company, LLC, and Exelon Energy Company (“Exelon”) and Dominion Retail Inc. (“Dominion”), respectively, proposed that the Companies’ proposal be expanded to include Generation Deactivation charges and unaccounted-for energy (“UFE”) costs, and the Companies agreed. The Commission rejected the Companies’ proposal with respect to all such costs except RTEP and Transmission Enhancement (*see* August 16 Order, pp. 82-83, 161-162) and, as to RTEP and Transmission Enhancement, held that such costs should be recovered based on customers’ contributions to the single coincident peak or “1-CP.” August 16 Order, pp. 77-78, 162.

In accordance with the August 16 Order, the various components of the Compliance Filing establish that: (1) all transmission services except RTEP and Transmission Enhancement will be the responsibility of electric generation suppliers (“EGSs”), for the shopping load they

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

serve, and default service suppliers, for the default service load that they serve; (2) default service suppliers must bear the costs of all transmission services needed to supply default service load except RTEP and Transmission Enhancement; (3) the transmission costs borne by default service suppliers are to be recovered under the PTC and HP Riders for fixed-price and hourly-priced service, respectively; and (4) RTEP and Transmission Enhancement costs are to be recovered from all (shopping and default service) customers under the DSS Rider based on customers' Network Service Peak Load, which is PJM's measure of their contribution to the 1-CP.

The foregoing provisions were implemented through the revised SMAs and revised PTC, HP and DSS Riders included in the Companies' Compliance Filing. Specifically: (1) the SMAs require default service suppliers to furnish and pay for all transmission costs except RTEP and Transmission Enhancement;<sup>3</sup> (2) transmission costs borne by default service suppliers pursuant to the SMAs are included in the reconcilable default service rates imposed under the PTC and HP Riders;<sup>4</sup> (3) all transmission costs that are recovered on a reconcilable basis under the PTC and HP Riders (i.e., all transmission costs except RTEP and Transmission Enhancement) are expressly **excluded** from the DSS rate;<sup>5</sup> and (4) all capacity-related costs recovered through the

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<sup>3</sup> See Compliance Filing, Exhibit B (Residential/Commercial SMA), Appendix D (PJM Invoice EDC/Supplier Billing Responsibility) and Exhibit C (Industrial SMA), Appendix C (PJM Invoice EDC/Supplier Billing Responsibility). Copies of Appendix D to the Residential/Commercial SMA and Appendix C to the Industrial SMA are provided as **Attachments 1 and 2** to this Reply. See also Compliance Filing, pp. 4-5 (¶ 9).

<sup>4</sup> See, e.g., Compliance Filing, Exhibit H (Met-Ed Rider N – Price-to-Compare Service Rate Rider), p. 185 (“Payments made to winning bidders”) and Exhibit I (Met-Ed Rider O – Hourly Pricing Default Service Rider), pp. 189 (defining “HP Cap-AEPS-Other Charges” to include “any other charges incurred by the Supplier . . .”) and 191 (“Payments made to winning bidders”). Copies of Met-Ed's Riders N and O are provided as **Attachments 3 and 4** to this Reply. (The corresponding riders of Penelec, Penn Power and West Penn contain the same provisions as Attachments 3 and 4. For that reason, only Met-Ed's riders are attached, although all the Companies' tariffs are provided in the Compliance Filing.)

<sup>5</sup> See, e.g., Compliance Filing, Exhibit J (Met-Ed DSS Rider), p. 206 (excluding from recovery “transmission charges that will not be reconciled through the Company's Price To Compare Default Service Rate Rider and/or Hourly Pricing Default Service Rider.” A copy of Met-Ed's DSS Rider is provided as **Attachment 5** to this Reply. (The corresponding riders of Penelec, Penn Power and West Penn contain the same provisions as Attachment 5.

(continued)

DSS Rider, namely, RTEP and Transmission Enhancement costs, are billed to the Industrials' members on the basis of kilowatts ("kW") of demand that, under the terms of the DSS Rider "shall be the Network Service Peak Load ('NSPL'), as calculated by the Company in accordance with PJM rules and requirements."<sup>6</sup>

In their Comments, the Industrials raise three issues. **First**, they claim that the August 16 Order directs that Penn Power, but not Met-Ed, Penelec and West Penn, shall recover RTEP costs under its DSS Rider and that none of the Companies' may recover Transmission Enhancement costs in that fashion (Comments, p. 3-6). As explained below, the Industrials' interpretation of the August 16 Order directly conflicts with the plain language of both Ordering Paragraph 17 (August 16 Order, p. 161-162) and the Commission's decision to "carve out" NITS from the NMB transmission costs that will be recovered under the Companies' DSS Riders. *See* August 16 Order, pp. 82-83.<sup>7</sup> Indeed, had the Commission ruled as the Industrials contend, it would not have been necessary to "carve out" anything. **Second**, the Industrials contend that the Companies' DSS Riders are "too broadly worded" and "possibly" could authorize the recovery of NITS from Industrial Customers under their DSS Riders (Comments, pp. 6-10). The Industrials' comments in this regard reflect their erroneous interpretation of the Companies' HP and DSS Riders and their apparent failure to consider the operative provisions of the revised SMAs. As discussed previously, the interrelated provisions of the SMAs and the PTC, HP and

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For that reason, only Met-Ed's rider is attached, although all the Companies' DSS Riders are provided in the Compliance Filing.)

<sup>6</sup> *See, e.g.*, Attachment 5, p. 203. (As previously explained, under PJM rules and requirements, NSPL represents a customer's contribution to the 1-CP.)

<sup>7</sup> The Industrials' position is also contrary to the Commission's order approving the settlement of Penn Power's prior default service proceeding. In that case, the Commission-approved settlement authorized Penn Power to recover RTEP costs from all customers on a non-bypassable basis under its DSS Rider and, at the same time, affirmed the settling parties' consensus that "Penn Power's affiliates, Metropolitan Edison Company and Pennsylvania Electric Company, will recover RTEP in a manner consistent with this Settlement." *Petition of Pennsylvania Power Company for Approval of Default Service Program for the Period from January 1, 2011 through May 31, 2013*, Docket No. P-2010-2157862 (Final Order entered Nov. 17, 2010), p. 20.

DSS Riders clearly establish that the Compliance Filing conforms fully with the August 16 Order. **Third**, the Industrials contend that the DSS Rider does not, in their estimation, make it clear enough that “Large C&I customers” will be billed “on an individual customer 1-CP basis” (Comment, p. 12). To the contrary, Network Service Peak Load, as the term is used in the DSS Rider, refers to each customer’s contribution to the 1-CP for those customers billed on a kW basis. *See, e.g.*, Compliance Filing, Exhibit J, pp. 203 and 208.

