COMMONWEALTH OF PENNSYLVANIA

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November 30, 2015

Rosemary Chiavetta, Secretary
PA Public Utility Commission
Commonwealth Keystone Bldg.
400 North Street
Harrisburg, PA 17101

Re: Joint Petition for Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, and West Penn Power Company for Approval of their Default Service Programs
Docket Nos. P-2015-2511333, P-2015-2511351, P-2015-2511355, P-2015-2511356

Dear Secretary Chiavetta:

Enclosed for filing is the Office of Consumer Advocate's Answer in the above-referenced proceeding.

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

Respectfully Submitted,

Kristine E Marsilio

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Assistant Consumer Advocate
PA Attorney I.D. #316479

Enclosure
cc: Honorable David A. Salapa, ALJ
Certificate of Service
*214451

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Joint Petition of Metropolitan Edison	:		
Company, Pennsylvania Electric Company,	:	Docket Nos.	P-2015-2511333
Pennsylvania Power Company and West	:		P-2015-2511351
Penn Power Company For Approval of	:		P-2015-2511355
Their Default Service Programs	:		P-2015-2511356

ANSWER OF THE
OFFICE OF CONSUMER ADVOCATE

I. INTRODUCTION

On November 3, 2015, Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company (Met-Ed, Penelec, Penn Power, West Penn or, jointly, the Companies) filed a Joint Petition (Petition) with the Pennsylvania Public Utility Commission (Commission) seeking approval of default service programs (DSPs) and procurement plans for the period June 1, 2017 through May 31, 2019. This filing has been made pursuant to the requirements of Act 129 of 2008 (Act 129), the Commission's Default Service Regulations, the Commission's Policy Statement on Default Service, and related Commission Orders. The Office of Consumer Advocate (OCA) files this Answer to the Companies' Petition to help ensure that a reasonable default service plan is approved that fully complies with Act 129 and the Commission's Regulations.

In their Petition, the Companies propose to acquire supply for residential customers through a series of load-following, full requirements supply contracts in approximately 50 megawatt (MW) tranches. Petition at ¶ 13. For each residential tranche, 100% of the supply will be at a fixed price. Petition at ¶ 13. These contracts will include energy, capacity, and transmission service (including Network Integration Transmission Service, but subject to specific exclusions). Petition at ¶ 11. The winning bidders will also be responsible for meeting all obligations imposed on a Load Serving Entity (LSE) by PJM and for supplying other services or products that are required of LSEs. Petition at ¶ 11. Additionally, default service suppliers in Met-Ed, Penelec, and Penn Power will be responsible for meeting all of the Tier 1 and Tier II Alternative Energy Portfolio Standards (AEPS) Act requirements. Petition at ¶ 11. Those Companies will procure all necessary solar photovoltaic requirements on behalf of all load in their service territories. Petition at ¶ 11. In the West Penn service territory, however, suppliers will be responsible for all alternative energy credits (AEC) except for any Tier 1 AECs or solar photovoltaic AECs that are distributed from existing long-term purchases previously made by West Penn. Petition at ¶ 11.

The new contracts for residential products are proposed to have staggered 12, and 24-month terms. Petition at ¶ 13. These full requirements products are proposed to be procured through descending-price clock auctions. Petition at ¶ 13. There will be six procurements, occurring in October 2016 and 2017, January 2017 and 2018, and April 2017 and 2018. Petition at ¶ 16. The Companies are proposing to increase the auction load cap, which restricts the percentage any one bidder can win at an auction, from 50% to 75%. Petition at ¶ 20.

The Companies are proposing changes to their supplier master agreement (SMA), which would modify their current method by not only removing the spot component to the product mix for residential and commercial products, but also eliminating residential and commercial price adjustment for seasonal factors. Petition at ¶ ¶ 21-22.

In the event that one or more tranches are not fully subscribed through the procurement process, or the Commission rejects the bid results from a solicitation, or a winning bidder defaults prior to the start of or at any time during the delivery period, the Companies propose to utilize their current Commission-approved contingency plan. Petition at ¶ 32. Under this plan, in the event that a tranche is not fully subscribed or the Commission rejects the bid results from a solicitation, the Companies propose to rebid the unfilled tranches in the next procurement if time permits. Petition at ¶ 33. In the event any tranches remain unfilled through scheduled solicitations, supply will be met through direct purchases by the Companies in the PJM spot market. Petition at ¶ 33. In the event of a bidder default, and as time permits, the Companies propose to conduct a supplemental competitive solicitation, or to offer the unfilled tranches to other qualified bidders. If insufficient time exists to conduct an additional competitive solicitation, the Companies will purchase the necessary supply through the PJM spot markets. Petition at ¶ 34.

