

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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January 12, 2018

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 171020

Re: 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-2017-2637855
P-2017-2637857
P-2017-2637858
P-2017-2637866

Dear Secretary Chiavetta:

Attached for electronic filing please find the Office of Consumer Advocate's Answer in the above-referenced proceeding.

Copies have been served per the attached Certificate of Service.

Respectfully submitted,

A handwritten signature in cursive script that reads "Hayley E. Dunn".

Hayley E. Dunn
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Enclosures:

cc: Honorable Mary D. Long
Certificate of Service

*243017

CERTIFICATE OF SERVICE

Re: Joint Petition of Metropolitan Edison :
Company, Pennsylvania Electric Company : Docket Nos: P-2017-2637855
Pennsylvania Power Company, and West : P-2017-2637857
Penn Power Company for Approval of : P-2017-2637858
Their Default Service Programs : P-2017-2637866

I hereby certify that I have this day served a true copy of the following document, the Office of Consumer Advocate's Answer, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 12th day of January 2018.

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Joint Petition of Metropolitan Edison Company,	:	
Pennsylvania Electric Company,	:	Docket Nos. P-2017-2637855
Pennsylvania Power Company, and	:	P-2017-2637857
West Penn Power Company for Approval	:	P-2017-2637858
of Their Default Service Programs	:	P-2017-2637866

ANSWER OF THE
OFFICE OF CONSUMER ADVOCATE

I. INTRODUCTION

On December 11, 2017, Metropolitan Edison Company (Met-Ed), Pennsylvania Electric Company (Penelec), Pennsylvania Power Company (Penn Power), and West Penn Power Company (West Penn) (collectively, Companies) filed with the Pennsylvania Public Utility Commission (Commission) a Joint Petition for Approval of Their Default Service Programs (Petition). The Companies seek approval of default service programs (DSPs) covering a four-year period, from June 1, 2019 to May 31, 2023. Petition at 5. The Companies filed their Petition pursuant to the Electricity Generation Customer Choice and Competition Act and Act 129 of 2008 (Act 129) as well as the Commission's default service regulations and policy statement. Petition at 1.

In their Petition, the Companies propose to acquire full-requirements, load-following default service products for residential customers through a competitive procurement process. Petition at 7. Winning bidders will be required to fulfill all requirements imposed by PJM Interconnection, LLC (PJM) on load serving entities (LSEs), including, but not limited to, providing energy, capacity, and transmission service. Petition at 7-8. In Met-Ed, Penelec, and

Penn Power service territories, default service providers will be required to meet the Tier I and II requirements of the Alternative Energy Portfolio Standards (AEPS) Act, while Met-Ed, Penelec, and Penn Power will procure solar photovoltaic requirements on behalf of default service providers and electric generation suppliers (EGSs). Petition at 8. In West Penn service territory, default service providers will be required to meet Tier I and II AEPS Act requirements, but not Tier I alternative energy credits (AECs) or solar photovoltaic AECs allocated to suppliers from long-term purchases previously made by West Penn. Petition at 8.

The Companies also propose that each residential tranche will have a 95% fixed-price supply as well as a 5% real-time hourly load locational marginal price (LMP). Petition at 9. Residential products will have staggered 12 and 24-month terms. Petition at 9. The Companies plan to conduct a total of 18 procurements throughout the four-year period in the months of January, April, June, and October/ November. Petition at 10. The competitive procurement process will consist of simultaneous, multiple-round “descending-price clock auctions.” Petition at 10-11. Under the descending-price clock auctions, prices will reduce as rounds progress until the number of tranches that bidders will supply match the amount of load to be supplied. Petition at 11. The Companies provide that the current load cap will remain the same with the maximum amount of supply any bidder is permitted to win in an auction set at 75%. Petition at 12.

