

Morgan, Lewis & Bockius LLP
1701 Market Street
Philadelphia, PA 19103-2921
Tel: 215.963.5000
Fax: 215.963.5001
www.morganlewis.com

Morgan Lewis
C O U N S E L O R S A T L A W

Kenneth M. Kulak
Partner
215.963.5384
kkulak@MorganLewis.com

April 9, 2013

VIA eFILING

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17105-3265

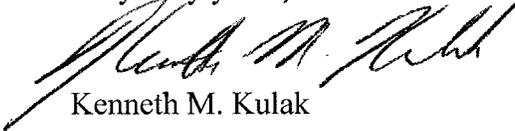
**Re: Joint Petition Of Metropolitan Edison Company, Pennsylvania Electric Company,
Pennsylvania Power Company and West Penn Power Company For Approval Of Their
Default Service Programs
Docket No. P-2011-2273650, Docket No. P-2011-2273668,
Docket No. P-2011-2273669 and Docket No. P-2011-2273670**

Dear Secretary Chiavetta:

Enclosed for filing is the **Reply of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company to Answer of the Retail Energy Supply Association** (the "Reply") in the above-captioned proceeding.

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

Very truly yours,



Kenneth M. Kulak

KMK/tp
Enclosures

c: Per Certificate of Service

**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	:	

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 Answer of the Retail Energy Supply Association** upon the following persons, in the matter specified below, in accordance with the requirements of 52 Pa. Code § 1.54:

VIA ELECTRONIC MAIL AND FIRST CLASS MAIL

Honorable Elizabeth H. Barnes
Administrative Law Judge
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120
ebarnes@pa.gov

Tanya J. McCloskey
Acting Consumer Advocate
Darryl A. Lawrence
Aron J. Beatty
Consumer Advocate
Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923
tmccloskey@paoca.org
dlawrence@paoca.org
abeatty@paoca.org
cshoen@paoca.org

Daniel G. Asmus
Sharon E. Webb
Office of Small Business Advocate
Suite 1102, Commerce Building
300 North Second Street
Harrisburg, PA 17101
dasmus@pa.gov
swebb@pa.gov

Daniel Clearfield
Deanne M. O'Dell
Carl R. Shultz
Jeffery J. Norton
Eckert Seamans Cherin & Mellott, LLC
213 Market Street, 8th Floor
P.O. Box 1248
Harrisburg, PA 17101
dclearfield@eckertseamans.com
dodell@eckertseamans.com
cshultz@eckertseamans.com
jnorton@eckertseamans.com
*Counsel for RESA and Direct Energy
Services, LLC*

Benjamin L. Willey
Law Offices of Benjamin L. Willey, LLC
7272 Wisconsin Avenue, Suite 300
Bethesda, MD 20814
blw@bwilleylaw.com
Counsel for YCSWA

Michael A. Gruin
Stevens & Lee
17 North Second Street, 16th Floor
Harrisburg, PA 17101
mag@stevenslee.com
Counsel for WGES

Charles D. Shields
Senior Prosecutor
Bureau of Investigation & Enforcement
Pennsylvania Public Utility
Commission
Commerce Keystone Building
400 North Street, 2nd Floor
P.O. 3265
Harrisburg, PA 17105-3265
chshields@pa.gov
sgranger@pa.gov

Charis Mincavage
Susan E. Bruce
Vasiliki Karandrikas
Teresa K. Schmittberger
McNees, Wallace & Nurick, LLC
100 Pine Street
P.O. Box 1166
Harrisburg, PA 17108-1166
cmincavage@mwn.com
sbruce@mwn.com
vkandrikas@mwn.com
tschmittberger@mwn.com
*Counsel for MEIUG/PICA/PPUG
and WPPII*

Anthony E. Gay
Exelon Business Services Company
2301 Market Street
P.O. Box 8699
Philadelphia, PA 19101-8699
anthony.gay@exeloncorp.com
Counsel for PECO Energy Co.