The Companies are not proposing modifications to their current Price to Compare (PTC) Default Service Rate Rider to recover the cost of default service for residential and commercial customers. The PTC Rider will continue to adjust rates quarterly, with rate change filings to be made the latter of forty-five days prior to the effective date or seven days after the last supply auction. Petition at ¶ 37. Additionally, the Companies are not proposing any change to their non-bypassable Default Service Support (DSS) Rider. Petition at ¶ 40. The Companies propose to continue to utilize a flat per-kWh rate design for the residential and commercial customer classes. Petition at ¶ 41. The Companies are requesting to recover non-market based (NMB) charges through the non-bypassable DSS Riders rather than under the PTC Rider. Petition at ¶ 42.

The Companies are not proposing any changes to their current Solar Photovoltaic Requirements Charge Rider (SPVRC Rider), Time-Of-Use (TOU) pricing rates, nor to their "E" factor reconciliation mechanisms. Petition at ¶ ¶ 43-46. These issues are set forth and described in the Petition. Petition at ¶ ¶ 43-46.

The Companies propose to continue their Customer Referral Program (CRP) from June 1, 2017 to May 31, 2019. Petition at ¶ 47. The Companies intend to recover CRP cost consistent with the current CRP and the Companies' existing tariffs, through an EGS participant fee not to exceed $30 per enrolled customer. Petition at ¶ 48. Any costs not recovered through the EGS participant fee will be recovered, on a non-bypassable basis, through the Companies' applicable DSS Riders. Petition at ¶48. The Companies are proposing changes to the Customer Referral Program Agreement (CRP Agreement). Petition at ¶49. The Companies are proposing to reduce the notice period for currently participating EGSs (CRP Suppliers) from 60 days to 30 days. Petition at ¶49. In addition, the Companies propose to impose an hourly rate for the research required and legal fees incurred to address customer complaints related to CRP Supplier activity that does not follow the Commission regulations or adhere to the terms and conditions of the CRP agreement. Petition at ¶49.

In order to recover the costs associated with the Companies' Purchase of Receivables (POR) programs, in compliance with the Commission's Policy Statement at 52 Pa. Code § 69.1814, the Companies propose the addition of a "clawback clause" related to EGS write-offs. Petition at ¶¶ 50-51. The Companies propose an annual charge to EGSs that exceed 150% of the average percentage of supplier write-offs as a percentage of revenue as calculated separately for each FirstEnergy Company. Petition at ¶ 51. EGSs that exceed 150% of the average would be charged the difference between their actual annual write-off amount and 150% of the respective

Company's average annual EGS write-off as a percentage of billed EGS revenues. Petition at ¶51.

The Companies propose to keep the amount charged to the EGSs if the amount of uncollectable account expense is higher than the amount of uncollectable expense recovered in base rates, as allowed in the Companies' most recent base rate case, plus the amount included in the DSS Rider. Petition at ¶¶ 52-53. If the amount of uncollectable account expense is less than the amount recovered in base rates plus the amount included in the DSS Rider, the Companies will refund the EGS charge to customers through a reduction to their respective DSS Rider. Petition at ¶¶ 52-53. Additionally, the Companies propose changes to their tariffs to allow EGS refunds to be applied to the customer's open account balance before refunding any remaining amount to the customer. Petition at ¶¶ 54-55.

II. ANSWER

The OCA has preliminarily reviewed the Companies' Petition and identified a number of significant issues presented by the filing. The OCA anticipates that additional issues will arise as a more comprehensive review of the Companies' filing is undertaken and after discovery is conducted. The preliminary issues identified by the OCA include the following:

A. Procurement Methodology.

The Companies propose to acquire 100% of the supply for residential customers using fixed price, load-following, full requirements supply contracts in approximately 50 MW tranches. Petition at ¶ 13. The OCA submits that further consideration must be given to whether the proposed purchasing plan will provide the least cost over time for residential customers in accord with the requirements of Act 129. The OCA intends to examine the type and mix of resources being procured to ensure that the products and plan are designed to meet the requirements of Act 129.

