

RECEIVED

MAR 18 2019

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Petition of FirstEnergy Solutions Corp. for  
Reduced Financial Security Requirement  
For the Period June 10, 2019 Through June  
30, 2020** :                   **Docket No. A-110078**  
:  
:  
:  
:  
:  
:

---

**PETITION OF FIRSTENERGY SOLUTIONS CORP. FOR REDUCTION IN ITS  
CURRENT FINANCIAL SECURITY REQUIREMENT  
(REDACTED VERSION)**

---

Now comes Petitioner, FirstEnergy Solutions Corp. (hereinafter "FES" or "Company"), by and through counsel, and, pursuant to 52 Pa. Code § 54.40(d), asks Staff to approve the Company's request to reduce its current financial security requirement from a ten percent level to a five percent level.<sup>1</sup> Further, because the Company's bonds expire annually on July 1, the Company asks that such approval be authorized for the period June 10, 2019<sup>2</sup> through June 30, 2020 (hereinafter "2019 Bond Period"), so as to match, on a going forward basis, the approval period with the bond expiration dates. As is more fully discussed below, the 5% bonding level is more than sufficient to meet the risks intended to be secured by said bonds during the 2019 Bond Period. Moreover, the extension of the approval period for an additional 20 days should cause no harm or undue hardship on any party.

---

<sup>1</sup> The Commission delegated the review of such requests to its Staff in its Final Order entered on July 24, 2014 in Docket No. M-2013-2393141.

<sup>2</sup> The Company's current bonding level of 10% was authorized for the period June 10, 2018 through June 10, 2019. See generally, *Petition of FirstEnergy Solutions Corporation [sic] for Renewal of Its 5% Reduced Financial Security Requirement For the Period June 10, 2018 Through June 10, 2019*, Docket No. A-110078, Opinion and Order (Entered June 27, 2018).

## I. BACKGROUND AND HISTORY

1. Pennsylvania law sets forth various licensing requirements that must be met by an electric generation supplier (“EGS”) in order to maintain its license, including certain financial responsibilities. 66 Pa C.S. §2809(c)(1)(i) provides in pertinent part:

In order to ensure the safety and reliability of the generation of electricity in the Commonwealth, no energy supplier license shall be issued or remain in force unless the holder complies with all of the following:

- (i) Furnishes a bond or other security approved by the commission in form and amount to ensure the financial responsibility of the electric generation supplier and the supply of electricity at retail in accordance with contracts, agreements or arrangements.

\* \* \*

2. The Commission’s regulations state in 52 Pa Code § 54.40(d) that “the security level will be 10% of the licensee’s reported gross receipts.”
3. However, on December 5, 2013, the Commission issued a Tentative Order in Docket No. M-2013-2393141 in which it proposed both an adjustment to the bonding requirements for EGSs as well as an expansion of the forms of acceptable security instruments, and requested formal comments on the same.<sup>3</sup>
4. After considering the comments submitted by various interested parties, the Commission announced in its Final Order issued in Docket No. M-2013-2393141 (hereinafter, “Final Security Reduction Order”) a new policy, stating:

[T]he bond or security for an EGS after the first year of operation should be in the amount of 5% of the EGS’s most recent twelve months of revenue or \$250,000, whichever is higher, as we find that this bonding/security amount is commensurate with the nature and scope of a typical EGS’s operations. ... Accordingly, it shall be the policy of the Commission to accept a request by an EGS to reduce its level of security after the first year

---

<sup>3</sup> *Public Utility Commission Bonding/Security Requirements for Electric Generation Suppliers: Acceptable Security Instruments*, Docket No. M-2013-2393141, Final Order at 1 (Entered July 24, 2014) (hereinafter, “Final Security Reduction Order”).

of operation, *consistent with this Final Order, the Public Utility Code and our regulations.*<sup>4</sup>

5. When establishing this new policy, the Commission found that “requiring an EGS to post a bond or security in the amount of 10% of reported gross receipts after the first year of EGS operation may be excessive in relation to the risk intended to be secured, unnecessarily burdening EGSs, and presenting a potential barrier to entry into Pennsylvania’s retail electric market.”<sup>5</sup> It also determined that even at a 5% level, the Commission’s financial security requirement would still be more stringent than those required in other restructured states.<sup>6</sup>
6. In its Final Security Reduction Order, the Commission stated that “[t]he purpose of the security level is to ensure payment of the Gross Receipts Tax (GRT) and to ensure the supply of electricity at the retail level in accordance with contracts, agreement or arrangements.”<sup>7</sup> It further noted that “[t]he Commonwealth also has an interest in receiving an EGS’s alternative compliance payment (ACPs) under the Alternative Energy Portfolio Standards [“AEPS”] Act of 2004,” which are imposed on an EGS that fails to comply with the AEPS Act’s alternative energy portfolio standards.<sup>8</sup>
7. In that same Final Security Reduction Order, the Commission delegated its authority to review uncontested petitions for requests for reduction of security requirements to the Bureau of Technical Utility Services (“TUS”).<sup>9</sup> The Final Security Reduction Order further provides that the Staff, at a minimum, will require the following information from an EGS seeking a change to its security requirement:

---

<sup>4</sup> *Id.* at 10-11 (italics added) (citations omitted).

<sup>5</sup> *Id.* at 10.

<sup>6</sup> *Id.*

<sup>7</sup> *Id.* at 4-5 (italics added) (citations and footnotes omitted).

