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May 7, 2013

**VIA E-FILING**

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

**RE: Petition of PECO Energy Company For Approval of Its Default Service Program;  
Docket No. P-2012-2283641**

Dear Secretary Chiavetta:

On behalf of FirstEnergy Solutions Corp., I have enclosed for electronic filing the *Reply Comments of FirstEnergy Solutions Corp. on the Third Revised Default Service Plan Filing of PECO Energy Company*. 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: Certificate of Service

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of PECO Energy Company For : Docket No. P-2012-2283641  
Approval of Its Default Service Program :

**REPLY COMMENTS OF FIRSTENERGY SOLUTIONS CORP. ON  
THE THIRD REVISED DEFAULT SERVICE PLAN FILING OF PECO ENERGY  
COMPANY**

FirstEnergy Solutions Corp. ("FES"), by its attorneys, hereby replies to the Comments filed on April 25, 2013 by the Office of Consumer Advocate ("OCA") on the Third Revised Default Service Plan Filing ("Third Revised DSP Filing") filed by PECO Energy Company ("PECO") on April 15, 2013. As explained below, the OCA's Comments in regard to PECO's revised Standard Offer Program ("SOP") cost recovery proposal, which largely repeat the OCA's prior arguments in this proceeding, contain arguments which are unsupported by either Commission precedent or record evidence in this proceeding, and should be rejected.

**I. REPLY COMMENTS**

The OCA acknowledges that the Commission has established a \$30 per customer cap for SOP program costs to be borne by participating electric generation suppliers ("EGSs"). OCA Comments at 6. Contrary to the Commission's findings in this proceeding, the OCA asserts the SOP will only benefit EGSs, and maintains there is no evidence that any cost recovery from customers is reasonable. Therefore, the OCA argues that PECO and stakeholders should go back to the drawing board and redesign the SOP so that the total costs per enrolled customer are less than the \$30 per customer cap and customers therefore will not have to bear any costs of the program. The OCA points approvingly to the lower cost estimates of PPL Electric and Duquesne Light Company ("Duquesne Light") for their SOPs, and urges PECO to "revisit the

program design and to seek to implement the program within the cost cap established by the Commission.” OCA Comments at 6-7.

The Commission has already ruled against the OCA’s positions that customers will not benefit and should not bear any costs of the SOP. The OCA’s other recommendations to prolong implementation of the SOP are similarly unconvincing and should be rejected as well. The OCA’s proposal that PECO should consider using the PPL Electric or Duquesne Light SOP design is untimely and bears no relationship to the evidentiary record in these proceedings. PECO’s SOP design is based upon its operations, not those of Duquesne Light or PPL Electric. The OCA’s recommendation lacks any analysis of the impacts of changing PECO’s SOP on other aspects of the program or on other of PECO’s operations. Since the OCA’s recommendation is completely unsupported, it should be rejected.

In addition, the OCA’s argument that PECO chose the wrong mechanism for recovering costs in excess of the \$30 per customer cap simply ignores the Commission’s rulings in this proceeding. The Commission recognized the possibility that costs would exceed the \$30 per customer cap on EGS responsibility, and expressly permitted EDCs to choose one of two options for recovery of any costs in excess of the \$30 per customer cap: (1) the 50/50 division between default service customers and POR or (2) a nonbypassable charge.<sup>1</sup> PECO proposes in its Third Revised DSP Filing to recover costs of the SOP in excess of the capped \$30 per customer EGS fee through the first option, a sharing mechanism between default service customers and EGSs. The OCA recognizes that this methodology is one of two permitted by the Commission,<sup>2</sup> OCA

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<sup>1</sup> Petition of PECO Energy Company for Approval of its Default Service Program II, Docket No. P-2012-2283641 (Order entered February 14, 2013); see also 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-2011-2273668, P-2011-2273669, P-2011-2273670 (Opinion and Order entered February 15, 2013);

<sup>2</sup> FES recognizes that PECO, unfortunately, has chosen the option permitted by the Commission which is more likely to inhibit EGS participation in the SOP, due to EGSs’ unknown cost responsibility above and beyond the \$30

Comments at 6, yet incredibly maintains that default service customers should not bear any costs of PECO's SOP. This position has been argued and rejected by the Commission in numerous cases, including the Retail Markets Investigation and in every default service proceeding in which an SOP has been proposed. The OCA presents no new arguments in support of its position and for disregarding the Commission's rulings. Accordingly, the OCA's Comments should be rejected.

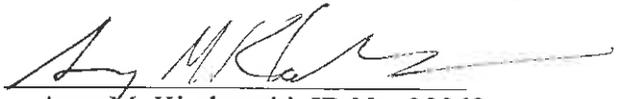
## II. CONCLUSION

For the foregoing reasons, FirstEnergy Solutions Corp. requests that the Commission reject the arguments set forth in the OCA's Comments and grant such further relief as the Commission deems appropriate.

Respectfully submitted,

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Dated: May 7, 2013

Attorneys for FirstEnergy Solutions Corp.

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per customer fee. The Commission has previously 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," (Petition of PECO Energy Company for Approval of its Default Service Program, Docket No. P-2012-2283641 (Order entered October 12, 2012) at 148-149). However, FES, unlike the OCA, acknowledges that the Commission's ruling permits PECO to choose this option for cost recovery in excess of the EGS cost cap.

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of PECO Energy Company For : Docket No. P-2012-2283641  
Approval of Its Default Service Program :

**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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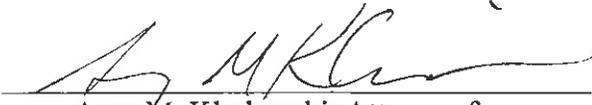
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