## **II. REPLY TO THE INDUSTRIALS’ COMMENTS**

### **A. The August 16 Order Clearly Provides That All Of The Companies Are To Recover RTEP And Transmission Enhancement Costs On A Non-Bypassable Basis Through Their DSS Riders**

The Industrials contend that the August 16 Order provides that Penn Power, but not the other Companies, should recover RTEP costs on a non-bypassable basis through its DSS Rider and that none of the Companies may recover Transmission Enhancement costs in that manner (Comments, p. 6). The Industrials’ contention is not supported by the August 16 Order. In fact, the Industrials’ position is directly contrary to the Commission’s decision to “carve out” NITS from the ALJ’s recommendation the Commission adopt the Companies’ proposal to recover all NMB transmission costs under their DSS Riders. In so doing, the Commission made clear that, as to costs not “carved out” (i.e., RTEP and Transmission Enhancement), it was accepting the ALJ’s recommendation:

### **6. Recovery of Non-Market Based Transmission Charges through the Default Service Support Rider – Carve-Out of Network Integration Transmission Costs**

#### **a. Companies’ Proposal**

As discussed, *supra*, NMB Services Transmission Charges consist of the charges PJM imposes for NITS, RTEP and Expansion Costs. Currently, for default service customers, these costs are embedded in the Companies’ PTC. In this proceeding, the Companies propose to collect these charges from all customers on a non-bypassable basis through the DSS Rider. Companies Sts. 2 at 25 and 7 at 8.

#### **b. ALJ’s Recommendation**

The ALJ did not specifically address the carve-out of NITS costs. As discussed, *supra*, *the ALJ recommended the approval of the recovery of NMB transmission charges through the DSS Rider as proposed by the Companies*. R.D. at 69.

### **c. Exceptions to Recommended Decision**

In their Exceptions, the Industrials aver that the ALJ erred by failing to acknowledge that the differences among non-market based transmission costs, generation deactivation, and unaccounted-for energy costs could lend themselves to different collection methodologies, if certain elements of the Companies' proposal are approved by the Commission. *The Industrials argue that, assuming that the Commission agrees with the Companies' position that NMB Transmission costs should be collected through non-bypassable riders, they urge the Commission to permit the Companies to collect only costs that are truly "non-market based" or incidental to transmission service*. The Industrials request that while the ALJ does not differentiate among the NMB Transmission costs, if the Commission permits the Companies to collect any transmission costs, the NITS cost collection should remain the responsibility of EGSs. Industrial Exc. at 22.

The Industrials explain that NITS costs are directly related to the transmission service offered to customers, generally referred to simply as "transmission" costs. Moreover, the Industrials aver that because the NITS charge is considered the traditional transmission charge, NITS costs are distinguishable from other so-called NMB costs because all customers have to remit transmission costs on an annual basis, which is not the case for other NMB Transmission costs. In addition, the Industrials submit that all NMB Transmission costs, besides NITS, are either incidental or impact only certain customers in the Companies' service territories, and therefore, are more unpredictable. *Therefore, the Industrials opine that considering the magnitude and predictability of the NITS charge, the EGSs should retain the collection of NITS costs from their customers*. Industrials Exc. at 22-23.

### **d. Disposition**

We concur with the Industrials. NITS costs are directly related to the transmission service offered to customers and should continue to be collected by the EGSs instead of being collected for all customers through the DSS Rider, as proposed by the Companies. *Accordingly, we shall grant the Exceptions of the Industrials on this issue and modify the ALJ's recommendation*.

August 16 Order, pp. 82-83 (emphasis added).

Notably, the Commission stated it was granting the Industrials' Exception set forth "at 22-23." At those pages of their Exceptions, the Industrials offered an alternative that explicitly

applied to **all** “the Companies,” not just Penn Power: “While the R.D. does not differentiate among the NMB Transmission costs, if the Commission permits *the Companies* to collect any transmission costs, the NITS cost collection should remain the responsibility of EGSs.” Industrials’ Exc., p. 22 (emphasis added). Indeed, if the Commission did not retain RTEP and Transmission Enhancement as “NMB transmission costs” to be recovered under **all** the Companies’ DSS Riders, there would have been no reason even to consider the Industrials’ Exception requesting a “carve out” of NITS. In short, the interpretation of the August 16 Order the Industrials advocate would make the Commission’s “carve out” meaningless and superfluous. Perhaps for that reason, the Industrials never mentioned the Commission’s “carve out” decision in their Comments.

Finally, Ordering Paragraph 17 contains nothing that would suggest the Commission was authorizing Penn Power, but not the other Companies, to recover RTEP costs, but not Transmission Enhancement costs, under its DSS Rider.<sup>8</sup> To the contrary, Ordering Paragraph 17, by referring to the DSS Riders in the plural, encompasses all the Companies in the Commission’s ruling:

17. That the Default Service Supply Riders of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company shall be revised consistent with this Opinion and Order. *The revised Default Service Supply Riders shall not include: the costs of the Retail Opt-In Aggregation Program or the Standard Offer Customer Referral Program, unaccounted-for energy costs, generation deactivation charges or network integration transmission service costs.* Furthermore, the costs of the *remaining components of the Non-Market Based Transmission Charge*, included within the Default Service Supply Riders, are to be allocated based upon the one coincident peak allocation methodology, consistent with this Opinion and Order.

August 16 Order, pp. 161-162 (emphasis added).

The Companies have accurately interpreted the plain language of the August 16 Order, and their Compliance Filing conforms fully to the Commission’s directives therein concerning

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<sup>8</sup> Ordering Paragraph 17 erroneously calls the DSS Riders “Default Service Supply Riders,” although it is clear that the Commission was referring to “Default Service Support Riders.”

NMB transmission cost recovery. Accordingly, the Industrials' Comments are incorrect and should be disregarded

**B. The Compliance Filing Is Not “Too Broadly Worded” Nor Does It “Conflict” With The Commission’s Decision On NMB Transmission Cost Recovery**

At pages 6-7 of their Comments, the Industrials make the following contentions:

[T]he Companies' Compliance Filing is too broadly worded where it allows for the collection of any and all transmission costs (including, possibly, future costs imposed by PJM of which the parties are not currently aware) and may contravene the PUC's rejection of the collection of NITS charges through the DSSRs. As such the Companies' Compliance Filing must be clarified to comply with the Commission's August 16 Order.

The Industrials' contentions are flatly incorrect and are the product of the Industrials' apparent failure to consider the operative provisions of the SMAs (*see* Attachments 1 and 2) and their resulting erroneous interpretation of the Companies' HP and DSS Riders. Contrary to the Industrials' assertions, the Companies' DSS Riders do not “[allow] for the collection of any and all transmission costs.” As discussed in Section I, *supra*, the SMAs and the PTC, HP and DSS Riders are interrelated, and their operative provisions must be read together, which the Industrials clearly failed to do.<sup>9</sup>

**The Industrial SMA.** The analysis must begin with the Industrial SMA (Compliance Filing, Exhibit C) because it demarcates the PJM costs that are to be borne by default generation suppliers and the Companies, respectively. This demarcation of costs establishes where (i.e., the HP Rider or DSS Rider) such costs are to be recovered.

Under Section 2.2(a) of the Industrial SMA, the “DS [default service] Supplier” is obligated to provide the “DS Supply,” as defined in Article 1 (p. 4) thereof, which includes “Transmission Services including Network Integration Transmission Service, . . . and such other services or products that the DS Supplier may be required, by PJM or any governmental body

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<sup>9</sup> Because the Industrials' Comments are directed to tariff provisions that apply to Industrial customers and because the operative provisions of the PTC Rider were discussed in Section I, *supra*, this section explains the relevant operation of the HP Rider in relation to the Industrial SMA and the DSS Rider.

having jurisdiction, to provide in order to meet the DS Supplier Responsibility Share for serving DS Load under this Agreement.” *Id.*<sup>10</sup> “Transmission Services” are defined in Article 1 (p. 9) as: “Those services identified in Appendix C hereto as an obligation of the Seller as well as those transmission services specified in the PJM OATT including Network Integration Transmission Services.”