The Petition further provides that all new residential products procured for default service will have staggered 12 and 24-month terms. Petition at ¶ 13. These residential products will all be acquired through six procurements, occurring in October 2016 and 2017, January 2017 and 2018, and April 2017 and 2018. Petition at ¶ 16. The OCA submits that the Companies' proposed choice of residential products and the Companies' proposed procurement methods must be thoroughly reviewed in the hearing process. The Commission must ensure that the procurement methodology adopted in this proceeding is consistent with the Public Utility Code and is designed to provide the least cost reliable supply, taking into account price stability for customers over time.

B. Rate Design.

The Companies are not proposing changes to the PTC Default Service Rider, the HP Default Service Rider, and the DSS Rider. Petition at ¶ ¶ 36-41. The Companies are not proposing any changes to their current "E" factor reconciliation mechanisms. Petition at ¶ 46. The Companies are requesting to recover NMB charges through the non-bypassable DSS Riders rather than under the PTC Rider. Petition at ¶ 42. The OCA submits that the Companies' current cost recovery mechanisms must be examined for continued compliance with existing law and the Commission's regulations while meeting the needs of ratepayers.

C. AEPS Procurement.

As discussed above, the Companies have proposed to meet their AEPs requirements through a mix of procurement methodologies. The Companies' procurement plan for Tier 1, Tier

2, and solar photovoltaic AECs should be reviewed to ensure that ratepayers continue to receive these services at just and reasonable rates.

D. Time of Use Rates.

The Companies are not proposing changes to their TOU Default Service Riders. Petition at ¶ 44. The OCA submits that the Companies' current TOU program must be examined in order to ensure that it continues to meet the needs of ratepayers while maintaining compliance with existing law and the Commission's regulations.

E. Supplier Master Agreement.

The Companies are proposing changes to their SMA, which would modify their current method by not only removing the spot component to the product mix for residential and commercial products, but also eliminate residential and commercial price adjustment for seasonal factors. Petition at ¶ ¶ 21-22. The OCA submits that the proposed SMA must be thoroughly analyzed to ensure its compliance with the Public Utility Code, and to ensure that such a plan does no harm to default service, consumers, or the retail competitive market.

F. Customer Referral Program.

The Companies propose to continue to offer their current CRP to residential and small commercial customers. Petition at ¶ 47. The Companies intend to recover CRP cost consistent with the current CRP and the Companies' existing tariffs, through an EGS participant fee not to exceed $30 per enrolled customer. Petition at ¶ 48. Any costs not recovered through the EGS participant fee will be recovered, on a non-bypassable basis, through the Companies' applicable DSS Riders. Petition at ¶48. The Companies are proposing changes to the Customer Referral Program Agreement (CRP Agreement). Petition at ¶49. The Companies are proposing to reduce the notice period for currently participating EGSs (CRP Suppliers) from 60 days to 30 days.

Petition at ¶49. In addition, the Companies intend to impose an hourly rate for the research required and legal fees incurred to address customer complaints related to CRP Supplier activity that does not follow the Commission regulations or adhere to the terms and conditions of the CRP agreement. Petition at ¶49. The OCA submits that the Commission should review the proposed CRP and the costs that may arise from the continuation of such a referral program to ensure that such a program is still reasonable, cost-justified, and that the costs are still allocated appropriately among stakeholders.

G. Purchase of Receivables

The Companies propose two changes to the POR programs for residential and small commercial accounts served by EGSs. First, the Companies state that, in order to maintain the POR programs for all EGSs, there is a need to modify the EGS payments by establishing an annual charge for EGSs who exceed 150% of the average percentage of supplier write-offs. The annual charge would equal the difference between their actual write-off amount and the 150% of the respective Company's average annual EGS write-off as a percentage of billed EGS revenues. Second, the Companies propose revisions to the supplier tariff such that EGS refunds under POR go directly to the Companies to apply to the customer's account balance before refunding any remaining amounts to the customer. The OCA submits that these proposed changes to the POR programs warrant further review to ensure that each ratepayer's rights and interests are protected and that the proposed changes are just and reasonable.

WHEREFORE, the Office of Consumer Advocate respectfully submits that the Companies' default service filing must be thoroughly reviewed to ensure that the default service rates that will be charged starting June 1, 2017 are just and reasonable and otherwise consistent with Pennsylvania law.

Respectfully Submitted,

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Dated: November 30, 2015

214355

CERTIFICATE OF SERVICE

Joint Petition of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company For Approval of Their Default Service Programs	:	Docket Nos. P-2015-2511333 P-2015-2511351 P-2015-2511355 P-2015-2511356

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 §1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 30th day of November 2015.

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