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| PUC logo | COMMONWEALTH OF PENNSYLVANIA  PENNSYLVANIA PUBLIC UTILITY COMMISSION  400 NORTH STREET, HARRISBURG, PA 17120 | **IN REPLY PLEASE REFER TO OUR FILE** |

# April 15, 2019

# Docket No. A-110078

# Utility Code: 110078

KATHY J KOLICH

KOLICH & ASSOCIATES LLC

1521 HIGHTOWER DR

UNIONTOWN OH 44685

Re: Bonding/Security Reduction for Electric Generation Suppliers

Dear Ms. Kolich:

On March 18, 2019, FirstEnergy Services Corporation (FES) filed a petition with the Commission for permission to reduce its Electric Generation Supplier financial security level from 10% to 5% of its most recent four quarters of revenue.

FES filed the petition pursuant to the Commission’s Order entered July 24, 2014, at Docket No. M-2013-2393141.

On April 2, 2018, FES filed notice with the Commission of its, March 31, 2018, voluntary petition in the United States Court for the Northern District of Ohio for relief pursuant to Chapter 11 of Title 11 of the United States Code (Bankruptcy Proceeding). Subsequently, the Moody’s Investors Service (Moody) downgraded FES’s rating outlook from stable to negative.

On March 18, 2019, FES filed notice with the Commission that its Bankruptcy Proceeding is still ongoing, and its Moody rating outlook remains downgraded.

The financial security is designed “to ensure the financial responsibility of the electricity generation supplier and the supply of electricity at retail in accordance with contracts, agreements or arrangements[[1]](#footnote-1).” Because FES’s Moody rating outlook remains downgraded, we continue to find considerable uncertainty regarding FES’s ability to fulfil its future annual obligations under Section 2809. In particular, we continue to have concerns regarding FES’s ability to fulfil its obligations related to gross receipts taxes, Alternate Energy Portfolio Standards (AEPS) and the Commission’s Annual Fee levied on EGSs. Because of these uncertainties, we believe that it is still prudent to require FES to maintain a financial security level of 10% of its most recent four quarters of revenue.

Therefore, for the reasons stated above, FES’s petition for a bond reduction is hereby **denied**.

In accordance with 52 Pa. Code 5.44, this staff action will be deemed to be the final action of the Commission unless a petition of reconsideration is filed with the Secretary of the Commission within 20 days of the date on this notice.

**** Sincerely,

Rosemary Chiavetta

Secretary

1. 66 Pa. C.S. Section 2809(c)(1)(i) [↑](#footnote-ref-1)