

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

555 Walnut Street, 5th Floor, Forum Place
Harrisburg, Pennsylvania 17101-1923
(717) 783-5048
800-684-6560

FAX (717) 783-7152
consumer@paoca.org

January 16, 2018

Rosemary Chiavetta, Secretary
PA Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17101

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 Prehearing Memorandum in the above-referenced proceeding.

Copies have been served as indicated on the enclosed Certificate of Service.

Respectfully Submitted,

A handwritten signature in blue ink that reads "Hayley E. Dunn".

Hayley E. Dunn
Assistant Consumer Advocate
PA Attorney I.D. 324763
E-Mail: HDunn@paoca.org

Enclosures:

cc: Honorable Mary D. Long
Certificate of Service

*243235

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 Prehearing Memorandum, 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 16th day of January 2018.

SERVICE BY E-MAIL AND INTER-OFFICE MAIL

Gina L. Miller, Esquire
Allison C. Kaster, Esquire
Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120
Counsel for I&E

SERVICE BY E-MAIL AND FIRST CLASS MAIL, POSTAGE PREPAID

Christopher M. Arfaa, Esquire
William E. Lehman, Esquire
Thomas J. Sniscak, Esquire
Hawke, McKeon, & Sniscak, LLP
100 North Tenth Street
Harrisburg, PA 17101
Counsel for PSU

Todd S. Stewart, Esquire
Hawke, McKeon, & Sniscak, LLP
100 North Tenth Street
Harrisburg, PA 17101
Counsel for NextEra Energy

H. Rachel Smith
Exelon Business Service Corporation
701 Ninth Street
NW Mailstop EP 2205
Washington, DC 2006
Counsel for Constellation NewEnergy & Exelon Generation

Tori L. Giesler, Esquire
First Energy Service Company
2800 Pottsville Pike
P.O. Box 16001
Reading, PA 19612
Counsel for First Energy

Patrick Cicero, Esquire
Kadeem G. Morris, Esquire
Elizabeth R. Marx, Esquire
Pennsylvania Utility Law Project
118 Locust Street
Harrisburg, PA 17101
Counsel for CAUSE-PA

Charles E. Thomas III, Esquire
Thomas, Niesen, & Thomas, LLC
212 Locust Street
Suite 302
Harrisburg, PA 17101
Counsel for Calpine Energy Solutions

Daniel Clearfield, Esquire
Sarah C. Stone, Esquire
Deanne M. O'Dell, Esquire
Eckert, Seamans, Cherin, & Mellott, LLC
213 Market Street, 8th Floor
Harrisburg, PA 17101
Counsel for RESA

Karen O. Moury, Esquire
Eckert, Seamans, Cherin, & Mellott, LLC
213 Market Street, 8th Floor
Harrisburg, PA 17101
Counsel for Respond Power LLC

Susan E. Bruce, Esquire
Alessandra L. Hylander, Esquire
Vasiliki Karandrikas, Esquire
Charis Mincavage, Esquire
McNees, Wallace, & Nurick, LLC
100 Pine Street
P.O. Box 1166
Harrisburg, PA 17108
Counsel for MEIGU, PICA, & WPPIII

SERVICE BY FIRST CLASS MAIL, POSTAGE PREPAID

Daniel G. Asmus, Esquire
Office of Small Business Advocate
300 North Second Street
Suite 202
Harrisburg, PA 17101
Counsel for OSBA

Kenneth Springirth
4720 Cliff Drive
Erie, PA 16511

/s/ Hayley E. Dunn
Hayley E. Dunn
Assistant Consumer Advocate
PA Attorney I.D. 324763
E-Mail: HDunn@paoca.org

Aron J. Beatty
Senior Assistant Consumer Advocate
PA Attorney I.D. # 86625
E-Mail: ABeatty@paoca.org

Counsel for the Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923
Phone: (717) 783-5048
Fax: (717) 783-7152
*243231

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

PREHEARING MEMORANDUM OF THE
OFFICE OF CONSUMER ADVOCATE

Pursuant to Section 333 of the Public Utility Code, 66 Pa. C.S. Section 333, and in response to the December 21, 2017 Prehearing Conference Order issued in the above-captioned matter, the Office of Consumer Advocate (OCA) provides the following information:

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, the 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) and procurement plans covering a four-year period, from June 1, 2019 to May 31, 2023. Petition at 5.

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. The Companies will meet their Alternative Energy Portfolio Standards (AEPS) Act requirements through a variety of procurement methodologies. Petition at 8. 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 will occur 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 “descending-price clock auctions” in which prices reduce as rounds progress until the number of tranches that bidders will supply match the amount of load to be supplied. Petition at 10-11.