Appendix C to the Industrial SMA, which is provided as Attachment 2 to this Reply, details the responsibilities of the DS Supplier and the electric distribution company (“EDC”) for each element of Transmission Services. Appendix C provides that RTEP (PJM Identification Number 1730) and Transmission Enhancement costs (PJM Identification Number 1108) are borne by the EDC while the DS Supplier is responsible for NITS, Generation Deactivation, and “[o]ther charges that are the responsibility of a Load Serving Entity as defined by PJM.” In short, Appendix C provides that all transmission services and costs other than RTEP and Transmission Enhancement are the responsibility of the DS Supplier.

**The HP Rider.** The HP Rider (*see* Attachment 4) describes how the Companies are to calculate the Hourly Pricing Service Charge for default service furnished to customers receiving distribution service on Rate Schedules GS-Large, GP and TP. (The Industrials’ members receive distribution service under these rate schedules.) The formula for the Hourly Pricing Service Charge is:

$$\text{Hourly Pricing Service Charges} = (\text{HP}_{\text{Energy Charge}} + \text{HP}_{\text{Cap-AEPS-Other Charge}} + \text{HP}_{\text{Administrative Charge}} + \text{HP}_{\text{Reconciliation Charge}}) \times [1/1 - T]$$

Attachment 4, p. 188.<sup>11</sup>

Transmission costs imposed on DS Suppliers under the Industrial SMA are recovered under the HP Rider. Those costs are included in the Hourly Pricing Service Charges on a

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<sup>10</sup> Additionally, Section 2.2(a)(ii) of the Industrial SMA (pp. 10-11) requires the DS Supplier “[t]o procure those services provided by PJM OI [Office of Interconnection] and to perform such functions as may be required by the PJM OI that are necessary for the delivery of DS Supply required hereunder . . .”

<sup>11</sup> The variable defined as  $[1/1 - T]$  is the “gross-up” for Pennsylvania Gross Receipts Tax.

prospective basis as part of the HP<sub>Cap-AEPS-Other Charge</sub>, which is defined to encompass, in addition to capacity costs and Alternative Energy Portfolio Standards (“AEPS”) costs, “any other costs incurred by the Supplier” (Attachment 4, p. 189). Additionally, transmission costs are subject to reconciliation through the HP<sub>Reconciliation Charge</sub>, which includes as a reconcilable cost component:

The cumulative costs to provide Hourly Pricing Default Service incurred by the Company through the end of the previous Default Service Quarter including but not limited to the following:

- Payments made to winning bidders

Attachment 4, p. 191 (describing components of DS<sub>HPExp2</sub>).

In summary, all of the transmission costs borne by DS Suppliers under the Industrial SMA (i.e., all transmission costs except RTEP and Transmission Enhancement costs) are to be recovered on a fully reconcilable basis under the HP Rider. As explained below, this factor is critical to a proper understanding of the terms of the DSS Riders.

**The DSS Rider.** The DSS Rider (*see* Attachment 5) describes how the Companies are to calculate the Default Service Support (“DSS”) Rate. The formula for the DSS Rate is:

$$\text{DSS rate} = [\text{UE} + \text{TSC}_1 + \text{NMB} + \text{RE} = \text{CEC}] \times [1 - 1/T]$$

Each component of the formula is defined in the DSS Rider. For present purposes, the relevant element is “NMB,” which is defined as “[t]he charge to be applied to Delivery Service Customers served under this rider for Non-Market Based Service Transmission Charge costs incurred by the Company” (Attachment 5, p. 206). Non-Market Based Service Transmission costs or “NMB<sub>C</sub>” are defined in relevant part as follows:

Forecasted NMB costs shall include costs for PJM Regional Transmission Expansion Plan charges, PJM Expansion Cost Recovery, as well as other FERC-approved PJM transmission charges *that will not be reconciled through the Company’s Price to Compare Default Service Rate Rider and/or Hourly Pricing Default Service Rider.* (Emphasis added.)

Additionally, Non-Market Based Transmission Costs are subject to reconciliation, pursuant to the “E” factor of the NMB formula, based on costs actually incurred by the Companies (Attachment 5, p. 206).

The definitions and descriptions of elements of the DSS Rate, set forth above, establish that the costs recovered on a reconcilable basis through the HP Rider may **not** be recovered under the DSS Rider. And, under the terms of the Industrial SMA and the HP Rider, the costs recovered on a reconcilable basis under the HP Rider include all transmission costs that are or may be incurred by the DS Supplier in providing default service during the period of the Companies' DSPs, except RTEP and Transmission Enhancement costs.<sup>12</sup> Accordingly, there is no basis for the Industrials' contention that the Companies' DSS Riders are "too broadly worded" or that the DSS Riders would "allow for the collection of any and all transmission costs (including, possibly, future costs imposed by PJM of which the parties are not currently aware)."

In summary, the relevant provisions of the Industrial SMA, the HP and PTC Riders and the DSS Rider clearly conform to the Commission's decision on recovery of Non-Market Based transmission costs. The Industrials' contentions to the contrary are based on their erroneous interpretation of the relevant tariff provisions and an apparent failure to review the SMAs. Furthermore, the computation of the Companies' charges under the HP Rider, the PTC Rider and the DSS Rider will be entirely transparent when they file those charges with the Commission following the completion of their competitive procurements. Those filings, which will be subject to review by the parties and by the Commission, will show that the Companies' computation of the DSS Charges under the formula set forth in the DSS Rider fully conforms with the Commission's decision in the August 16 Order.

**C. The Companies' DSS Riders Are Clear That RTEP and Transmission Enhancement Costs Are To Be Recovered From Industrial Customers Based**

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<sup>12</sup> The language used in the DSS Rider was carefully considered and carefully drafted. For all the reasons set forth above, there should not be any transmission cost other than RTEP and Transmission Enhancement costs to be recovered through the DSS Riders. However, it is at least conceivable that a Non-Market Based transmission cost might be imposed directly upon the EDCs with respect to the EDCs total (shopping and non-shopping load) and that such a cost might not be deemed to be the responsibility of DS Suppliers under the SMA. In that event, the EDCs will need some provision in their tariffs to recover those costs from their delivery customers. Hence, the operative language of the DSS Riders was crafted to address that conceivable, although remote, contingency.