The Companies further propose to continue utilizing their existing contingency plan. Petition at 14. In the event that an individual solicitation is not fully subscribed or the Commission rejects the bid results from a solicitation, the Companies will rebid the unfilled tranches when sufficient time exists to include the tranches and, for tranches remaining unfilled, the Companies will purchase supply through PJM markets. Petition at 15. In the event that a winning bidder defaults prior to the start of the delivery period or any time during the delivery period, the

Companies will offer the unfilled tranches to other qualified bidders that participated in the most recent solicitation and enter into an agreement with the bidder offering the best terms at original prices. Petition at 15. If the Companies are unable to do so and 30 days remain before the delivery period, the Companies will initiate a “separate supplemental competitive solicitation.” Petition at 15. If less than 30 days remain before the delivery period, however, the Companies will purchase supply through PJM markets. Petition at 15.

In addition, the Companies propose to modify their Price to Compare (PTC) Default Service Rate Riders to include a “retail market enhancement rate mechanism,” or PTC Adder, intended to incentivize shopping among residential customers. Petition at 16. The Companies will continue to adjust PTC Riders quarterly and file rate changes by the latter of 45 days prior to the effective date or seven days after the last supply auction. Petition at 16. The Companies also propose to modify their Default Service Support (DSS) Riders to provide a refund of 95% of the revenue collected from the PTC Adder to residential customers. Petition at 17. The Companies will continue a flat per kilowatt-hour (kWh) rate design for residential customers. Petition at 17.

Further, the Companies do not propose any changes to their Solar Photovoltaic Requirements Charge (SPVRC) Riders, Time-of-Use (TOU) Rates, or reconciliation mechanisms. Petition at 18. The Companies propose to continue their existing Customer Referral Program (CRP), including the cost recovery methodology. Petition at 18. Accordingly, the Companies propose to continue to recover CRP costs through an EGS participation fee of no more than \$30.00 per enrolled customer. Petition at 18. Any costs not recovered through the fee will be recovered on a non-bypassable basis through the Companies’ applicable DSS Riders. Petition at 18. Lastly, the Companies propose to continue their pilot Purchase of Receivables (POR) clawback charge intended to discourage pricing practices that create higher write-offs. Petition at 19-20.

For the reasons set forth below, the Office of Consumer Advocate (OCA) files this Answer to the Companies' Petition. The OCA seeks to protect the interests of the Companies' residential customers and ensure that the Commission approves reasonable DSPs that are consistent with Act 129, the Commission's default service regulations, and related Commission orders.

II. ANSWER

Upon a preliminary review of the Companies' Petition, the OCA identified a number of significant issues, which are detailed below. The OCA anticipates that additional issues will arise as it undertakes a more comprehensive review of the Petition and conducts discovery in this matter.

A. Default Service Products and Procurement Methodology

As noted in Section I, for each residential tranche, the Companies propose a 95% fixed-price supply and 5% real-time hourly load locational marginal price (LMP). Petition at 9. The Companies provide that residential products will have staggered 12 and 24-month terms and that 18 procurements will take place throughout the four-year period. Petition at 9, 10. The Companies also provide that the procurement process will consist of "descending-price clock auctions." Petition at 10-11.

The OCA will examine the type and variety of resources proposed to be procured by the Companies as well as the design of the Companies' procurement plan. The OCA submits that the Commission must thoroughly review the proposed residential products and procurement methodology in the hearing process to ensure conformance with the law. Specifically, consideration should be given to whether the proposed products will provide the least cost over time for residential customers in accordance with the requirements of Act 129 and whether the proposed procurement plan is designed to provide the least cost reliable supply, taking into account price stability for customers over time.

B. Alternative Energy Portfolio Standards Act Procurement

As discussed above, the Companies propose to meet their AEPS Act requirements through a variety of procurement methodologies. Petition at 8. The Companies' procurement plans for AEC procurement must be reviewed to ensure that ratepayers receive these services at the least cost over time.

