

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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May 8, 2013

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

RE: Petition of Metropolitan Edison Company,
Pennsylvania Electric Company and
Pennsylvania Power Company to Approve
Modification of the Energy Efficiency and
Conservation Charge Rider to Include Final
Reconciliation Costs and to Recover the Full
Costs for Metropolitan Edison Company's
Suspension of the Residential Direct Load
Control Program Effective May 31, 2013
Docket Nos. M-2009-2092222;
M-2009-2112952; M-2009-2112956

Dear Secretary Chiavetta:

Enclosed please find the Office of Consumer Advocate's Answer in the above-referenced matter.

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

Respectfully Submitted,

A handwritten signature in black ink that reads "Christy M. Appleby".

Christy M. Appleby
Assistant Consumer Advocate
PA Attorney I.D. # 85824

Enclosure

cc: Certificate of Service
169011

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of Metropolitan Edison Company,	:	
Pennsylvania Electric Company and	:	
Pennsylvania Power Company to Approve	:	
Modification of the Energy Efficiency and	:	Docket Nos. M-2009-2092222
Conservation Charge Rider to Include Final	:	M-2009-2112952
Reconciliation Costs and to Recover the Full	:	M-2009-2112956
Costs for Metropolitan Edison Company's	:	
Suspension of the Residential Direct Load	:	
Control Program Effective May 31, 2013	:	

ANSWER OF THE
OFFICE OF CONSUMER ADVOCATE

On April 18, 2013, Metropolitan Edison Company (Met-Ed), Pennsylvania Electric Company (Penelec) and Pennsylvania Power Company (Penn Power) (collectively FirstEnergy Companies or Companies)¹ filed with the Public Utility Commission (Commission) a petition for approval to modify their Energy Efficiency and Conservation Charge Rider (EEC-C) to include final reconciliation of costs and to recover Met-Ed's costs for suspending its Residential Direct Load Control (DLC) Program on May 31, 2013 (Petition). According to the Petition, the Companies seek Commission approval to amend their EEC-C Riders to remain in effect until all costs of Phase I of their Energy Efficiency and Conservation Plan (EE&C I) are recovered. Petition at 1, 4. Additionally, in the Petition, Met-Ed seeks approval to recover its costs to suspend the Company's Residential DLC Program as of May 31, 2013. Petition at 1, 10.

¹ West Penn Power Company is also a FirstEnergy Company operating in Pennsylvania but does not join in this Petition.

Pursuant to the Joint Petition for Full Settlement of the Non-Reserved Issues in the Companies' 2012 EE&C filing (Phase II Plan), the FirstEnergy Companies agreed that the issues regarding approval to recover its final reconciliation of costs for its Phase I Plan beyond May 30, 2013 would be filed under a separate docket. Settlement at ¶ 15. In this filing, the Companies propose two separate reconciliations to occur beyond the May 31, 2013 end of the Phase I program: (1) for the "decommissioning" of Met-Ed's peak demand reduction program and (2) for the additional recovery of Phase I program costs beyond May 31, 2013.

a. Peak Demand Reduction Program Costs

Under its Phase I EE&C Plan, Met-Ed operated a peak demand reduction program which used Integrated Distributed Energy Resource (IDER) technology to control customer owned central air conditioning systems. Petition at 7. As a result of the Commission's August 3, 2012 Energy Efficiency and Conservation Program Order (Implementation Order), Docket Nos. M-2012-2289411, M-2008-2069887, Met-Ed's peak demand reduction program will be phased out at the end of Phase I program and will end on May 31, 2013. Id. at 8. Under the program, customers have the option of removing the IDER equipment upon the closure of the program. As of September 30, 2012, approximately 16,700 customers out of the original 21,500 customers remained on the program, leaving 19,300 devices installed. Id. at 9. Thus far, Met-Ed has removed approximately 2,100 IDER devices from customers' homes and deactivated 2,600 IDER devices. Upon notification that the program is closed, the Company anticipates receiving additional customer requests to remove the IDER devices. Id. at 9-10. For the removal of the devices, Met-Ed requests a net budget increase of \$3,984,171. Petition at 10. The Company states that the removal cost, including the requested budget increase, is within the two percent cap for Met-Ed's Phase I programs. Id. Met-Ed proposes that the accounting for the

decommissioning costs will be similar to the process for nuclear decommissioning. Revenues will be collected through the Rider, with a regulatory expense and associated regulatory liability account increase for every dollar collected. Any remaining balance could be returned to customers in the future. In the interim, the funds would be treated as a deduction from rate base in a future base rate proceeding, similar to the way that customer deposits are treated. Met-Ed/Penelec/Penn Power St. 1 at 6. The OCA does not oppose the collection of the remaining costs for removal of the IDER devices within the 2% budget cap.

b. Reconciliation of Phase I Costs

The FirstEnergy Companies also request modification of the Phase I EE&C Rider to allow the Companies to accrue Phase I costs through September 30, 2013. Petition at 10-11. The current EE&C-C Rider is designed to recover the costs of Phase I incurred through May 31, 2013. The Companies request to modify their respective June 1, 2013 EE&C-C Rider rates to allow them to be computed:

by including a calculation of the net remaining budgeted costs as of May 31, 2013 (including estimated costs of removing the Residential DLC Program customer equipment) using cumulative actual revenues by class through January 31, 2013, and the latest budgeted revenues for February 1, 2013 through May 31, 2013. Any net remaining EE&C costs will be recovered based on kilowatt-hour (“kWh”) deliveries, except for the Industrial Class, which recovers cost on peak load share kilowatt (“KW”) for the period June 1, 2013 through May 31, 2014.

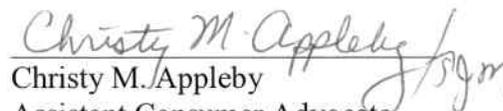
Petition at 11. The Companies state that as of September 30, 2013 “a final reconciliation of all actual costs incurred and actual revenue collected through September 30, 2013 plus budgeted revenues for the period October 1, 2013 through December 31, 2013 will be performed.” Id. Any refund or recovery of under- or over-collection that results from the final reconciliation would be recovered or refunded from January 1, 2014 through May 1, 2014. The FirstEnergy

Companies request that this change to their Phase I EE&C-C Rider rates become effective on ten days' notice. Id.

The OCA has reviewed the Companies' Joint Petition and has concerns with the proposal. FirstEnergy's approach will extend recovery of the Phase I costs well into 2014 while Phase II cost recovery is on-going. Under FirstEnergy's proposal, it is likely that it will need to recover additional Phase I costs during Phase II. This will increase the amount for energy efficiency paid by customers during Phase II. The OCA submits that if this proposal is utilized, the Companies should begin reconciliation as soon as possible rather than waiting until January 1, 2014 to begin recovery and extend the recovery timeframe for a longer period than six months, without interest, in order to mitigate any impact on customers.

WHEREFORE, the Office of Consumer Advocate respectfully requests that if the Companies' proposed reconciliation mechanism is adopted, that the mechanism be modified as discussed above.

Respectfully Submitted,



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CERTIFICATE OF SERVICE

Petition of Metropolitan Edison Company,	:	
Pennsylvania Electric Company and	:	
Pennsylvania Power Company to Approve	:	
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Suspension of the Residential Direct Load	:	
Control Program Effective May 31, 2013	:	

I hereby certify that I have this day served a true copy of the foregoing document, the Office of Consumer Advocate's Answer, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code Section 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 8th day of May 2013.

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