## **On Each Such Customer's Contribution To The 1-CP.**

In their Comments (p. 11), the Industrials contend that “the Companies’ Compliance Filing does not provide clear language ensuring that the collection of any permitted NMB Transmission costs would occur based upon an individual customer’s 1-CP.” The Industrials’ contention is not correct. The Companies’ DSS Riders provide that, for customers served on Rate Schedules GS-Large, GP and TP (which include the Industrials’ members), the “NMB Rate” is to be stated and collected “as a dollar kW NSPL [Network Service Peak Load]” (Attachment 5, p. 208). Additionally, the DSS Rider provides that:

*A Default Service Support (“DSS”) rate shall be applied to DSS Sales delivered by Met-Ed to Delivery Service Customers under this rider as determined to the nearest one-thousandth of a cent per kWh or per kW, as applicable. The kW under this rider shall be the Network Service Peak Load (“NSPL”), as calculated by the Company in accordance with PJM rules and requirements.*

Attachment 5, p. 203 (emphasis added).

The DSS Rider’s language unmistakably states that Non-Market Based transmission costs are to be collected on the basis of a rate stated on the basis of “a dollar kW NSPL” applied to kW demand consisting of “the Network Service Peak Load (“NSPL”), as calculated by the Company in accordance with PJM rules and requirements.” The NSPL is, by definition, a customer’s contribution to the 1-CP.<sup>13</sup> Contrary to the Industrials’ contention, no further clarification of the

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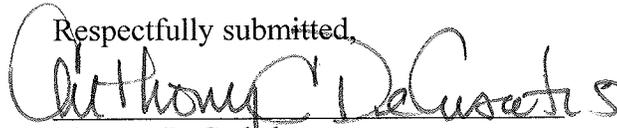
<sup>13</sup> See, e.g., Pennsylvania Electronic Data Exchange Working Group EDI Change Control #087, p. 6 (“Network Service Peak Load: Customer’s peak load contribution provided to PJM for the Transmission Service calculation (coincident with LDC peak).”). EDI Change Control #087 was adopted by the Commission in *Standards for Electronic Data Transfer and Exchange Between Electric Distribution Companies And Electric Generation Suppliers*, Docket No. M-00960890F0015 (Final Order entered May 10, 2012), pp. 8-10, and *PJM Manual 35* (<http://www.pjm.com/documents/manuals.aspx>) (defining “NSPL” as the value “[u]sed to determine network transmission charges and/or allocate network service FTRs [Firm Transmission Rights] or ARRs [Auction Revenue Rights].” See also West Penn’s Supplier Tariff (Tariff Electric Pa. P.U.C. No. 2S), Original Page No. 7 (“Network Service Peak Load (“NSPL”) – A Customer’s contribution to the metered demand coincident with the APS Zone peak hour.”).

language in the DSS Rider is needed to establish that point which, in any event, is explicitly affirmed by the Reply. Accordingly, the Industrials' Comment should be disregarded.

### III. CONCLUSION

For the reasons set forth above, the Comments filed by the Industrials are without merit and should be disregarded. The Compliance Filing conforms fully to the August 16 Order and, therefore, the Commission should not take any action that would interfere with or delay the effectiveness of the Compliance Filing. As explained in the Companies' Petition for Clarification filed on August 31, 2012, it is critically important that the Companies have the authority to proceed with DSP procurement and implementation by October 1, 2012, in order to assure that the necessary procurements can occur on a schedule that conforms with the terms of the August 16 Order.

Respectfully submitted,



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Dated: September 24, 2012

# ATTACHMENT 1

**APPENDIX D - PJM INVOICE EDC/SUPPLIER BILLING RESPONSIBILITY**

<b>Finalized PJM Billing Statement Line Items</b>		<b>EDC or Supplier</b>
<b>ID #</b>	<b>CHARGES</b>	
1100	Network Integration Transmission Service	Supplier
1108	Transmission Enhancement	EDC
1730	Expansion Cost Recovery	EDC
1930	Generation Deactivation	Supplier
Other	Other charges that are the responsibility of a Load Serving Entity as defined by PJM	Supplier

<b>Finalized PJM Billing Statement Line Items</b>		<b>EDC or Supplier</b>
<b>ID #</b>	<b>CREDITS</b>	
Other	Credits that a Load Serving Entity is entitled to, as defined by PJM	Supplier

## ATTACHMENT 2

**APPENDIX C - PJM INVOICE EDC/SUPPLIER BILLING RESPONSIBILITY**

<b>Finalized PJM Billing Statement Line Items</b>		<b>EDC or Supplier</b>
<b>ID #</b>	<b>CHARGES</b>	
1100	Network Integration Transmission Service	Supplier
1108	Transmission Enhancement	EDC
1730	Expansion Cost Recovery	EDC
1930	Generation Deactivation	Supplier
Other	Other charges that are the responsibility of a Load Serving Entity as defined by PJM	Supplier

<b>Finalized PJM Billing Statement Line Items</b>		<b>EDC or Supplier</b>
<b>ID #</b>	<b>CREDITS</b>	
Other	Credits that a Load Serving Entity is entitled to, as defined by PJM	Supplier

## ATTACHMENT 3

RIDERS

RIDER N

PRICE TO COMPARE DEFAULT SERVICE RATE RIDER

A Price to Compare Default Service Rate ("PTC<sub>Default</sub>") shall be applied to each kWh of Default Service that Met-Ed delivers to Customers under this rider as determined to the nearest one-thousandth of a cent per kWh. The PTC<sub>Default</sub> rate shall be billed to Customers receiving Default Service from the Company under this rider. The rates shall be calculated according to the provisions of this rider.

For service rendered June 1, 2013 through August 31, 2013, the PTC<sub>Default</sub> rates billed by Customer Class are as follows:

(C)

Commercial Customer Class (Rate GS-Small, Rate GS-Medium, Rate MS, Borderline Service, Street Lighting Service, Ornamental Street Lighting, and Outdoor Lighting Service):

\$X.XXXXXX per kWh

(C)

Residential Customer Class (Rate RS, Rate RT, and Rate GS – Volunteer Fire Company, Non-Profit Ambulance Service, Rescue Squad and Senior Center Service Rate):

\$X.XXXXXX per kWh

(C)

(C) Change

## RIDERS

## Rider N (continued)

The PTC<sub>Default</sub> rates by Commercial or Residential Customer Class will be calculated at the end of each Default Service Quarter (three months ending March 31<sup>st</sup>, June 30<sup>th</sup>, September 30<sup>th</sup>, and December 31<sup>st</sup>) to be effective for the three-month period beginning on the first day of the third calendar month following the end of that Default Service Quarter (June 1<sup>st</sup>, September 1<sup>st</sup>, December 1<sup>st</sup>, and March 1<sup>st</sup>). The PTC<sub>Default</sub> rate shall be calculated by Customer Class in accordance with the formula set forth below:

(C)

$$PTC_{Default} = [(PTC_{Current} + E)] \times [1 / (1 - T)]$$

$$PTC_{Current} = (PTC_{Current \text{ Cost Component}} \times PTC \text{ LOSS}_{Current}) + PTC_{Adm} + PTC_{NITS}$$

$$E = [((DS_{Exp1} + DS_{Exp2}) - PTC_{Rev} + DS_{Int}) / DS_{Sales}]$$

(C)

## Where:

PTC<sub>Current</sub> = The current cost component of the PTC<sub>Default</sub> rate grossed up for line losses calculated by Commercial or Residential Customer Class determined to the nearest one-thousandth of a cent per kWh to be applied to each kWh of Default Service delivered to Retail Customers under this rider.