Charles E. Thomas, III
Thomas T. Niesen
Thomas, Long, Niesen & Kennard
212 Locust Street
P.O. Box 9500
Harrisburg, PA 17108-9500
cet3@thomaslonglaw.com
tniesen@thomaslonglaw.com
Counsel for ARIPPA

Divesh Gupta
Managing Counsel – Regulatory
Constellation Energy
100 Constitution Way, Suite 500C
Baltimore, MD 21202
divesh.gupta@constellation.com
*Counsel for Constellation NewEnergy,
Inc. and Constellation Energy
Commodities Group, Inc.*

Patrick M. Cicero
Harry S. Geller
Pennsylvania Utility Law Project
118 Locust Street
Harrisburg, PA 17101
pulp@palegalaid.net
Counsel for CAUSE-PA

Thomas J. Sniscak
William E. Lehman
Hawke, McKeon & Sniscak LLP
P.O. Box 1778
100 North Tenth Street
Harrisburg, PA 17105
tjsniscak@hmslegal.com
welehman@hmslegal.com
jlcris@aol.com
Counsel for PSU

Todd S. Stewart
Hawke, McKeon & Sniscak LLP
P.O. Box 1778
100 N. Tenth Street
Harrisburg, PA 17105-1778
tsstewart@hmslegal.com
Counsel for Dominion Retail, Inc.

Brian J. Knipe
Buchanan Ingersoll & Rooney, PC
17 North Second Street, 15th Floor
Harrisburg, PA 17101-1503
brian.knipe@bipc.com
*Counsel for FirstEnergy Solutions
Corp.*

Thomas McCann Mullooly
Foley & Lardner LLP
777 East Wisconsin Avenue
Milwaukee, WI 53202
tmullooly@foley.com
sdzieminski@foley.com
*Counsel for Exelon Generation
Company, LLC and Exelon Energy
Company*

Amy M. Klodowski
FirstEnergy Solutions Corp.
800 Cabin Hill Dr.
Greensburg, PA 15601
aklodow@firstenergycorp.com
*Counsel for FirstEnergy Solutions
Corp.*

VIA ELECTRONIC MAIL ONLY

David I. Fein
Vice President, State Government Affairs - East
Exelon Corporation
10 S. Dearborn Street
47th Floor
Chicago, Illinois 60603
Phone: 312-394-2116
Mobile: 312-446-2882
david.fein@exeloncorp.com
*Counsel for Constellation NewEnergy, Inc.
and Constellation Energy Commodities
Group, Inc.*

Linda R. Evers
Stevens & Lee
111 North Sixth Street
P.O. Box 679
Reading, PA 19603
lre@stevenslee.com
Counsel for WGES

Phillip G. Woodyard
Vice President, WGES
13865 Sunrise Valley Drive
Herndon, VA 20171
pwoodyard@wges.com
Counsel for WGES

Telemac N. Chryssikos
WGES, Room 319
101 Constitution Ave., N.W.
Washington, DC 20080
tchryssikos@washgas.com
Counsel for WGES

Amy E. Hamilton
Director, Public Policy
Exelon Generation Co.
300 Exelon Way
Kennett Square, PA 19348
amy.hamilton@exeloncorp.com
*Counsel for Exelon Generation Company, LLC
and Exelon Energy Company*

Jeff A. McNelly,
ARIPPA Executive Director
2015 Chestnut Street
Camp Hill, PA 17011
jamcnelly1@arippa.org

Barbara Alexander
Consumer Affairs Consultant
83 Wedgewood Drive
Winthrop, ME 04364
barbalex@ctel.net

Robert D. Knecht
Industrial Economics, Inc.
2067 Massachusetts Avenue
Cambridge, MA 02140
rdk@indecon.com

Matthew I. Kahal
Steven L. Estomin
Exeter Associates, Inc.
10480 Little Patuxent Parkway
Suite 300
Columbia, MD 21044
mkahal@exeterassociates.com
sestomin@exeterassociates.com

Dave Vollero
Executive Director
York County Solid Waste and Refuse
Authority
2700 Blackbridge Road
York, PA 17406
d.vollero@ycswa.com

