



March 24, 2014

VIA E-FILE

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Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor North
P.O. Box 3265
Harrisburg, PA 17105-3265

Re: Investigation of Pennsylvania's Retail Electricity Market: Joint Electric Distribution Company Electric Generation Supplier Bill; Docket No. M-2014-2401345; REPLY COMMENTS OF FIRSTENERGY SOLUTIONS CORP.

Dear Secretary Chiavetta:

Enclosed for filing with the Commission is FirstEnergy Solutions Corp.'s Reply Comments in the above-referenced proceeding.

If you have any questions or concerns regarding this filing, please direct them to me. Thank you for your attention to this matter.

Sincerely,

COZEN O'CONNOR

By: David P. Zambito
Counsel for *FirstEnergy Solutions Corp.*

DPZ/kmg
Enclosure

cc: Office of Competitive Market Oversight ("OCMO") @ ra-OCMO@pa.gov

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Investigation of Pennsylvania's)	
Retail Electricity Market:)	Docket No. M-2014-2401345
Joint Electric Distribution Company -)	
Electric Generation Supplier Bill)	

REPLY COMMENTS OF FIRSTENERGY SOLUTIONS CORP.

I. INTRODUCTION

FirstEnergy Solutions Corp. ("FES") submits these Reply Comments to other parties' Comments on the Tentative Order entered by the Pennsylvania Public Utility Commission ("Commission") on February 6, 2014 (the "Tentative Order") regarding making a more supplier-oriented utility consolidated bill ("UCB"). Specifically, these Reply Comments will respond to Comments filed by the Office of Consumer Advocate ("OCA"), the Office of Small Business Advocate ("OSBA"), Noble Americas Energy Solutions, LLC ("Noble") and the Industrial Customer Groups ("Industrials") on the issue of the recovery of costs incurred by Electric Distribution Companies (singularly "EDC" and collectively "EDCs") for implementing the Commission's directives in this matter.

II. COMMENTS

A. The Tentative Order's Conclusion That Costs Should Be Recovered On A NonBypassable Basis From All Electric Distribution Customers Is Correct.

In the Tentative Order, the Commission proposes that the costs associated with its proposals be recovered from all distribution customers on a non-bypassable basis through the EDCs' Retail Market Enhancements surcharge or some similar mechanism. Tentative Order at 9. FES stated in its Comments that it agrees with this proposal. FES Comments at 2.

Some of the parties filing Comments disagree with this cost recovery methodology. The OCA, the Industrials, and Noble contend that Electric Generation Suppliers (singularly “EGS” and collectively “EGSs”) should bear all costs associated with the implementation of the Commission’s determinations in this proceeding. The OSBA recommends that EGSs bear the costs of including their logos on customer bills. OSBA Comments at 1. FES disagrees.

B. The OCA’s Arguments that Only EGSs Benefit from the Proposals in the Tentative Order, and Its Estimate of EDC Costs to Implement the UCB Changes, Are Incorrect and Should Be Rejected.

The OCA suggests that the costs of including EGS logos and additional messaging on customer bills should be borne by EGSs. OCA Comments at 2-3. It argues that “incremental costs” to existing billing operations should not be borne by ratepayers, that such costs are “no different from any other cost incurred by an EGS in maintaining its relationship with [a] customer,” and that the costs “are a direct function of the EGS’ use of the EDC bill to collect their charges.” *Id.* at 6, 7. The OCA further argues that costs associated with these billing changes “could escalate into the millions of dollars” and cites a figure of \$18,000 per supplier for logo placement that was purportedly provided by one EDC.

First, the OCA’s arguments ignore the fact that all customers currently pay costs associated with EDC billing. Further, EGS information has been included on UCBs for years, and EGSs were not required to pay for the EDCs’ building such capabilities into their systems. Any incremental costs incurred due to the Commission’s final order in this matter concern items that the Commission determines are necessary to inform Pennsylvania ratepayers fully about the providers of their electric service. The Commission is requiring that these items be included in EDC bills in order to “increase customer awareness when participating in the competitive retail electric market.” Tentative Order at 2. FES agrees with the Commission’s conclusion.