The computation of the PTC<sub>Current</sub> component of the PTC<sub>Default</sub> rate by Commercial or Residential Customer Class will use the following procedures:

PTC<sub>Current Cost Component</sub> = The current cost component of the PTC<sub>Default</sub> rate calculated by Customer Class determined to the nearest one-thousandth of a cent per kWh to be applied to each kWh of Default Service delivered to Retail Customers under this rider. This rate will be determined, by Customer Class, using the projected weighted cost of Default Service supply acquired by the Company to serve Default Service load and will include any AEPS expenses that may be incurred by the Company related to amendments to the AEPS Act that may occur subsequent to the effective date of the Supplier Master Agreement for the Default Service Supply Plan. The cost of Default Service supply will include the costs the Company incurs from any block and spot purchases as required by the terms of the Default Service Supply Plan.

(C)

(C) Change

RIDERS

Rider N (continued)

(C)

$PTC_{Loss_{Current}}$  = Distribution line losses for energy that are determined by the applicable Loss Factors specified below:

<b>Customer Class</b>	<b>Loss Factor</b>
Commercial Customer Class	1.0515
Residential Customer Class	1.0515

$PTC_{Adm}$  = An administrative fee for applicable administration costs by Customer Class determined to the nearest one-thousandth of a cent per kWh to be applied to each kWh of Default Service delivered to Retail Customers under this rider.

$PTC_{NITS}$  = For the Residential Customer Class only, a Network Integration Transmission Service charge for block energy purchases, determined to the nearest one-thousandth of a cent per kWh to be applied to each kWh of Default Service delivered to Retail Customers under this rider.

(C)

E = The Price to Compare Default Service Reconciliation Rate component by Customer Class. The rate determined to the nearest one-thousandth of a cent per kWh by Customer Class shall be applied to each kWh of Default Service delivered to retail Customers by Customer Class under this rider.

(C)

(C)

(C) Change

RIDERS

(C)

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Issued: \_\_\_\_\_

Effective: June 1, 2013

## RIDERS

Rider N (continued)

DS<sub>Exp1</sub> = An allocated portion of the incremental start-up costs incurred by the Company through May 31, 2013 in connection with the Company's Default Service Supply Plan to provide Default Service amortized over the twenty-four (24) month period ending May 31, 2015, including but not limited to: (C)

- Incremental start-up administrative costs including metering and billing costs incurred and other costs as necessary to provide service to retail Default Service Customers
- Other start-up costs incurred to develop and implement the competitive bid process for the retail Default Service Supply Plan for retail Default Service including legal, customer notice, and consultant fees
- The incremental administrative start-up costs associated with the portfolio procurements of the supply needed from block and spot purchases (C)

Interest will be calculated monthly on the average of the beginning and the end of month balances of these costs and included in the determination of the monthly amortized amount. The monthly interest rate will be based upon the 41 P.S. § 202 statutory rate.

DS<sub>Exp2</sub> = The cumulative costs to provide Default Service incurred by the Company for the respective Customer Class through the end of the previous Default Service Quarter, including but not limited to the following: (C)

(C) Change

## RIDERS

## Rider N (continued)

- Payments made to winning bidders
- Any net energy costs associated with the portfolio procurements of the supply needed from block and spot purchases. These net energy costs will reflect the net proceeds from sales in the wholesale energy market of any excess energy purchased by the Company to provide Default Service that exceeds actual energy used. (C)
- Any PJM related charges including capacity, operating reserve, transmission-related costs other than Non-Market Based Services Transmission Charges, and ancillary services associated with the portfolio procurements of the supply needed from block and spot purchases (C)
- An allocated portion of administrative costs associated with the portfolio procurements of the supply needed from block and spot purchases (C)
- An allocated portion of incremental administrative costs including metering and billing costs incurred and other costs as necessary to provide service to retail Default Service Customers (C)
- All contingency plan implementation costs incurred during the supply period (C)
- An allocated portion of other costs incurred to develop and implement the competitive bid process for Retail Default Service including legal, customer notice, and consultant fees
- AEPS expenses incurred by the Company related to amendments to the AEPS Act occurring subsequent to the effective date of the Supplier Master Agreement for the Default Service Supply Plan excluding such costs that are recovered through the Company's Solar Photovoltaic Requirements Charge Rider

(C) Change

RIDERS

Rider N (continued)

- The net AEPS expenses incurred by the Company associated with the portfolio procurements of the supply needed from block and spot purchases. These net AEPS expenses will reflect the net proceeds of sales of AEPS credits purchased that exceed the AEPS credits needed to meet AEPS requirements. (C)
- The cost of credit when the Company is considered by PJM to be the load serving entity (C)

$PTC_{Rev} =$  The cumulative revenues billed to Retail Customers by Customer Class for Default Service under the Default Service Supply Plan, excluding applicable Pennsylvania gross receipts tax, through the end of the most recent Default Service Quarter billed under the respective Customer Class  $PTC_{Default}$  rates. (C)

$DS_{Int} =$  The cumulative amount of carrying charges calculated on a monthly basis through the end of the most recent Default Service Quarter by Customer Class. Interest will be calculated monthly on the average balance of 1) the respective month's beginning balance of prior months' cumulative over or under collection of  $PTC_{Rev}$  compared to the sum of the amortized portion of  $DS_{Exp1}$  costs and  $DS_{Exp2}$  costs incurred to date including (C)

(C) Change

## RIDERS

## Rider N (continued)

cumulative interest calculated thereon through the beginning of the month; and 2) the respective month's ending balance of cumulative over or under collection of  $PTC_{Rev}$  compared to the amortized portion of  $DS_{Exp1}$  costs and  $DS_{Exp2}$  costs incurred to date including cumulative interest calculated thereon through the beginning of the month. The monthly interest rate will be based upon the 41 P.S. § 202 statutory annual rate for under collections and based upon the 41 P.S. § 202 statutory annual rate plus two percent for (over) collections. (C)

$DS_{Sales} =$  The Company's projected Default Service kWh sales to Retail Customers by Customer Class for the three-month billing period that the E rate component of the  $PTC_{Default}$  rate will be in effect.

$T =$  The Pennsylvania gross receipts tax rate in effect during the billing month expressed in decimal form as reflected in the Company's base rates.

Each change in the  $PTC_{Default}$  rates will be filed with the Commission thirty (30) days prior to the effective date of the rate changes. The Company shall file details in support of the revised  $PTC_{Default}$  rates. (C)

At the conclusion of the duration of this reconciliation rider, the Company is authorized to recover or refund any remaining amounts not reconciled at that time under such mechanism as approved by the Commission.

Application of the  $PTC_{Default}$  rates shall be subject to annual review and audit by the Commission.

(C) Change

Issued: \_\_\_\_\_

Effective: June 1, 2013

## ATTACHMENT 4

RIDERS

RIDER O

HOURLY PRICING DEFAULT SERVICE RIDER

**AVAILABILITY:**

The charges billed under this rider are applicable to all Customers on Rate Schedules GS-Large, GP, and TP who elect to take Default Service from the Company. These charges are also applicable to Customers on Rate Schedules GS-Small and GS-Medium on a voluntary basis who meet the metering requirements of this rider. Rates shall be billed under this rider on the next scheduled meter reading date after electing Default Service. (C)

All GS-Small and GS-Medium Customers electing service under this rider must have Smart Meter technology installed as part of the Company's Smart Meter Plan filed with and approved by the Commission.