<sup>8</sup> *Id.* at 5 (italics added) (citations omitted).

<sup>9</sup> *Id.* at 13.

- Gross receipts revenues for the sale of electricity to retail customers in Pennsylvania for the most recent 12 months;
- The amount of gross receipts taxes that the EGS has prepaid towards its estimated revenues for the current calendar year;
- If the EGS is proposing to utilize a parental or corporate guarantee, documentation that demonstrates that the guarantor meets the required long-term bond rating from two of the approved rating agencies;<sup>10</sup>
- Available AEPS compliance data from the most recent 12 months; and
- Copies of all Department of Revenue documents that support the EGS's request.<sup>11</sup>

And, depending on the nature of the EGS's request, Staff may seek more information from the EGS.<sup>12</sup>

8. Further, in an April 8, 2016 Secretarial Letter, the Commission stated:

To be eligible for the renewal [of a reduction in security requirements], your company must provide annual documentation of its eligibility for a bond reduction at least [ninety] (90) days prior to the current security's expiration date. Such documentation should include but may not be limited to:

- a petition for renewal, filed with the Commission's Secretary's Bureau,
- a \$350 filing fee,
- proof of service of the petition on the statutory advocates and affected EDCs,
- a Tax Letter of Good Standing from the Department of Revenue, and
- the company's gross receipts for the most recent four quarters.<sup>13</sup>

9. The Letter further requires an EGS to submit its bond to Staff at least 30 days prior to the EGS's current bond's expiration.<sup>14</sup>

10. In its Final Security Reduction Order, the Commission made clear that it was not issuing a blanket waiver of the 10% requirement as set forth in 52 Pa Code § 54.40(d).<sup>15</sup> However, the Commission did indicate that it "will accept a bond/security sought by an EGS for

<sup>10</sup> The Company does not intend to utilize a parental or corporate guarantee.

<sup>11</sup> Final Security Reduction Order at 16.

<sup>12</sup> *Id.*

<sup>13</sup> *Guidance on Electric Generation Supplier Licensee Financial Security*, Docket No. M-2013-2393141, Secretarial Letter, p. 2 (April 8, 2016).

<sup>14</sup> *Id.* at 1.

<sup>15</sup> Final Security Reduction Order at 11-12.

subsequent years of operation at a level of 5% of the EGS's most recent 12 months of revenue or \$250,000, whichever is higher, *so long as the revised bond/security still meets the other criteria that [the Commission] already require[s] under [its] regulations* [citing to 52 Pa Code § 54.40(f)] (relating to what must be stated in writing in the bond)).”<sup>16</sup>

11. The Commission upheld TUS's determination that the Company's current bonding level requirement for the period June 10, 2018 through June 10, 2019 (“2018 Bond Period”) should be at 10% of the Company's gross receipts.<sup>17</sup>
12. On or about July 26, 2018, the Company filed with the Commission evidence of a security bond at a 10% of gross receipts level, which will expire on July 1, 2019.<sup>18</sup>

## **II. THE COMPANY'S SECURITY REDUCTION REQUEST IS CONSISTENT WITH THE COMMISSION'S FINAL SECURITY REDUCTION ORDER, THE PUBLIC UTILITY CODE AND THE COMMISSION'S REGULATIONS**

13. According to the Commission, the risk intended to be secured through the bond is (i) the risk of non-payment of gross receipts taxes by an EGS; (ii) the risk of non-payment of any potential penalty arising from non-compliance with AEPS requirements; and (iii) the risk of failing to supply electricity at the retail level in accordance with contracts, agreement or arrangements *during the upcoming annual period*.<sup>19</sup> And, while not addressed by the Commission in its Final Security Reduction Order, the risk of non-payment of the

---

<sup>16</sup> *Id.* at 12 (italics added).

<sup>17</sup> *Petition of FirstEnergy Solutions Corporation [sic] for Renewal of Its 5% Reduced Financial Security Requirement For the Period June 10, 2018 Through June 10, 2019*, Docket No. A-110078, Opinion and Order (Entered June 27, 2018).

<sup>18</sup> This document was filed under seal with the Secretary of the Commission.

<sup>19</sup> This request is for slightly more than a twelve-month period (June 10, 2019 through June 30, 2020). The Company must submit a separate request at the end of this time frame should it desire to maintain the 5% security level in the future. Accordingly, the assessment of this petition should focus solely on the risks of nonpayment during the 2019 Bond Period. Any change in circumstances in the future can be addressed in future filings.

Commission's annual regulatory assessment has also been discussed.<sup>20</sup> As demonstrated below, these risks are more than secured at a 5% of gross receipts bonding level. Moreover, this Petition and supporting documents are consistent with the Commission's Final Security Reduction Order, the Public Utility Code and other Commission regulations and, accordingly, the Company's request to reduce its security level from 10% of gross receipts to 5% of gross receipts should be approved.

**A. Documents in Support of the Company's Request**

14. Enclosed for Commission Staff's review are the following documents consistent with both the Commission's Final Security Reduction Order and the April 8, 2014 Secretarial Letter:

- a. A Tax Letter of Good Standing from the Pennsylvania Department of Revenue, which is attached as **CONFIDENTIAL APPENDIX A**.
- b. The amount of the Company's gross receipts from electric generation sales to retail customers in Pennsylvania for the most recent four quarters (ending December 31, 2018), which is attached as **CONFIDENTIAL APPENDIX B**.
- c. Evidence of the Company's prepayment of its estimated gross receipts tax for 2019, which is attached as **CONFIDENTIAL APPENDIX C**.
- d. A letter from the Commission's AEPS Administrative Team in which the AEPS Team verifies the Company's compliance with the AEPS requirements for the most recent reporting period, which is included as **APPENDIX D**.