Second, it is now apparent that the cost estimate the OCA referred to in its Comments was not correct. In their Comments the EDCs estimate a one-time implementation cost of \$18,000 for inserting supplier logos on its bills (as opposed to a cost of \$18,000 per supplier), and an additional \$1000 per supplier logo; the cost for additional bill messaging is estimated at \$12,000 and the cost for shopping box information at \$25,000.¹ Other utilities provided detailed cost information in their Comments and none of the utilities' estimates indicate that these costs will be anywhere near the magnitude stated by the OCA.²

C. The OSBA Incorrectly Characterizes the Costs Associated with UCB Changes Proposed in the Tentative Order as EGS Marketing Costs.

The OSBA claims that, as between marketing and non-marketing costs, “including EGS logos on bills clearly falls in the marketing category” and equates “to ‘the cost of doing business.’” OSBA Comments at 1. FES takes issue with the OSBA’s characterization. In this case, the Commission is requiring EDCs to redesign their bills to accommodate additional information that enhances customers’ retail shopping experience. EGSs have not made the decision to include the information on EDCs’ UCBs. The Commission has made that decision. Therefore, characterizing the inclusion of this information on UCBs as an EGS marketing initiative is simply wrong.

¹ See Comments of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company, Docket No. M-2014-2401345, p. 3-5.

² See Comments of PPL Electric Utilities Corporation, Docket No. M-2014-2401345, p. 4; Comments of Duquesne Light Company, Docket No. M-2014-2401345, p. 6; Comments of PECO Energy Company, Docket No. M-2014-2401345, p. 8.

D. Noble's Argument That EGS Participation in EDCs' UCB Programs Should Determine Cost Responsibility Should Be Rejected.

Noble argues that, because it chose to build its own dual billing system rather than use UCB, cost recovery from EDC customers instead of other EGSs somehow "punishes" it and would "unjustly enrich" the EGSs that use UCB. Noble Comments at 3, 4. Noble submits that EGSs (like Noble) that do not utilize UCB should not have to incur these costs and neither should customers. It argues that costs associated with the Commission's proposals should be recovered in a way "that follows cost causation principles." Noble's argument ignores two facts. First, the Commission's intent through these proposals is to benefit the Pennsylvania retail market in general, and second, other EGSs are not "causing" the costs at issue any more than are Noble and its customers. The responsibility for such costs should be determined on the bases that the Commission states in the Tentative Order, not on whether Noble perceives a disadvantage to itself because of its own business decisions.

E. The Industrials' Arguments That Their Members Should Be Excluded From Cost Responsibility Should Be Rejected.

Like Noble and OSBA, the Industrials characterize the UCB changes proposed in the Tentative Order as solely EGS marketing opportunities, from which their members will receive no benefit and therefore should bear no cost responsibility. Industrials Comments at 2-6. This argument fails for the reasons given above. In addition, the Industrials argue that large C&I customers should be excluded from cost recovery because they will receive no benefit from the proposed joint bill enhancements. According to the Industrials, their EGSs regularly communicate with them already, and many large C&I shopping customers use dual billing. Industrials Comments at 4-6. The Industrials' comments overlook the fact that not all large C&I

customers shop yet. The Commission's initiatives benefit both shopping and non-shopping customers of all classes. The EDC-EGS joint bill will encourage the continued development of a robust, competitive retail electricity market, which leads to an increase in the number of EGSs making more competitive pricing offers in Pennsylvania. The Tentative Order notes that its UCB initiatives may necessitate billing system, EDI and/or information technology changes. Tentative Order at 9. Costs associated with changes to these systems have been and should continue to be borne by all distribution customers on a non-bypassable basis.

The Commission's changes proposed in the Tentative Order are intended to benefit all customers, in all classes, both those currently shopping and those who have not yet elected to do so. In addition, the Commission's initiatives will benefit EDCs by clarifying which entity, the EDC or EGS, is responsible for particular charges on a customer's bill, thus saving EDC call center time spent explaining these matters to confused customers. Therefore, the costs associated with the joint bill implementation should be recovered by EDCs through the use of a non-bypassable surcharge or similar mechanism.

III. CONCLUSION

In summary, FES supports the Tentative Order's conclusion that any costs associated with the initiatives finally adopted in this proceeding should be recovered from all electric distribution customers on a non-bypassable basis. FES appreciates the opportunity to submit these Reply Comments, and appreciates the Commission's continued support of retail shopping in Pennsylvania.

Respectfully submitted,



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