**Hourly Pricing Service Charges:**

Customers participating in the Hourly Pricing Default Service Rider will be billed for usage based on the following calculation: (C)

$$\text{Hourly Pricing Service Charges} = (\text{HP}_{\text{Energy Charge}} + \text{HP}_{\text{Cap-AEPS-Other Charge}} + \text{HP}_{\text{Administrative Charge}} + \text{HP}_{\text{Reconciliation Charge}}) \times [1 / (1-T)]$$
 (C)

**HP Energy Charge per kWh:**

$$\text{HP}_{\text{Energy Charge}} = \sum_{t=1}^n (\text{kWh}_t \times (\text{LMP}_t + \text{HP}_{\text{Anc}}) \times \text{HP}_{\text{Loss Multiplier}})$$

Where:

n = Total number of hours in the billing period

t = An hour in the billing period

LMP = the "Real Time" PJM load-weighted average Locational Marginal Price for the ME Transmission Zone.

HP<sub>Anc</sub> = \$0.00200 per kWh for ancillary services

(C) Change

RIDERS

Rider O (continued)

HP Loss Multipliers:	GS-Small	1.0515
	GS-Medium	1.0515
	GS-Large	1.0515
	GP	1.0171
	TP	1.0007

These HP Loss Multipliers exclude transmission losses.

**HP Cap-AEPS-Other Charge:**

\$X.XXXXX per kWh representing the costs paid by the Company to the Supplier for Capacity, AEPS costs, and any other costs incurred by the Supplier multiplied by the HP Loss Multipliers. This charge is subject to quarterly adjustments.

(C)

**HP Administrative Charge:**

\$X.XXXXX per kWh representing the administrative costs incurred by the Company associated with providing Hourly Pricing Service.

(C)

(C)

(C) Change

RIDERS

Rider O (continued)

**HP Reconciliation Charge:**

The HP Reconciliation Charge Rate (“E<sub>HP</sub>”) shall be applied to each kWh of Default Service that Met-Ed delivers to Customers under this rider as determined to the nearest one-thousandth of a cent per kWh. The E<sub>HP</sub> rate shall be included as a non-bypassable component billed to Customers receiving Default Service from the Company under this rider. The rate shall be calculated according to the provisions of this rider.

For service rendered June 1, 2013 through August 31, 2013, the E<sub>HP</sub> rate is as follows: (C)

HP Reconciliation Charge Rate = \$X.XXXXX per kWh (C)

The E<sub>HP</sub> rate will be calculated at the end of each Default Service Quarter (three months ending March 31<sup>st</sup>, June 30<sup>th</sup>, September 30<sup>th</sup>, and December 31<sup>st</sup>) to be effective for the three-month period beginning on the first day of the third calendar month following the end of that Default Service Quarter (June 1<sup>st</sup>, September 1<sup>st</sup>, December 1<sup>st</sup>, and March 1<sup>st</sup>). The E<sub>HP</sub> rate shall be calculated in accordance with the formula set forth below: (C)

$$E_{HP} = ((DS_{HPExp1} + DS_{HPExp2}) - PTC_{HPRev} + DS_{HPInt}) / DS_{HPSales} \quad (C)$$

Where:

E<sub>HP</sub> = The rate determined to the nearest one-thousandth of a cent per kWh to be applied to each kWh of Default Service delivered to Customers under this rider.

DS<sub>HPExp1</sub> = An allocated portion of the incremental start-up costs incurred by the Company through May 31, 2013 in connection with the Company’s Default Service Supply Plan to provide Default Service amortized over the twenty-four (24) month period ending May 31, 2015 including but not limited to: (C)

(C) Change

RIDERS

Rider O (continued)

- Incremental start-up administrative costs including metering and billing costs incurred and other costs as necessary to provide service to Retail Default Service Customers
- Other start-up costs incurred to develop and implement the competitive bid process for the Retail Default Service Supply Plan including legal, customer notice, and consultant fees.

Interest will be calculated monthly on the average of the beginning and the end of month balances of these costs and included in the determination of the monthly amortized amount. The monthly interest rate will be based upon the 41 P.S. § 202 statutory rate.

$DS_{HPExp2} =$  The cumulative costs to provide Hourly Pricing Default Service incurred by the Company through the end of the previous Default Service Quarter including but not limited to the following:

- Payments made to winning bidders
- AEPS expenses incurred by Met-Ed related to amendments to the AEPS Act and/or related laws or regulations occurring subsequent to the effective date of the Supplier Master Agreement for the Default Service Supply Plan excluding such costs recovered through the Company's Solar Photovoltaic Requirements Charge Rider
- An allocated portion of incremental administrative costs including metering and billing costs incurred and other costs as necessary to provide service to retail Default Service Customers
- All contingency plan implementation costs incurred during the supply period
- An allocated portion of other costs incurred to develop and implement the competitive bid process for retail Default Service including legal, customer notice, and consultant fees.
- The cost of credit when the Company is considered by PJM to be the load serving entity

(C)

(C)

(C)

(C) Change

## RIDERS

Rider O (continued)

$PTC_{HPR_{rev}}$  = The cumulative revenues, excluding applicable Pennsylvania gross receipts tax, through the end of the most recent Default Service Quarter billed to Hourly Pricing Default Service Customers under this rider including the applicable  $E_{HP}$  rates.

$DS_{HP_{int}}$  = The cumulative amount of carrying charges calculated on a monthly basis through the end of the most recent Default Service Quarter. Interest will be calculated monthly on the average balance of 1) the respective month's beginning balance of prior months' cumulative over or under collection of  $PTC_{HPR_{rev}}$  compared to the sum of the amortized portion of  $DS_{HP_{exp1}}$  costs and  $DS_{HP_{exp2}}$  costs incurred to date including cumulative interest calculated thereon through the beginning of the month; and 2) the respective month's ending balance of cumulative over or under collection of  $PTC_{HPR_{rev}}$  compared to the amortized portion of  $DS_{HP_{exp1}}$  costs and  $DS_{HP_{exp2}}$  costs incurred to date including cumulative interest calculated thereon through the beginning of the month. The monthly interest rate will be based upon the 41 P.S. § 202 statutory annual rate for under collections and the 41 P.S. § 202 statutory annual rate plus two percent for (over) collections.

$DS_{HPSales}$  = The Company's projected Hourly Pricing Default Service kWh sales to Retail Customers for the three-month billing period that the  $E_{HP}$  rate will be in effect.

**Gross Receipts Tax:**

T = The Pennsylvania gross receipts tax rate in effect during the billing month expressed in decimal form as reflected in the Company's base rates.

(C) Change

RIDERS

Rider O (continued)

**General:**

(C)

Each change in the E<sub>HP</sub> rate as well as other rates within this rider will be filed with the Commission thirty (30) days prior to the effective date of the rate changes. The Company shall file details in support of the revised rates.

(C)

At the conclusion of the duration of this reconciliation rider, the Company is authorized to recover or refund any remaining amounts not reconciled at that time under such mechanism as approved by the Commission.