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. Petition at 16. The Companies do not propose changes to their Time-of-Use (TOU) Rates. Petition at 18. The Companies propose to continue their existing Customer Referral Program (CRP) and the pilot Purchase of Receivables (POR) clawback charge. Petition at 18, 19-20. Further, the Companies do not make any proposals related to Customer Assistance Program (CAP) shopping.

II. PROCEDURAL HISTORY

The Companies’ Petition was assigned to the Office of Administrative Law Judge and further assigned to Administrative Law Judge (ALJ) Mary D. Long. On December 21, 2017, the Office of Administrative Law Judge issued a Notice scheduling a Call-In Telephonic Prehearing Conference for January 17, 2018, at 1:30 p.m. Additionally, on December 21, 2017, ALJ Long issued a Prehearing Conference Order setting forth the parties’ obligations with respect to the Prehearing Conference and directing the parties to prepare and distribute prehearing memorandums by January 16, 2018, at 3:00 p.m. On January 12, 2018, the OCA filed its Notice of Intervention and Public Statement as well as its Answer in response to the Companies’ Petition. The OCA files this Prehearing Memorandum in accordance with ALJ Long’s Order.

III. ISSUES

The OCA seeks to ensure that the DSPs and any rates approved as a result of this proceeding are reasonable and consistent with the Pennsylvania law, the Commission's regulations, and related orders. Upon a preliminary analysis of the Companies' Petition, the OCA identified several significant issues that require further review. These issues include the following:

- A. Default Service Products and Procurement Methodology: The OCA will examine the type and variety of products that the Companies proposes to solicit to determine whether the proposal will provide the least cost over time for residential default service customers in accordance with the Commission's regulations and Act 129 of 2008 (Act 129). The OCA will also examine the Companies' procurement plan to determine whether the proposal is designed to provide the least cost reliable supply, taking into account price stability for customers over time.
- B. Alternative Energy Portfolio Standards (AEPS) Act Procurement: The OCA will review the Companies' procurement methodology proposal to ensure that ratepayers receive these services at the least cost over time.
- C. Rate Design and PTC Adder: The OCA submits that the proposed PTC Adder is inconsistent with Pennsylvania law. The OCA will review the Companies' current rate design practices for compliance with the Commission's regulations.
- D. TOU Rates: The OCA will review the current TOU Rates 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: The OCA will examine the CRP and any costs likely to arise as a result to determine whether the program remains reasonable and cost-justified, and whether costs are allocated appropriately among stakeholders.
- F. Purchase of Receivables Clawback Charge: The OCA will review the POR clawback charge to determine its effects and ensure that it remains reasonable.
- G. CAP Shopping: The OCA submits that the Companies' failure to propose CAP shopping protections in this proceeding must be reviewed. The OCA also submits that CAP customer protections must be ensured as part of this proceeding.

The OCA anticipates that other issues may arise as its investigation in this matter continues.

Therefore, the OCA specifically reserves the right to raise additional issues as this matter proceeds.

IV. SERVICE ON THE OCA

The OCA will be represented in this matter by Senior Assistant Consumer Advocate Aron J. Beatty and Assistant Consumer Advocate Hayley E. Dunn. Two copies of all documents should be served on the OCA as follows:

Aron J. Beatty
Senior Assistant Consumer Advocate
E-Mail: ABeatty@paoca.org

Hayley E. Dunn
Assistant Consumer Advocate
E-Mail: HDunn@paoca.org

Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923
Phone: (717) 783-5048
Fax: (717) 783-7152

The OCA also requests that JoAnn Spiroff (JSpiroff@paoca.org) be included on the email distribution list. The OCA will extend the same courtesy to any other parties requesting that additional persons be included on the e-mail distribution list.

V. WITNESSES

The OCA intends to present the direct, rebuttal, and surrebuttal testimony, as may be necessary, of its witnesses. The OCA's witnesses will present testimony in written form and will attach various exhibits, documents, and explanatory information to assist in the presentation of the OCA's case. In order to expedite the resolution of this matter, the OCA requests that copies of all interrogatories, testimony, and answers to interrogatories be mailed directly to the OCA's witnesses at the below addresses as well as counsel for the OCA.