---

<sup>20</sup> See e.g., *In re Petition of FirstEnergy Solutions Corporation [sic] for Renewal of Its 5% Reduced Financial Security Requirement for the Period June 10, 2018 Through June 10, 2019*, Docket No. A-110078; Opinion and Order at 3 (Entered June 27, 2018).

- e. An outline of the Company's strategy for compliance with its remaining AEPS requirements through September 2019, along with an estimate of the cost of such compliance, which is included as CONFIDENTIAL APPENDIX E.
  - f. A statement of FES's cash balance on hand at January 31, 2019, which is attached as APPENDIX F.<sup>21</sup>
  - g. A check in the amount of \$350.00 for the filing fee.
  - h. A Certificate of Service indicating that this Petition (without enclosures) has been served on the statutory advocates and affected EDCs, which is included as APPENDIX G.<sup>22</sup>
15. Additionally, upon authorization of the Company's security level, the Company intends to submit a security bond in the form substantially similar to those submitted (and approved by the Commission) in the past. It will also provide any additional information requested by Staff in order to demonstrate its compliance with Commission prerequisites for approval.
16. As explained below, this Petition, along with supporting attachments, demonstrates that (i) the Company can meet its gross receipts tax obligations during the 2019 Bond Period; (ii) the Company can meet its AEPS obligations during the 2019 Bond Period; (iii) the Company can meet its annual Commission assessment obligation; and (iv) the Company has already provided security through PJM and other EDCs to ensure the supply of

---

<sup>21</sup> This monthly statement is part of a filing the Company submits to the Court each month. *See generally, In re FirstEnergy Solutions Corp.*, Case No. 18-50757, U. S. BR Court N. D, which can be accessed via the internet at [www.primeclerk.com](http://www.primeclerk.com).

<sup>22</sup> The information set forth in Paragraph 13 (a) – (h) includes additional information beyond that required in the Commission's Final Bond Reduction Order, and/or the April 8, 2016 Secretarial Letter, in Docket No. M-2013-2393141 (in which the Commission provided guidance as to the process to be followed when requesting a security reduction.)

electricity at retail consistent with its commitments to its customers. Moreover, while extremely unlikely, assuming for the sake of argument that the Company cannot meet any of these obligations, a 5% security level is more than adequate to secure against any liability that may arise as a result of the Company's failure to do so.

**B. The Company Has Demonstrated its Ability to Pay its Gross Receipts Taxes**

17. FES has historically paid its GRT prepayment liability on time; and the 2019 GRT liability is no exception. As evidenced in CONFIDENTIAL APPENDIX C, the Company's 2019 GRT prepayment liability of \$ [REDACTED] was paid in full on March 14, 2019. On that same date, the Company also paid the remaining balance on the underestimation of the 2018 GRT prepayment of \$ [REDACTED]. Further, as indicated in CONFIDENTIAL APPENDIX A, the Company was in full compliance with its tax liabilities as of February 14, 2019.

**C. The Company Has Demonstrated its Ability to Comply with the AEPS Requirements During the 2019 Bond Period**

18. Attached as APPENDIX D is a letter from the Commission's AEPS Administrative Team in which the AEPS Team verifies the Company's compliance with the AEPS requirements for the most recent reporting period ending September 2018. The Company's next report is due in September 2019. As part of CONFIDENTIAL APPENDIX E, the Company has included its current strategy for compliance for the period September 2019 through September 2020. As that document indicates, after factoring in its current inventory of renewable energy credits ("RECs"), the Company estimates that its cost to comply for the period September 2019 through September 2020 will be approximately [REDACTED]



dollars. Inasmuch as the Company had a cash and cash equivalent balance of approximately \$1.164 billion at January 31, 2019, there is virtually no risk that the Company will be unable to obtain the RECs necessary to comply with its AEPS obligation for the upcoming reporting period.<sup>23</sup> Moreover, while unlikely, should such non-compliance occur, a bond at 5% of the Company's 2018 gross receipts level will provide security in an amount of approximately \$ [REDACTED] which is more than sufficient to alleviate virtually any risk of the Company's inability to pay any penalties that would arise from such non-compliance during the 2019 Bond Period.

**D. The Company Can Pay its Annual Regulatory Assessment**

19. FES has historically paid its Commission assessments in full and on time, and it intends to continue to do so during the 2019 Bond Period. If the Commission's assessment is similar in amount to that of last year's assessment of approximately \$ [REDACTED] such a payment would represent [REDACTED] % of FES' cash balance on January 31, 2019. In light of this fact, the risk that FES will not be able to meet its Commission assessment obligation (or any other financial obligations discussed herein) during the 2019 Bond Period is virtually nil.