Robert M. Strickler
Griffith, Strickler, Lerman, Solymos & Calkins
110 S. Northern Way
York, PA 17402-3737
rstrickler@gslsc.com



Thomas P. Gadsden (Pa. No. 28478)
Kenneth M. Kulak (Pa. No. 75509)
Anthony C. DeCusatis (Pa. No. 25700)
Brooke E. McGlinn (Pa. No. 204918)
Morgan Lewis & Bockius LLP
1701 Market Street
Philadelphia, PA 19103-2921
215.963.5234 (bus)
215.963.5001 (fax)
tgadsden@morganlewis.com

*Counsel for Metropolitan Edison Company,
Pennsylvania Electric Company,
Pennsylvania Power Company and West
Penn Power Company*

Dated: April 9, 2013

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

**REPLY OF METROPOLITAN EDISON COMPANY, PENNSYLVANIA ELECTRIC
COMPANY, PENNSYLVANIA POWER COMPANY AND WEST PENN POWER
COMPANY TO ANSWER OF THE RETAIL ENERGY SUPPLY ASSOCIATION**

Pursuant to 52 Pa. Code § 5.63, Metropolitan Edison Company (“Met-Ed”), Pennsylvania Electric Company (“Penelec”), Pennsylvania Power Company (“Penn Power”) and West Penn Power Company (“West Penn”) (each individually a “Company” and, collectively, the “Companies”) hereby submit the following reply to the affirmative relief requested by the Retail Energy Supply Association (“RESA”) in RESA’s Answer to the Companies’ *Petition to Amend the Commission’s August 12, 2012 Order and the November 8, 2012 Secretarial Letter Approving Default Service Procurement Bidding Rules* (the “Petition”).

As set forth in the Petition, the Companies conducted procurements for industrial, residential, and commercial default service supply on January 15, 2013. On January 16, 2013, the Commission issued a Secretarial Letter in which it accepted the results of the procurements for residential and commercial default service supply but rejected the industrial supply procurements because those procurements did “not appear to have been conducted in accordance with the RFP Process and Rules, filed pursuant to the Commission’s Opinions and Orders.” *See* Letter of Secretary Rosemary A. Chiavetta to Tori L. Giesler, dated January 16, 2013.

In response to the Commission's decision, the Companies filed the Petition to clarify provisions of their procurement rules regarding the price that will be paid to winning suppliers of default service for industrial customers in a future procurement. The Companies also proposed to conduct a second procurement for industrial default service supply since the Companies' approved default service programs only include the January 2013 procurement for industrial supply for the June 1, 2013-May 31, 2015 time period.

In light of the large amounts of the generation requirements of the Companies' industrial customers that are currently provided by electric generation suppliers ("EGSs"),¹ and the likely failure of a procurement solely for a small amount of default service industrial supply, the Companies proposed to hold the second procurement at the same time as the next scheduled procurement for residential and commercial customers (September 2013). For the period between June 1, 2013 and November 30, 2013, before supply procured in September 2013 would begin to be delivered, the Companies proposed to procure the necessary physical supply for default service industrial customers, as well as associated ancillary products, directly from PJM Interconnection, Inc. ("PJM").

In its Answer, RESA does not oppose the Companies' clarification of procurement rules, but does object to the Companies' plan to combine the procurement for industrial customers with the September 2013 procurement for residential and commercial customers and to procure supply directly from PJM during the June 1, 2013-November 30, 2013 period. *See* RESA Answer in Opposition to the Petition of FirstEnergy Companies ("Answer"), p. 4. As part of its Answer, RESA seeks affirmative relief in the form of Commission direction to the Companies to

¹ In its Answer, RESA claims that, as of March 13, 2013, 49.3% of the Companies' industrial customers are served by default service. *See* Answer, pp. 10-11, n.16. This statistic is incorrect because RESA simply added each Company's non-shopping percentage without accounting for the significantly different number of industrial customers in each service territory. If the percentages are weighted appropriately, the March 13, 2013 data show that only 15.4% of the Companies' industrial customers and 6.2% of industrial load are served by default service.

explore a series of “alternative” procurement methodologies. Specifically, RESA contends that, to the extent there is concern about the costs of conducting a procurement solely for industrial default service supply, the Commission should require the Companies to explore: (1) using a single round, sealed bid request for proposals (“RFP”) process to solicit bids instead of the declining clock auction (“DCA”) process previously approved by the Commission; (ii) using an “online administrator” for the auction; and (iii) requiring the Commission to supervise the auction “to save the need and expense of an independent evaluator.” *Id.* at 11-12. The Commission should deny the relief requested by RESA for the reasons set forth below.