Application of the E<sub>HP</sub> rate shall be subject to annual review and audit by the Commission.

(C)

**Adjustment for Meter Location:**

Where the Company meters distribution secondary voltage service on the primary side of the transformers, the demand and energy registrations shall each be reduced by two and one-half percent (2.5%). Where the Company meters service supplied at voltages higher than the distribution secondary voltage on the secondary side of the transformers, either compensating - metering equipment will be used to correct for transformer losses or the demand and energy meter registration shall each be increased by two and one-half percent (2.5%).

**Metering:**

The Customer is responsible for providing a working dedicated telephone line for metering purposes at each metering point or shall pay the Company any and all expenses for providing communications to the interval equipment at the Customer's location(s). Maintenance of the meter(s) will be the responsibility of the Company, which will own the meter(s).

(C)

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Effective: June 1, 2013

RIDERS

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## ATTACHMENT 5

RIDERS

RIDER R

DEFAULT SERVICE SUPPORT RIDER

A Default Service Support (“DSS”) rate shall be applied to DSS Sales delivered by Met-Ed to Delivery Service Customers under this rider as determined to the nearest one-thousandth of a cent per kWh or cent per kW, as applicable. The kW under this rider shall be the Network Service Peak Load (“NSPL”), as calculated by the Company in accordance with PJM rules and requirements. The DSS rate shall be billed to Customers receiving Delivery Service from the Company under this rider. The DSS rates shall be calculated according to the provisions of this rider. The DSS Rider shall be non-bypassable.

(C)

(C)

(C) Change

Issued: \_\_\_\_\_

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## RIDERS

## Rider R (continued)

The DSS rates by rate schedule shall be calculated annually in accordance with the formula set forth below:

(C)

$$\text{DSS rate} = [\text{UE} + \text{TSC}_1 + \text{NMB} + \text{RE} + \text{CEC}] \times [1 / (1-T)]$$

(C)

The components of the formula are defined below:

**Default Service Related Uncollectibles**

UE = A default service-related unbundled uncollectible accounts expense charge, determined by Customer Class and stated to the nearest one-thousandth of a cent per kWh or cent per kW NSPL, as applicable, to be applied to DSS Sales delivered by Met-Ed to Delivery Service Customers under this rider. The UE reflects the generation-related portion of the uncollectible account expense based on the cost of service study in the Company's base rate case at Docket No. R-00061366 and the additional uncollectible accounts expense incurred by the Company as a result of providing Default Service under this tariff. This component of the DSS rate in this non-bypassable rider is non-reconcilable.

(C)

The unbundled uncollectible accounts expense associated with Default Service and a purchase of receivables program allocated to Delivery Service Customers on a non-bypassable, non-reconcilable basis will be Customer Class specific and will be adjusted annually on June 1 of each year based on the projected price of Default Service. Adjustments, if necessary, will be made to the uncollectible percentage in a future distribution base rate case or the start of the next Default Service Program, whichever occurs earlier.

(C)

The unbundled generation related uncollectibles as determined from the cost of service study in the Company's base rate case at Docket No. R-00061366, combined with the calculated incremental uncollectible accounts expense based on the projected price of Default Service, represents the appropriate fully unbundled non-reconcilable uncollectible accounts expense to be recovered in DSS rates. The calculated incremental uncollectible expense is based on the historical relationship of uncollectible accounts expense to total revenues for the twelve months ended December 31, 2006, utilizing the top sheets from the Company's rate case compliance filings at Docket No. R-00061366.

This ratio is applied to the change in the Company's revenues that would result from the change experienced in default service prices. Incremental uncollectible accounts expense divided by the projected DSS Sales yields an adjustment to the retail price of Default Service supply to be included in DSS rates.

(C)

(C) Change

## RIDERS

Rider R (continued)

The UE charges by Customer Class to be included in DSS rates are as follows:

Industrial Customer Class (Rate GS – Large, GP and Rate TP):

\$X.XXXXX per kW NSPL (C)

Commercial Customer Class (Rate GS-Small, Rate GS-Medium, Rate MS, Borderline Service, Street Lighting Service, Ornamental Street Lighting and Outdoor Lighting Service):

X.XXX cents per kWh (C)

Residential Customer Class (Rate RS, Rate RT, and Rate GS – Volunteer Fire Company, Non-Profit Ambulance Service, Rescue Squad and Senior Center Service Rate):

X.XXX cents per kWh (C)

**2006 Deferred Transmission Service Charges**

$$TSC_1 = [(TSCD - E) / S] \times \text{Rate Schedule Adjustment Factor}$$

Where:

$TSC_1$  = The charge to be applied to Delivery Service Customers under this rider to recover the 2006 Transmission Service Charge Deferral (“TSCD”), including carrying charges, which was approved by the Commission in its final order at Docket No. R-00061366, authorizing the Company to amortize such deferral over a 10 year period beginning January 11, 2007 and ending on December 31, 2016. The 10 year amortization of the 2006 TSCD that was not fully recovered under the Transmission Service Charge Rider is being recovered under this DSS Rider which replaced the TSC Rider. The  $TSC_1$  rate will be adjusted on June 1 of each year based on the Company’s latest sales forecast available at the time. (C)

TSCD = The balance of the 2006 TSCD including carrying charges, that, as of March 31, 2013 remains to be amortized over the remaining months of the amortization period. (C)

(C) Change

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## RIDERS

## Rider R (continued)

E = The over or under-collection of the TSCD that results from billing the TSC<sub>1</sub> during the DSS Reconciliation Year (an over-collection is denoted by a positive E and an under-collection by a negative E), including applicable interest. Interest shall be computed monthly at the legal statutory interest rate stated in 41 P.S. § 202 from the month the over or under-collection occurs to the month that the over-collection is refunded to or the under-collection is recovered from Delivery Service Customers.

S= The Company's total DSS Sales to Delivery Service Customers projected for the DSS Computational Year. (C)

**Non-Market Based Services Transmission Charges** (C)

$$\text{NMB} = (\text{NMB}_C - E) / S \quad (C)$$

Where:

NMB = The charge to be applied to Delivery Service Customers served under this rider for Non-Market Based Services Transmission Charge costs incurred by the Company. (C)

NMB<sub>C</sub> = Forecasted NMB costs applicable to the Company's DSS Sales. Forecasted NMB costs shall include costs for PJM Regional Transmission Enhancement Plan charges, PJM Expansion Cost Recovery, as well as any other FERC-approved PJM transmission charges that will not be reconciled through the Company's Price To Compare Default Service Rate Rider and/or Hourly Pricing Default Service Rider. Forecasted NMB costs are allocated to each Customer Class based upon each Customer Class's contribution to the total Company Network Service Peak Load. (C)

E = The over or under-collection of the NMB<sub>C</sub> that results from billing of the NMB during the DSS Reconciliation Year, including applicable interest. An over-collection is denoted by a positive E and an under-collection by a negative E. Interest shall be computed monthly at the legal statutory interest rate stated in 41 P.S. § 202, from the month the over or under-collection occurs to the month that the over-collection is refunded to or the under-collection is recovered from Delivery Service Customers. (C)

S = The Company's total DSS Sales per Customer Class to Delivery Service Customers projected for the DSS Computational Year. (C)