**E. The Company Already Has Provided Security to Ensure the Supply of Electricity at the Retail Level in Accordance with Contracts, Agreement or Arrangements.**

20. During the 2018 Bond Period, FES supplied electricity to all of its customers consistent with its commitments and intends to continue to do so in the future. Further, any risk of failing to supply electricity at retail is already mitigated by PJM's security requirements, which are designed to ensure that an EGS meets its supply obligations. In PJM, the EDC

---

<sup>23</sup> See Appendix F. The current balance is an increase in cash and cash equivalents of approximately \$450 million, since the beginning of the 2018 Bond Period.

assigns the load responsibility to the EGS and informs PJM of that responsibility. PJM then requires cash collateral from the EGS, which is directly related to (among other things) the size of an EGS's load obligations. Further, some Pennsylvania EDCs also require cash collateral as a condition of the EGS doing business with them. Accordingly, any additional security required by the Commission to mitigate supply risk is duplicative with that already required by PJM and other Pennsylvania utilities.<sup>24</sup> In light of the foregoing, there is virtually no risk not already hedged, either through PJM's cash collateral requirements, other Pennsylvania EDC collateral requirements, or a 5% bonding requirement authorized by the Commission, that customers of FES will not receive their supply of electricity at retail.

**F. The Company's Filing for Chapter 11 Bankruptcy Protection Does Not Affect the Risks Intended to be Secured by the Company's Bond**

21. On April 2, 2018, FES provided the Commission with notice of a material change to its business operations, informing the Commission of the fact that on March 31, 2018, FES filed a voluntary petition in the United States Court for the Northern District of Ohio (hereinafter "the Court") for relief pursuant to Chapter 11 of Title 11 of the United States Code.
22. When denying the Company's Petition for Reconsideration of TUS' rejection of the Company's request to renew its security level at 5% for the 2018 Bond Period (and instead increasing it to a 10% level) the Commission stated:

---

<sup>24</sup> Currently, FES has posted with PJM almost \$ [REDACTED] in cash collateral to cover its credit requirements. This is in addition to the other cash collateral of approximately \$ [REDACTED] posted with several Pennsylvania utilities. The Company will provide documentation of these payments upon request by Staff.

[T]he underlying financial stability and credit worthiness of an EGS' business operation remains relevant to TUS' consideration whether to discount a bond amount intended as financial security to ensure the financial stability of the EGS and the supply of electricity at retail.<sup>25</sup>

23. The Commission concluded that:

FES' filing of Chapter 11 and FES' Moody's rating outlook downgrade, together, are sufficient justification for TUS' uncertainty regarding FES' ability to meet its financial obligations related to gross receipts taxes, Alternative Energy Portfolio Standards and the Commissions [sic] Annual Fee levied on EGS.<sup>26</sup>

24. While perhaps these two events, if considered in a vacuum today, could justify TUS' uncertainty regarding the Company's ability to meet its GRT obligation, AEPS obligation and its obligation to pay the Commission's annual assessment, when the totality of the *documentation and other evidence presented in this Petition is considered, that uncertainty should be erased. As has already been discussed and demonstrated:*

- The Company has already prepaid its annual estimated GRT liability. (See CONFIDENTIAL APPENDICES A AND C).
- The Company has demonstrated its compliance with AEPS requirements during the most recent reporting period, and has provided its strategy and estimated cost for compliance during the 2019 Bond Period. (See APPENDIX D and CONFIDENTIAL APPENDIX E).
- The Company has shown that it has a cash and cash equivalent balance of over one billion dollars as of January 31, 2019, which when factoring in an estimated Commission assessment of \$ [REDACTED] equates to approximately [REDACTED] of that cash balance. (See APPENDIX F)
- And, although neither the Commission nor TUS identified any specific concern with the Company's ability to deliver electricity consistent with its commitments when establishing the security level for the 2018 Bond Period, the Company has also quantified the amount of cash collateral provided to PJM (\$ [REDACTED]) and other Pennsylvania utilities [REDACTED], which would be in addition to the approximately

---

<sup>25</sup> *In re Petition of FirstEnergy Solutions Corporation [sic] for Renewal of Its 5% Reduced Financial Security Requirement for the Period June 10, 2018 Through June 10, 2019*, Docket No. A-110078: Opinion and Order at 9 (Entered June 27, 2018).

<sup>26</sup> *Id.* at 9-10.

\$ [REDACTED] through a bond at a 5% security level. Upon request of Staff, the Company will provide documentation of said payments. Moreover, the Company has received authority from the Court to continue to maintain said collateral.<sup>27</sup>

25. In addition to the above, and as further evidence of the Company's ability to meet its financial obligations, the Court, when granting several of the Company's many First Day Motions, also authorized FES to make all payments related to tax liabilities,<sup>28</sup> and to pay any state regulatory fees<sup>29</sup> (which was granted on April 4, 2018).<sup>30</sup>
26. The request for a 5% security level is for the 2019 Bond Period only. When evaluating the Company's request for its 5% security level during the 2018 Bond Period, TUS placed a great significance on the fact Moody's downgraded the Company's credit rating. However, per Moody's, a "rating outlook is an opinion regarding the likely rating direction over the *medium term*,"<sup>31</sup> and not a definitive statement as to a company's ability to pay its bills over the next year. As was explained when Ford Motor Company's ratings outlook was similarly downgraded to negative from stable because it was facing a more challenging operations environment, such an action by Moody's "does no harm to

---

<sup>27</sup> The Company filed various motions with the Court. In its First Day Motion, Debtor's Motion For Entry of an Order Authorizing the Debtors to (i) Maintain And Administer Customer Programs And to Perform Under Customer Agreements, (ii) Honor Obligations Related Thereto, And (iii) Establish Procedures For Notifying Customers in the Debtors Chapter 11 Cases Filed by Debtor FirstEnergy Solutions Corp., Docket No. 18, the Company sought authority to (among other things) maintain PJM collateral commitments, which was approved by the Court as part of the April 4, 2018 First Day Order, Order Authorizing Debtors to (i) Maintain And Administer Customer Programs And to Perform Under Customer Agreements, (ii) Honor Obligations Related Thereto, And (iii) Establish Procedures For Notifying Customers in the Debtors Chapter 11 Cases Filed by Debtor FirstEnergy Solutions Corp., in Docket No. 161 (April 4, 2018).