Retail Electric Default Service Procurement Method,
Portfolio Construction, and Related Issues:

Steven L. Estomin
Serhan Ogur
Exeter Associates, Inc.
10480 Little Patuxent Parkway
Suite 300
Columbia, Maryland 21044
Phone: (410) 992-7500
E-Mail: sestomin@exeterassociates.com

Customer Referral Program, Purchase of Receivables
Clawback Charge, Retail Market Rate Mechanism, and
Retail Market Enhancement Programs Proposed by Parties:

Barbara R. Alexander
Barbara Alexander Consulting, LLC
83 Wedgewood Drive
Winthrop, Maine 04364
Phone: (207) 395-4143
E-Mail: barbalex@ctel.net

The OCA specifically reserves the right to call additional witnesses, as necessary. At the time at which the OCA determines that additional witnesses are necessary for any portion of its case, the OCA will promptly notify ALJ Long and all parties of record.

VI. DISCOVERY

The OCA supports a shortened discovery response time in this proceeding, consistent with modifications approved in numerous other default service proceedings, including the Companies' DSP IV proceeding. See Joint Petition of Met-Ed, Penelec, Penn Power, and West Penn Power for Approval of Their Default Service Programs, Prehearing Order #2 at 3-4, Docket Nos. P-2015-2511333, et al. (Order entered December 3, 2015). Accordingly, the OCA requests the following modifications to the discovery regulations:

- A. Answers to interrogatories be served in-hand within ten (10) calendar days of service of the interrogatories.

- B. Objections to interrogatories be communicated orally within three (3) days of service; unresolved objections be served to the ALJ in writing within five (5) days of service of interrogatories.
- C. Motions to dismiss objections and/or direct the answering of interrogatories be filed within three (3) days of service of written objections.
- D. Answers to motions to dismiss objections and/or direct the answering of interrogatories be filed within three (3) days of service of such motions.
- E. Responses to requests for document production, entry for inspection, or other purposes be served in-hand within ten (10) calendar days.
- F. Requests for admission be deemed admitted unless answered within ten (10) days or objected to within five (5) days of service.
- G. Discovery requests served after 4:30 p.m. Monday through Thursday or after 12:00 p.m. on a Friday or the day preceding a holiday shall be deemed to have been served on the next business day.

VII. PUBLIC INPUT HEARINGS

The OCA is aware of one legislative request for a Public Input Hearing. The OCA also notes that one customer, Kenneth Springirth, filed with the Commission a Formal Complaint (Springirth Complaint) against Penelec's DSP at Docket No. P-2017-2637857. In his Complaint, Mr. Springirth requested that a "public evidentiary hearing" be held in Erie, Pennsylvania. Springirth Complaint at 2. Mr. Springirth has also contacted the OCA to request that a Public Input Hearing be held in Erie, Pennsylvania. The OCA anticipates that additional legislative requests will be made and that additional customers will file Formal Complaints in this matter.

The OCA requests that Public Input Hearings be held to receive comments from customers impacted by the Companies' proposed DSP. In particular, the OCA requests that an in-person Public Input Hearing be held in Erie, Pennsylvania. In addition, the OCA submits that supplementing an in-person hearing in Erie, Pennsylvania with additional in-person Public Input Hearings or smart hearings for the Companies' diverse service territories may be necessary. The OCA further requests that, at minimum, the Companies notify customers of any Public Input

Hearings by placing advertisements within their service territories as well as publications in local newspapers and on the Companies' websites. The OCA will work with the parties and ALJ Long to reach mutually agreeable hearing date for an in-person Public Input Hearing in Erie, Pennsylvania and any additional Public Input Hearings.

VIII. LITIGATION SCHEDULE

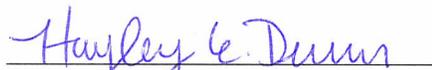
The OCA supports the Companies' proposed modifications to the litigation schedule set forth in their Petition. Petition at 22-23. The proposed, modified litigation schedule is as follows:

Other Parties Direct Testimony	February 22, 2018
Rebuttal Testimony	March 22, 2018
Surrebuttal Testimony	April 4, 2018
Rejoinder Outline	April 6, 2018
Evidentiary Hearings	April 10-11, 2018
Main Briefs	May 1, 2018
Reply Briefs	May 15, 2018

IX. SETTLEMENT

The OCA will fully participate in settlement discussions with the parties at the appropriate time during this proceeding.

Respectfully Submitted,



Aron J. Beatty
Senior Assistant Consumer Advocate
PA Attorney I.D. # 86625
E-mail: ABeatty@paoca.org

Hayley E. Dunn
Assistant Consumer Advocate
PA Attorney I.D. # 324763
E-Mail: HDunn@paoca.org

Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923
Phone: (717) 783-5048
Fax: (717) 783-7152

Dated: January 16, 2018
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