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April 22, 2013

VIA E-FILING

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

**RE: Petition of Duquesne Light Company for Approval of a Default Service Program
For the Period of June 1, 2013 through May 31, 2015, Docket No. P-2012-2301664**

Dear Secretary Chiavetta:

On behalf of FirstEnergy Solutions Corp., I have enclosed for electronic filing the *Reply Comments of FirstEnergy Solutions Corp.* Copies of these documents have been served in accordance with the attached Certificate of Service.

Very truly yours,



Amy M. Klodowski
Attorney
FirstEnergy Solutions Corp.

AMK:dml

Enclosures

cc: The Honorable Katrina L. Dunderdale (via email and regular mail, w/encls.)
Certificate of Service

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition Of Duquesne Light Company For : Docket No. P-2012-2301664
Approval of Default Service Plan For The :
Period June 1, 2013 Through May 31, 2015 :

**REPLY COMMENTS OF FIRSTENERGY SOLUTIONS CORP. ON
DUQUESNE LIGHT COMPANY'S REVISED
STANDARD OFFER PROGRAM DESIGN**

FirstEnergy Solutions Corp. ("FES"), by its attorneys, hereby files its Reply Comments to the Comments filed by other parties on the Revised Retail Market Enhancement Program Design and Cost-Recovery Proposal ("RME Filing") filed by Duquesne Light Company ("Duquesne Light") on March 11, 2013. On March 28, 2013, a Secretarial Letter was issued in which the Commission established the deadline for Reply Comments as April 22, 2013. FES submits these Reply Comments in accordance with the schedule established in the Secretarial Letter.

I. INTRODUCTION

FES opposes Duquesne Light's proposal to revise its Standard Offer Customer Referral Program ("Standard Offer Program") to shift significant responsibilities to EGSs. In its initial Comments, FES explained that this change, and other related changes to the program design, would make the program much less likely to generate adequate EGS participation to succeed. The Comments of the Office of Consumer Advocate ("OCA") in support of Duquesne Light's revised Standard Offer Program design and cost recovery proposal indicate that the OCA's focus is on the Standard Offer Program's cost, not whether the program succeeds. The OCA's position incorrectly assumes the program will succeed, overlooks the concerns raised by FES in its initial Comments, and should be rejected.

Citizen Power, Inc. (“Citizen Power”) generally supports Duquesne Light’s modifications, but goes even further and proposes that the Commission remove participating EGSs’ certainty that they can control their program costs, by adopting a second-year EGS per customer fee potentially much greater than the proposed \$30 per customer cap if program costs reach a certain level. Citizen Power’s suggestion that EGSs face unknown cost liability has been rejected in several previous Commission Orders on the subject of Standard Offer Program cost recovery, which recognized the importance of cost certainty to EGSs in order to encourage participation in the programs.

For the reasons stated below and in its Comments, FES respectfully submits that the Standard Offer Program design submitted by Duquesne Light should not be approved. The reduced cost of the program does not justify approving the flawed design Duquesne Light proposes.

II. COMMENTS

The OCA lauds Duquesne Light’s revised Standard Offer Program because it will cost substantially less than the program Duquesne Light proposed initially in its DSP VI filing. OCA Comments at 4. It is apparent that the reduced cost of the revised program, and the concomitant likelihood that customers will bear little if any of the cost of the revised program, is the primary reason for the OCA’s support. The OCA’s Comments assume that EGSs will be interested in participating, without considering that Duquesne Light’s changes to the program put EGS participation in the program at risk, as explained in FES’s Comments.

Contrary to the OCA’s assertion that, because the revised program enrollment process relies on existing switching procedures it will not “require any more work on the part of the EGS,” OCA Comments at 6, the revised proposal requires the EGS to convince the customer to

enroll in the program. As FES explained in its Comments, this shift of responsibilities to the EGS creates problems with Duquesne Light's cost recovery proposal, since Duquesne Light proposes to charge the EGS the referral fee for any customer enrollment within five days after the referral, even if the enrollment is for a product other than the Standard Offer Program's. Because this may deter EGS participation, these responsibilities are best kept with Duquesne Light.

Citizen Power's recommendation to adopt Duquesne Light's revised Standard Offer Program and further increase the \$30 cap on an EGS's cost per customer in the second year of the program must also be rejected. Citizen Power proposes that the cap be subject to adjustment after June 2014 if the per-customer cost is "greater than \$75" and that customer costs be capped. Citizen Power Comments at 2-4. In other words, Citizen Power proposes that EGS cost exposure in the second year of Duquesne Light's program be unknown. The Commission has already determined that EGS cost responsibility must be a known, capped amount if there is to be sufficient EGS participation in the Standard Offer Program.¹ The known, capped amount the Commission has determined to be reasonable is the lesser of \$30 per customer or actual costs per referred customer.² In rejecting other cost recovery proposals which, like Citizen Power's proposal, would present significant barriers to EGS participation, the Commission recognized that the resolution of retail market enhancement program cost recovery issues is "the cornerstone to the success of these programs," which "can jumpstart the market only if they are carried out."³

¹ 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-2011-2273650, P-2011-2273668, P-2011-2273669, P-2011-2273670 (Opinion and Order entered February 15, 2013)("MetEd/PN/PP/WP Order"); Petition of PECO Energy Company for Approval of its Default Service Program II, Docket No. P-2012-2283641 (Order entered February 14, 2013)("PECO February 14 Order").

² MetEd/PN/PP/WP Order at 14; PECO February 14 Order at 13-14.

³ Petition of PECO Energy Company for Approval of its Default Service Program II, Docket No. P-2012-2283641 (Order entered October 12, 2012) at 148-149.

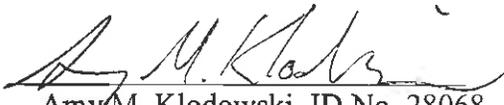
In fact, Citizen Power's concern that "if the program is not very successful, the result will be high customer acquisition costs with very little recovery from EGSs" emphasizes why Duquesne Light's revised proposal must be rejected. Citizen Power Comments at 3. The process originally proposed by Duquesne Light is much more likely to attract both EGS participation (for the reasons stated above and in FES's Comments) and customer participation (since a customer would experience a more efficient and less time-consuming process if Duquesne Light handles all of their needs during their call). While Duquesne Light's revised program would result in lower program costs, it would also result in a program less likely to succeed, and more likely to require customers to bear most if not all of the expense.

III. CONCLUSION

For the foregoing reasons, FirstEnergy Solutions Corp. requests that the Commission reject the arguments set forth in the Comments filed in this proceeding by the OCA and Citizen Power, require Duquesne Light to revise its Standard Offer Program to use in-house personnel or employ a third-party vendor to explain the program to customers and grant such further relief as the Commission deems appropriate.

Respectfully submitted,

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Dated: April 22, 2013

Attorneys for FirstEnergy Solutions Corp.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of Duquesne Light Company :
For Approval of Default Service Plan : Docket No. P-2012-2301664
For The Period June 1, 2013 Through :
May 31, 2015 :

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing document upon the parties, listed below, in accordance with the requirements of § 1.54 (relating to service by a party).

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