<sup>28</sup> *In re FirstEnergy Solutions Corp.*, Case No. 18-50757, U. S. BR Court N. D, First Day Motion for Entry of Interim and Final Orders Authorizing the Debtors to Pay Certain Prepetition Taxes and Fees, Docket No. 16, (Motion); First Day Orders, Interim Order Authorizing Debtors to Pay Certain Prepetition Taxes and Fees, Docket No. 166 (April 4, 2018), both of which can be accessed via the internet at [www.primeclerk.com](http://www.primeclerk.com).

<sup>29</sup> *Id.* at Debtor's Motion for Entry of Interim and Final Orders Authorizing the Debtors to pay Certain Prepetition Taxes and Fees, Docket No. 16 (April 1, 2018).

<sup>30</sup> *Id.* at First Day Orders, Interim Order Authorizing Debtors to Pay Certain Prepetition Taxes and Fees, Docket No. 166 (April 4, 2018).

<sup>31</sup> Ratings Symbols and Definitions (July 2017), which can be found at [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_79004](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004) (*italics added*).

[Ford's] credit now, but alerts Wall Street that the situation is dynamic.”<sup>32</sup> Clearly, FES' filing for Chapter 11 protection created a “dynamic” situation, but the evidence included with this Petition demonstrates that the Company can meet the financial obligations that the security is intended to protect during the upcoming year. Indeed, when the Company emerges from Chapter 11 protection, which is currently anticipated to be by the end of 2019, its balance sheet will be financially stronger than when the Commission authorized the 5% security level prior to the Company's filing for such protection.

27. In sum, the Company has presented documentation that supports a 5% security level consistent with the Commission's Final Bond Reduction Order, the Public Utility Code and the Commission's regulations. It has demonstrated that a 10% security level is excessive in relation to the risk intended to be secured, and, if not granted, will require the Company to incur unnecessary costs which could present a potential competitive disadvantage in the market place. Moreover, as the Commission has acknowledged, if approved at the 5% level, this security requirement would still be more stringent than other restructured states. Accordingly, the Company's request to reduce its security level to 5% should be granted.
28. Finally, as the Commission suggested in its Final Security Reduction Order<sup>33</sup>, the Company is more than willing to work with Commission staff during the filing process on an informal basis to provide it with any additional documentation or evidence it requires in order to grant the Company's request.

---

<sup>32</sup> Detroit Free Press, (Jan. 31, 2018) via the internet at [freep.com](http://freep.com)

<sup>33</sup> See Final Security Reduction Order at 12-13.

**III. THE EXTENSION OF THE SECURITY LEVEL AUTHORITY THROUGH JUNE 30, 2020 SHOULD BE APPROVED.**

29. In the past, the authorization for the Company's security level each year is for the year ending June 10<sup>th</sup>. Yet, the Company's bonds expire annually on July 1, leaving an "approval gap" of approximately twenty days between the expiration dates for the two events. In an effort to simplify the process and avoid confusion, the Company is asking the Commission to approve the requested security level for the period June 10, 2019 through June 30, 2020 so as to "synch up" the expiration of the Commission's approval and the expiration of the Company's then current bonds. Then, on a going forward basis, the Company will seek annual approvals for the years ending on June 30<sup>th</sup>.
30. Such a request will alleviate the potential for an "approval gap" and will provide Staff more time to evaluate the Company's request. According to the April 8, 2014 Secretarial Letter, the Company must submit its request for a renewal of its reduced security level at least 90 days prior to the current security's expiration date. But, in order to avoid the 20-day "approval gap", the Company must submit its request at least 20 days earlier than otherwise required and obtain authority prior to the expiration of the then current authorization. And, because of year-end closings and the need to accumulate certain information for any such filing, the earliest such a filing can reasonably be compiled is generally during the first several weeks of March, thus leaving Staff less time to evaluate the request if approval expires on June 10<sup>th</sup>.
31. Further, such a request should not cause harm or undue hardship to any party.

#### IV. CONCLUSION

**WHEREFORE**, based upon the foregoing, FirstEnergy Solutions Corp. respectfully requests that Staff (i) approve the Company's request to reduce its security level to 5% of its gross receipts for the most current four quarters; (ii) authorize such security level for the period June 10, 2019 through June 30, 2020; and (iii) provide such approval no later than May 10, 2019 so as to provide the Company sufficient time in which to obtain the bond at the appropriate security level and, consistent with the Commission's April 8, 2016 Secretarial Letter, provide said bond to Staff at least 30 days before the Company's current bond expires on July 1, 2019.