As an initial matter, there is no evidentiary support whatsoever for the alternatives proposed by RESA. Regarding RESA’s first proposal to use an RFP instead of a DCA, the issue of comparative costs of the two processes for default service procurement was considered in the course of this proceeding and Administrative Law Judge Elizabeth H. Barnes found that the Office of Consumer Advocate (“OCA”) had failed to quantify the costs of an RFP would, in fact, be less expensive than a DCA.² No party took exception to the ALJ’s conclusion. RESA’s vague proposals to use an online administrator or involve the Commission in direct supervision of the auction were not introduced at all in these proceedings prior to RESA’s Answer, and RESA fails to explain how these proposals would be integrated with the extensive rules and procedures already approved by the Commission. Indeed, requiring an “exploration” of RESA’s proposals to reformulate procurement of industrial default service supply will likely result in another extended round of litigation over bid rules, procurement methodology, and the selection of an alternative auction administrator, while the Companies’ proposal will help maximize

² See Initial Decision, p. 34; see also Rebuttal Testimony of Dr. Bradley A. Miller (Met-Ed/Penelec/Penn Power/West Penn Statement No. 5-R), pp. 2-3 (explaining that many costs of default service procurements are independent of the bidding format).

bidder participation and limit the amount of time the Companies will be expected to procure default service supplies directly from PJM.

Although the Commission's rejection of supplier bids in this case is not expressly foreseen in the Companies' contingency plan, the Companies' procurement of supply from PJM is clearly permitted under other circumstances (and thus is clearly not a "departure" from the Electricity Generation Customer Choice and Competition Act, 66 Pa. C.S. § 2801 *et seq.*, as RESA contends, *see* Answer, p. 12). Further, the Companies' proposal is consistent with the Commission's Final Order entered February 15, 2013 at Docket No. I-2011-2237952 regarding the End State of Default Service, which recognized the importance of competitively sourcing hourly products simultaneous with residential and small commercial products, calling for auctions for the entire LMP default service load in each EDC territory to be held in unison with auctions for residential and small C&I customers and directed all LMP default service customers to be grouped into one single auction class for each EDC "in order to avoid creating extremely small procurement classes."³

For the remainder of the Companies' default service procurement period (assuming a successful procurement, in accordance with the Companies' revised rules), industrial default service customers will be served in a manner consistent with the Companies' approved default service plan in all other respects.

³*Investigation of Pennsylvania's Retail Electricity Market: End State of Default Service*, Docket No. I-2011-2237952 (Order entered February 15, 2013), pp. 29, 30, 32.

CONCLUSION

WHEREFORE, for the reasons set forth above, the Commission should grant the Companies' Petition and reject RESA's request for affirmative relief regarding alternative industrial default service supply procurement processes.

Respectfully Submitted



Tori L. Giesler (Pa. No. 207742)
FirstEnergy Service Company
2800 Pottsville Pike
P.O. Box 16001
Reading, PA 19612-6001
Phone: (610) 921-6658

Thomas P. Gadsden (Pa. No. 28478)
Kenneth M. Kulak (Pa. No. 75509)
Anthony C. DeCusatis (Pa. No. 25700)
Morgan, Lewis & Bockius LLP
1701 Market Street
Philadelphia, PA 19103-2921
Phone: (215) 963-5234

*Counsel for Metropolitan Edison
Company, Pennsylvania Electric
Company, Pennsylvania Power Company
and West Penn Power Company*

Dated: April 9, 2013