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April 4, 2012

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

VIA HAND DELIVERY

**RE: Investigation of Pennsylvania's Retail Electricity Market: Intermediate Work Plan;
Docket No. I-2011-2237952**

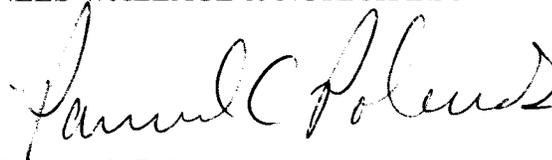
Dear Secretary Chiavetta:

Enclosed for filing with the Pennsylvania Public Utility Commission are the original and five (5) copies of the Comments of Citizens' Electric Company of Lewisburg, PA, and Wellsboro Electric Company on the Secretarial Letter and March 21, 2012 *en banc* hearing in the above-referenced proceeding.

Please date stamp an extra copy of this transmittal letter and Comments, and kindly return them for our filing purposes. Thank you.

Very truly yours,

McNEES WALLACE & NURICK LLC

By 
Pamela C. Polacek

Counsel to Citizens' Electric Company of
Lewisburg, PA, and Wellsboro Electric Company

PCP/sar

Enclosures

c: Office of Competitive Market Oversight Retail Markets Investigations

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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Investigation of Pennsylvania's :
Retail Electricity Market: : Docket No. I-2011-2237952
Intermediate Work Plan :

**COMMENTS ON SECRETARIAL LETTER AND MARCH 21, 2012 EN BANC
HEARING OF CITIZENS' ELECTRIC COMPANY OF LEWISBURG, PA,
AND WELLSBORO ELECTRIC COMPANY**

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Counsel to Citizens' Electric Company of
Lewisburg, PA, and Wellsboro Electric Company

Dated: April 4, 2012

I. INTRODUCTION

The Pennsylvania Public Utility Commission ("PUC" or "Commission") has an on-going Investigation of Pennsylvania's Retail Electricity Market ("Retail Markets Investigation" or "RMI") that is now focusing on a "Long-Range Work Plan". The Commission issued a Secretarial Letter on March 2, 2012, where it provided possible "end state" models for default service that result in EGSs serving default service customers. The Commission also convened an *en banc* hearing on March 21, 2012, to discuss those models. Comments in response to the Secretarial Letter and hearing are due by April 4, 2012. Citizens' Electric Company of Lewisburg, PA ("Citizens") and Wellsboro Electric Company ("Wellsboro") (collectively, the "Companies") hereby provide these Comments.

II. COMMENTS

Citizens' and Wellsboro appreciate the Commission's efforts in this investigation to determine how to bring the benefits of electric industry restructuring to additional customers in the Commonwealth. In prior decisions, the Commission also has recognized that a "one-size-fits-all" approach may not be appropriate to bring those benefits to the consumers in small EDC territories, and has acknowledged that smaller territories may require unique solutions. This is also consistent with the Commission's current default service regulations, which provide flexibility for the default service providers to develop procurement approaches that best fit the characteristics of their territories. Consistent with this approach, Citizens' and Wellsboro will only highlight general concerns regarding the alternative default service models discussed in the Secretarial Letter and at the *en banc* hearing. Citizens' and Wellsboro look forward to providing additional Comments and Reply Comments after the Commission issues its Tentative Order regarding the Long-Range Work Plan.

The three default service models discussed in the Secretarial Letter are based on the premise that one or more EGSs can provide default service in each territory, with the EDC continuing to perform certain functions and remaining in the ultimate "provider of last resort" role should a default service EGS fail to perform. This bifurcation of "default service" and "provider of last resort" service would be especially troublesome for Citizens' and Wellsboro. If the Companies unwind their current default service purchasing structure, or if their supply obligations are limited solely to net metering customers¹, Citizens' and Wellsboro will no longer maintain the wholesale supplier contracting relationships, credit arrangements with PJM or open credit vehicles with banks to support wholesale purchases. The continuation of a "backstop" obligation could mean that Citizens' and Wellsboro must quickly reestablish all of these items if the default service EGS fails to perform. In addition to the potential confusion that this "fire drill" could create for customers, the Companies will incur costs to recreate their current procurement approaches. As a result, if the Commission chooses to transfer the default service role to EGSs in the smaller territories, the Companies suggest for the smaller EDCs to be completely removed from the "backstop" or provider of last resort role.

During the March 21st hearing, several EGSs testified regarding the roles and activities that the default service EGSs could fulfill in an alternative default service model. Those potential roles included billing for all services and answering service calls. This may be another area where the Commission should consider the unique nature of the smaller EDC territories. With only 5,000 to 7,000 customers, Citizens' and Wellsboro employees continue to have close contact with the customers in the territories. Their employees see the customers at the grocery

¹ Citizens' and Wellsboro do not have CAP Programs for universal service customers, or Act 129 Energy Efficiency & Conservation Programs.

store, in local restaurants and at other community events. Some customers still pay their bills at the Companies' offices rather than mailing their payments. Although many customers may not be troubled by having their service call answered by a customer service representative in a distant call center, some will. Citizens' and Wellsboro firmly believe that keeping this local connection is an important aspect of delivering quality customer service, even if EDCs become solely the "wires" companies.

Similarly, the EDC should be permitted to bill for its own services. Under the alternative proposals, the "billing entity" would be required to offer a Purchase of Receivables program.² If the supplier bills for the EDC's services, then the EDC would receive payment minus a discount. This could create revenue deficiencies, especially if the billing entity's discount exceeds the Companies' historic uncollectible expense assumptions that are used to establish distribution rates. Furthermore, the Companies respectfully question whether an EDC can be forced to authorize a third party to bill its charges.

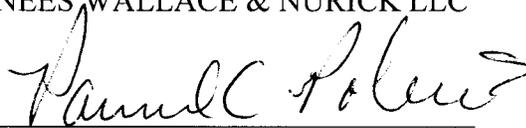
² Citizens' and Wellsboro do not have Purchase of Receivables programs.

WHEREFORE, the Citizens' Electric Company of Lewisburg, PA, and Wellsboro Electric Company respectfully request that the Pennsylvania Public Utility Commission consider and adopt, as appropriate, the foregoing Comments in issuing the Tentative Order regarding the Long-Range Work Plan.

Respectfully submitted,

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