Respectfully submitted,

Dated: March 18, 2019

  
\_\_\_\_\_  
Kathy J. Kolich  
Attorney No. 92203  
Kolich & Associates, LLC  
1521 Hightower Drive  
Uniontown, OH 44685  
Direct Dial: (330) 316-2378  
Facsimile: (330) 384-3875  
Email: [kkolich@firstenergycorp.com](mailto:kkolich@firstenergycorp.com)

Counsel for FirstEnergy Solutions Corp.

**VERIFICATION**

I, Kevin T. Warvell, Chief Financial Officer, Chief Risk Officer and Corporate Secretary for FirstEnergy Solutions Corp., hereby state that the facts set forth above are true and correct to the best of my knowledge, information and belief and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

Date: March 18, 2019

  
Kevin T. Warvell

RECEIVED  
MAR 18 2019  
PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU



**APPENDIX A – CONFIDENTIAL**

**CASE NO. A-110078  
FIRSTENERGY SOLUTIONS CORP.  
Tax Letter of Good Standing  
CONFIDENTIAL**

**RECEIVED**

MAR 18 2019

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

CONFIDENTIAL

Bureau of Compliance  
P O Box 280231  
Harrisburg, PA 17128-0231  
717-787-3911 (Option 5)  
[www.revenue.pa.gov](http://www.revenue.pa.gov)



Thursday, February 14, 2019

Attention: Mike Mintus,

RE:  
FirstEnergy Solutions Corp.  
76 South Main St.  
Akron, OH 44308

Federal EIN:  
Social Security Number:  
Business Partner Number:



Dear Requester,

I am writing to confirm that the above-referenced tax accounts of FirstEnergy Solutions Corp. are current. All returns have been filed with payment as of Thursday, February 14, 2019. This confirmation is not intended to represent a "Bulk Sale Clearance" under the provision of section 1403 of the fiscal code. This letter does confirm that the account above is in good standing.

Sincerely,

Emard S. Robinson, Jr  
PA Department of Revenue  
Bureau of Compliance  
Business License Clearance Division

Hearing Impaired and/or Speaking Needs  
Call TTY# 800 447-3020


**APPENDIX B – CONFIDENTIAL**

**CASE NO. A-110078**

**FIRSTENERGY SOLUTIONS CORP.**

**Company's gross receipts from electric generation sales to retail customers in Pennsylvania for the most recent four quarters (ending December 2018)**

**CONFIDENTIAL**

		State
		PA
EGS	Reported Qtr	
FirstEnergy Solutions Corp.	Q1 2018	
	Q2 2018	
	Q3 2018	
	Q4 2018	
<b>FirstEnergy Solutions Corp. Total</b>		

**RECEIVED**

MAR 18 2019

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

RECEIVED

MAR 18 2019

APPENDIX C – CONFIDENTIAL

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

CASE NO. A-110078  
FIRSTENERGY SOLUTIONS CORP.  
Evidence of the Company's prepayment of estimated gross receipts tax  
CONFIDENTIAL

Confirmation of PA Department of Revenue tax payments.

Clearing documents from SAP and ACH confirmations from Treasury.

Cross-CC no.	[REDACTED]	Type	EP: Payment posting
Posting Date	03/14/2019		
CoCd	Company Name	Exch. rate	Transactn Date
1100	FE Solutions Corp		03/14/2019
SC00	FirstEnergy Service Co.		03/14/2019

CoCode	PK	Item Account	Description	Amount	Tax	Cost	Ct.	TTY	Assign.	Order	Profit Center	Orig doc.	Tr.Prt
1100	25	1	PENNSYLVANIA DEPARTME	[REDACTED]							PCBALSHEET	2000000425	
	50	2	A/P Assoc Co-FESvcCo								PCBALSHEET		SC00
SC00	50	1	Outgoing Wire Transf								PCBALSHEET		
	40	2	AR Assoc Co-FE Solctns								PCBALSHEET		1100

Cross-CC no.	2000982298SC0019	Type	EP: Payment posting
Posting Date	03/14/2019		
CoCd	Company Name	Exch. rate	Transactn Date
1100	FE Solutions Corp		03/14/2019
SC00	FirstEnergy Service Co.		03/14/2019

CoCode	PK	Item Account	Description	Amount	Tax	Cost	Ct.	TTY	Assign.	Order	Profit Center	Orig doc.	Tr.Prt
1100	25	1	PENNSYLVANIA DEPARTME	[REDACTED]							PCBALSHEET	2000000425	
	50	2	A/P Assoc Co-FESvcCo								PCBALSHEET		SC00
SC00	50	1	Outgoing Wire Transf								PCBALSHEET		
	40	2	AR Assoc Co-FE Solctns								PCBALSHEET		1100

RECEIVED

MAR 18 2019

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

**APPENDIX D**

**CASE NO. A-110078**

**FIRSTENERGY SOLUTIONS CORP.**

**Verification from Pennsylvania Alternative Energy Credit Program  
for energy year 2018**



## **PENNSYLVANIA ALTERNATIVE ENERGY CREDIT PROGRAM**

*Via Email to: FirstEnergy Solutions Corp. (dzelasko@firstenergycorp.com,  
maynardc@firstenergycorp.com)*

**12 September, 2018**

**Dear Pennsylvania Electric Supplier:**

**This letter is to inform you that FirstEnergy Solutions Corp. has met the non-solar Tier I, solar Tier I and Tier II AEC retirement requirements for energy year 2018.**