C. Rate Design and Price to Compare Adder

As detailed in Section I, the Companies propose modifications to their PTC Default Service Rate Riders and DSS Riders. Petition at 16, 17. The Companies propose to include in their PTC Default Service Rate Riders a PTC Adder. Petition at 16. The Companies further provide that they will continue their existing practices of adjusting PTC Riders quarterly, filing rate charges by the latter of 45 days prior to the effective date or seven days after the last supply auction, and utilizing a flat per kWh rate design for residential customers. Petition at 16.

The OCA will analyze the proposed rate design and cost recovery mechanisms in the Companies' Petition. The OCA submits that the Commission must reject the proposed PTC Adder as inconsistent with Pennsylvania law. In addition, the Companies' current rate design practices must be reviewed for compliance with the Commission's regulations.

D. Time-of-Use Rates

The Companies do not propose changes to their TOU Rates, as noted in Section I. Petition at 18. Nonetheless, the OCA submits that the Companies' current TOU Rates must be evaluated to ensure that the needs of ratepayers are met and that the Companies comply with existing law and the Commission's regulations.

E. Customer Referral Program

As discussed in Section I, the Companies propose to continue their existing CRP. Petition at 18. The Companies will recover CRP costs through an EGS participation fee of no more than \$30.00 per enrolled customer with remaining costs recovered through the DSS Riders. Petition at 18. The OCA submits that the CRP and any costs likely to arise as a result of the CRP must be reviewed. In particular, consideration should be given to whether the program remains reasonable and cost-justified, and whether costs are allocated appropriately among stakeholders.

F. Purchase of Receivables Clawback Charge

As noted in Section I, the Companies propose to continue the pilot POR clawback charge. Petition at 19-20. The Companies provide that the charge is intended to discourage pricing practices that create disproportionately higher write-offs. Petition at 20. The OCA submits that the pilot POR clawback charge must be studied to determine its effects since the DSP IV proceeding in which it was approved. Petition at 20. The Commission must ensure that the program remains reasonable and that the interests and rights of ratepayers are protected.

G. CAP Shopping

The Companies do not make any proposals regarding the availability of shopping to customers participating in Customer Assistance Programs (CAPs). In the Companies' DSP IV proceeding, however, the Joint Petition for Settlement adopted by the Commission provided that the Companies would explore "the scope of shopping available to customers participating in [CAPs]" and "make proposals in a docketed proceeding related to these issues . . . in the earlier of the next available default service proceedings filed following the close of the collaboratives or January 31, 2018." See Joint Petition of Met-Ed, Pennelec, Penn Power, and West Penn Power for Approval of Their Default Service Programs, Joint Petition for Settlement at 20-22, Docket

Nos. P-2015-2511333, *et al.* (Order entered May 19, 2016). The collaboratives have closed and, therefore, the Companies were required to make proposals regarding CAP shopping in their Petition. Id. The OCA submits that that Companies' failure to propose CAP shopping protections in this proceeding must be reviewed. In addition, the OCA submits that CAP customer protections must be ensured as part of this proceeding.

III. CONCLUSION

WHEREFORE, the Office of Consumer Advocate respectfully submits that the Commission must thoroughly review the Companies' default service program filing to ensure that the DSPs and any rates approved as a result of this proceeding are just and reasonable and otherwise in accordance the Commission's regulations and related orders.

Respectfully Submitted,



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Dated: January 12, 2017

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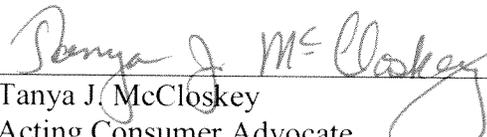
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VERIFICATION

I, TANYA J. MCCLOSKEY, hereby state that the facts set forth in the Answer of the Office of Consumer Advocate are true and correct (or 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. Section 4904 (relating to unsworn falsification to authorities).

Signature:


Tanya J. McCloskey
Acting Consumer Advocate

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Dated: January 12, 2018

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