(C) Change

RIDERS

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Effective: June 1, 2013

RIDERS

Rider R (continued)

The NMB rates billed to Customers by Rate Schedule are shown below. The TSC<sub>1</sub> rates billed to Customers shall be adjusted by the following Rate Schedule Adjustment Factors shown below: (C)

<u>Rate Schedule</u>	<u>Rate Schedule Adjustment Factors</u>	<u>TSC<sub>1</sub> Rate</u>	<u>NMB (C) Rate</u>
Rate Schedule RT & GS Volunteer Fire Company and Non-Profit Ambulance Service, Rescue Squad and Senior Center Service Rate - TOD	0.9086	X.XXX (C)	X.XXX (C)
Rate Schedule RS & GS Volunteer Fire Company and Non-Profit Ambulance Service, Rescue Squad and Senior Center Service Rate - Non-TOD	1.0759	X.XXX (C)	X.XXX (C)
Rate Schedule GS – Small	1.0560	X.XXX (C)	X.XXX (C)
Rate Schedule GS – Medium	1.0560	X.XXX (C)	X.XXX (C)
Rate Schedule GS – Large	0.9939	\$X.XXXXXX (C)	\$X.XXXXXX (C)
Rate Schedule GP	0.9332	\$X.XXXXXX (C)	\$X.XXXXXX (C)
Rate Schedule TP	0.8911	\$X.XXXXXX (C)	\$X.XXXXXX (C)
Rate Schedule MS	0.9702	X.XXX (C)	X.XXX (C)
Rate Schedule OL	0.6712	X.XXX (C)	X.XXX (C)
Rate Schedule ST	0.6721	X.XXX (C)	X.XXX (C)
Rate Schedule BRD	0.9550	X.XXX (C)	X.XXX (C)

The above rates are listed as a cent per kWh, with the exception of Rate Schedules GS – Large, GP and TP which are listed as a dollar per kW NSPL. (C)

(C) Change

RIDERS

Rider R (continued)

**Retail Enhancements**

$$RE = [ (RE_c - E) / S ] \tag{C}$$

Where:

RE = The charge to be applied to Delivery Service Customers served under this rider for the Retail Enhancement Costs incurred by the Company. (C)

RE<sub>c</sub> = The Retail Enhancement Costs incurred by the Company to cover programming expenses and implementation costs associated with competitive market enhancements approved by the Commission. (C)

E = The over or under-collection of the RE<sub>c</sub> that results from billing of the RE during the DSS Reconciliation Year, including applicable interest. An over-collection is denoted by a positive E and an under-collection by a negative E. Interest shall be computed monthly at the legal statutory interest rate stated in 41 P.S. § 202, from the month the over or under-collection occurs to the month that the over-collection is refunded to or the under-collection is recovered from Delivery Service Customers. (C)

S = The Company's total DSS Sales per Customer Class to Delivery Service Customers projected for the DSS Computational Year. (C)

(C) Change

## RIDERS

Rider R (continued)

The RE rates by Customer Class to be included in DSS rates are as follows: (C)

Industrial Customer Class (Rate GS – Large, GP and Rate TP):

\$X.XXXXX per kW NSPL (C)

Commercial Customer Class (Rate GS-Small, Rate GS-Medium, Rate MS, Borderline Service, Street Lighting Service, Ornamental Street Lighting, and Outdoor Lighting Service):

X.XXX cents per kWh (C)

Residential Customer Class (Rate RS, Rate RT, and Rate GS – Volunteer Fire Company, Non-Profit Ambulance Service, Rescue Squad and Senior Center Service Rate):

X.XXX cents per kWh (C)

Customer Education Charges (C)

$CEC = (CEC_C - E) / S$  (C)

Where:

CEC = The charge to be applied to Delivery Service Customers served under this rider for Customer Education Charges incurred by the Company. (C)

CEC<sub>C</sub> = Customer Education costs for the specific Customer Class to cover customer education costs associated with competitive market enhancements approved by the Commission, excluding costs being recovered by the Consumer Education Program Cost Recovery Rider. (C)

(C) Change

Issued: \_\_\_\_\_

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RIDERS

Rider R (continued)

E = The over or under-collection of the CEC<sub>C</sub> that results from the billing of the CEC during the DSS Reconciliation Year, including applicable interest. An over-collection is denoted by a positive E and an under-collection by a negative E. Interest shall be computed monthly at the legal statutory interest rate stated in 41 P.S. § 202 from the month the over or under-collection occurs to the month that the over-collection is refunded to or the under-collection is recovered from Delivery Service Customers. (C)

S = The Company's total DSS Sales per Customer Class to Delivery Service Customers projected for the DSS Computational Year. (C)

The CEC rates by Customer Class to be included in DSS rates are as follows: (C)

Industrial Customer Class (Rate GS – Large, GP and Rate TP):

\$X.XXXXX per kW NSPL (C)

Commercial Customer Class (Rate GS-Small, Rate GS-Medium, Rate MS, Borderline Service, Street Lighting Service, Ornamental Street Lighting, and Outdoor Lighting Service):

X.XXX cents per kWh (C)

Residential Customer Class (Rate RS, Rate RT, and Rate GS – Volunteer Fire Company, Non-Profit Ambulance Service, Rescue Squad and Senior Center Service Rate):

X.XXX cents per kWh (C)

(C) Change

RIDERS

Rider R (continued)

**Gross Receipts Tax**

T = The Pennsylvania gross receipts tax rate in effect during the billing month expressed in decimal form as reflected in the Company's base rates.

All capitalized terms not otherwise defined in this Rider shall have the definitions specified in Section 2 of this Tariff. For purposes of this Rider, the following additional definitions shall apply:

- 1. DSS Sales – The kWh or kW NSPL delivered during a billing month to all Delivery Service Customers, as applicable to each Rate Schedule billed under the DSS Rider. (C)
- 2. DSS Computational Year – The 12-month period from June 1 through the following May 31. (C)
- 3. DSS Reconciliation Year – The 12-month period ending March 31 immediately preceding the DSS Computational Year. (C)

(C) Change

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## RIDERS

## Rider R (continued)

The Company shall recalculate its DSS Rates annually and, based on that recalculation, shall file with the Commission, by May 1<sup>st</sup> of each year, revised Rates to become effective on June 1<sup>st</sup> of the same year unless the Commission orders otherwise. The revised DSS rates shall remain in effect for a period of one year, unless revised on an interim basis subject to the approval of the Commission. Upon determining that its DSS Rates, if left unchanged, would result in material over or under-collection of all costs incurred, or expected to be incurred, for DSS during the then current DSS Reconciliation Year, the Company may request that the Commission approve one or more interim revisions to its DSS Rates to become effective thirty (30) days from the date of filing, unless the Commission orders otherwise.

At the conclusion of the period during which this DSS Rider is in effect, the Company shall be authorized to recover or refund at any time, any remaining differences between recoverable costs and revenues billed under this rider by charges or credits to be applied to customer's bills under such mechanism the Commission may approve, but uncollectibles, which are non-reconcilable under the terms of this rider, shall not be included in the final reconciliation.

Application of the DSS rates shall be subject to annual review and audit by the Commission.

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