**If you have any questions regarding this letter please contact InClime, the Pennsylvania AEPS Administrator, at customerservice@pennaeps.com or by phone at 877-333-0573.**

**Best,**

**Pennsylvania AEPS Administration Team**

RECEIVED

MAR 18 2019

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

**APPENDIX E**

**CASE NO. A-110078  
FIRSTENERGY SOLUTIONS CORP.  
REC COMPLIANCE STRATEGY AND ESTIMATED COST  
FOR REPORTING YEAR ENDING SEPT. 2019  
CONFIDENTIAL**

**PA Planning Year (PY) 18/19**

<b>EST MWhs</b>		
<b>RPS</b>		
Tier I (%)		
Tier II (%)		
Solar (%)		
<b>REC OB</b>		
Tier I		
Tier II		
Solar		
<b>INVENTORY</b>		
Tier I		
Tier II		
Solar		
<b>SHORT</b>		
Tier I		
Tier II		
Solar		
<b>MKT PR</b>		
Tier I	\$	
Tier II	\$	
Solar	\$	
<b>EST SPEND</b>	\$	

**CASE NO. A-110078**  
**FIRSTENERGY SOLUTIONS CORP.**  
**Statement of FES's cash balance on hand at January 31, 2019**

**MONTHLY CASH STATEMENT**  
**Period Ending: January 31, 2019**

RECEIVED

MAR 18 2019

PA PUBLIC UTILITY COMMISSION  
 SECRETARY'S BUREAU

<b>Debtor:</b>	<b>Case No:</b>
FirstEnergy Solutions Corp.	18-50767
FirstEnergy Generation, LLC	18-50762
FirstEnergy Nuclear Generation, LLC	18-50780
FirstEnergy Nuclear Operating Company	18-50781
FE Aircraft Leasing Corp.	18-50769
FirstEnergy Generation Mansfield Unit 1 Corp.	18-50763
Norton Energy Storage L.L.C.	18-50764

Cash Activity Analysis (Cash Basis Only): In US Dollars	Acct. x5604	Acct. x2175	Acct. x8799	Acct. x7460	Acct. x0085	Acct. x8929	Acct. x0077
<b>A. Beginning Balance</b>	\$1,577,088,878	\$16,288,781	\$2,691,835	\$281,843	\$11,631,128	\$0	\$0
<b>B. Receipts</b>	217,091,736	1,542,963	4,779	1,164	20,820	-	-
<b>Transfers, net</b>	(83,472,682)	83,482,869	-	(1,062)	(18,945)	-	(1)
<b>C. Balance Available</b>	1,210,707,932	101,326,283	2,696,293	281,943	11,631,128	-	-
<b>D. Less Disbursements</b>	(85,813,748)	(77,428,860)	-	-	-	-	-
<b>E. ENDING BALANCE</b>	\$1,125,094,184	\$24,097,423	\$2,696,293	\$281,943	\$11,631,128	\$0	\$0
	(a)(b)	(c)	(d)	(e)	(f)		

**Account x5604:**  
 1. Depository Name & Location: JP Morgan Chase Bank, N.A.  
 2. Account Number: x5604

**Account x2175:**  
 1. Depository Name & Location: JP Morgan Chase Bank, N.A.  
 2. Account Number: x2175

**Account x8799:**  
 1. Depository Name & Location: JP Morgan Chase Bank, N.A.  
 2. Account Number: x8799

**Account x7460:**  
 1. Depository Name & Location: JP Morgan Chase Bank, N.A.  
 2. Account Number: x7460

**Account x0085:**  
 1. Depository Name & Location: JP Morgan Chase Bank, N.A.  
 2. Account Number: x0085

**Account x8929:**  
 1. Depository Name & Location: JP Morgan Chase Bank, N.A.  
 2. Account Number: x8929

**Account x0077:**  
 1. Depository Name & Location: JP Morgan Chase Bank, N.A.  
 2. Account Number: x0077

Other monies on hand (specify type and location) i.e., CD's, bonds, etc.):

Not Applicable

  
 Dated: 02/27/2019  
 Responsible Officer of the Debtor in Possession

**Notes**

(a) Balance of these three accounts is reflective of the cash balance in the consolidated balance sheet in Form 3 for the following debtors: FirstEnergy Solutions Corp., FirstEnergy Generation, LLC, FirstEnergy Nuclear Generation, LLC, FE Aircraft Leasing Corp., FirstEnergy Generation Mansfield Unit 1 Corp., Norton Energy Storage L.L.C. The difference between the bank account balance and the balance on the balance sheet is driven by various book vs. bank reconciling items.

(b) Balance does not match the bank account statement balance as the bank account statement balance does not include the daily overnight investment sweep amounts (\$871.4 million overnight sweep on January 31, 2019).

(c) Balance is reflective of the cash balance in Form 3 of the balance sheet for FirstEnergy Nuclear Operating Company. The difference between the bank account balance and the balance on the balance sheet is driven by various book vs. bank reconciling items.

(d) Escrow deposit account reflected as a pre-payment on Form 3 for the balance sheet including the following debtors: FirstEnergy Solutions Corp., FirstEnergy Generation, LLC, FirstEnergy Nuclear Generation, LLC, FE Aircraft Leasing Corp., FirstEnergy Generation Mansfield Unit 1 Corp., Norton Energy Storage L.L.C.



RECEIVED

MAR 18 2019

**APPENDIX G**

**CASE NO. A-110078  
FIRSTENERGY SOLUTIONS CORP.**

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

I hereby certify that I have this day served a true copy of the Letter Petition of FirstEnergy Solutions Corp. for Renewal of Its Reduced Financial Security Requirement, without Confidential appendices, upon the parties, listed below, in accordance with the requirements of 52 Pa. Code §1.54 (relating to service by a party).

**VIA FIRST CLASS MAIL:**

Bureau of Investigation &  
Enforcement  
Pennsylvania Public Utility  
Commission  
Commonwealth Keystone Building  
400 North Street, 2 West  
P.O. Box 3265  
Harrisburg, PA 17105-3265

Officer of Consumer Advocate  
555 Walnut Street  
Forum Place, 5<sup>th</sup> Floor  
Harrisburg, PA 17101-1923

Office of Small Business Advocate  
Suite 202, Commerce Tower  
300 North Second Street  
Harrisburg, PA 17101-1303

Pennsylvania Department of  
Revenue Bureau of Compliance  
Fourth and Walnut Streets  
First Floor, Strawberry Square  
Harrisburg, PA 17128

Pennsylvania Office of Attorney  
General Bureau of Consumer  
Protection Fourteenth Floor,  
Strawberry Square  
Harrisburg, PA 17120

Pennsylvania Office of Attorney General  
Bureau of Consumer Protection Fourteenth  
Floor, Strawberry Square Harrisburg, PA  
17120

Department of Technical Utility Services  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2 West  
P.O. Box 3265  
Harrisburg, PA 17105-3265

Duquesne Light  
Regulatory Affairs  
411 Seventh Street, MD I 6-4  
Pittsburgh, PA 15219

Met-Ed, Penelec, and Penn Power  
Legal Department  
FirstEnergy  
2800 Pottsville Pike  
Reading, PA 19612

Citizens' Electric Company  
Attn: EGS Coordination  
1775 Industrial Boulevard  
Lewisburg, PA 17837

Wellsboro Electric Company  
Attn: EGS Coordination  
33 Austin Street  
P.O. Box 138  
Wellsboro, PA 16901

Manager Energy Acquisition  
PECO Energy Company  
301 Market Street  
Philadelphia, PA 19101-8699

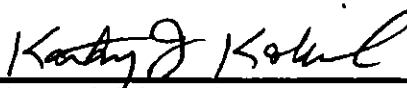
Legal Department  
Attn: Paul Russell PPL  
Two North Ninth Street  
Allentown, PA 18108-1179

UGI Utilities, Inc. Attn: Rates Dept – Choice  
Coordinator 2525 N. 12<sup>th</sup> Street  
Suite 360  
Post Office Box 2677  
Reading, PA 19612-2677

Pike County Light & Power Company  
Director of Customer Energy Services  
Orange and Rockland Company  
390 West Route 59  
Spring Valley, NY 10977-5300

West Penn Power d/b/a Allegheny Power  
Legal Department  
800 Cabin Hill Drive  
Greensburg, PA 15601

Dated: March 18, 2019

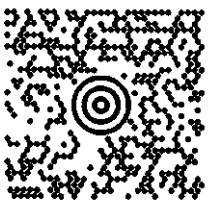
  
Kathy J. Kollig (92203)

KIM PELC  
330-315-7385  
FE SOLUTIONS CORP  
341 WHITE POND DRIVE  
AKRON OH 44320

0.0 LBS LTR 1 OF 1

**SHIP TO:**

ROSEMARY CHIAVETTA  
717-772-7777  
PENNSYLVANIA PUBLIC UTILI  
COMMONWEALTH KEYSTONE BLDG  
400 NORTH STREET  
**HARRISBURG PA 17120**



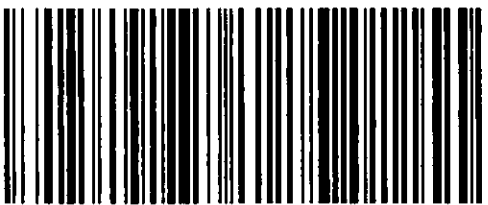
**PA 171 9-20**



**UPS NEXT DAY AIR**

TRACKING #: 1Z F84 163 01 1191 2501

**1**



BILLING: P/P

Trx Ref No.: 600123  
Bill Lading: ARG01315660

XDL 19 01.24

NV45 09.0A 01/2019



## View/Print Label

1. **Print the label:** Select the print icon in your PDF Reader window to print the label below.
2. **Fold the printed label at the dotted line.** Place the label in a UPS Shipping Pouch. If you do not have a pouch, affix the folded label using clear plastic shipping tape over the entire label.
3. **GETTING YOUR SHIPMENT TO UPS**

### Customers without a Daily Pickup

- o Take this package to any location of The UPS Store®, UPS Drop Box, UPS Customer Center, UPS Alliances (Office Depot® or Staples®) or Authorized Shipping Outlet near you or visit [www.ups.com/content/us/en/index.jsx](http://www.ups.com/content/us/en/index.jsx) and select Drop Off.
- o Air shipments (including Worldwide Express and Expedited) can be picked up or dropped off. To schedule a pickup, or to find a drop-off location, select the Pickup or Drop-off icon from the UPS tool bar.

### Customers with a Daily Pickup

- o Your driver will pickup your shipment(s) as usual.

FOLD HERE