BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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-2011-** **P-2011-** **P-2011-** **P-2011-**

JOINT PETITION OF METROPOLITAN EDISON COMPANY, PENNSYLVANIA ELECTRIC COMPANY, PENNSYLVANIA POWER COMPANY AND WEST PENN POWER COMPANY

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Dated: November 17, 2011

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PENNSYLVANIA PUBLIC UTILITY COMMISSION

JOINT PETITION OF METROPOLITAN	:		
EDISON COMPANY, PENNSYLVANIA	:	**DOCKET NOS.**	**P-2011-**
ELECTRIC COMPANY, PENNSYLVANIA	:		**P-2011-**
POWER COMPANY AND WEST PENN	:		**P-2011-**
POWER COMPANY FOR APPROVAL OF	:		**P-2011-**
THEIR DEFAULT SERVICE PROGRAMS	:		

JOINT PETITION OF METROPOLITAN EDISON COMPANY, PENNSYLVANIA ELECTRIC COMPANY, PENNSYLVANIA POWER COMPANY AND WEST PENN POWER COMPANY

Pursuant to Pennsylvania's Electricity Generation Customer Choice and Competition Act, 66 Pa.C.S. § 2801, *et seq*. (the "Competition Act"), as amended by Act 129 of 2008 ("Act 129"),[1] the Default Service regulations of the Pennsylvania Public Utility Commission ("Commission" or "PUC") at 52 Pa. Code §§ 54.181- 54.189 ("Regulations"), and the Commission's Policy Statement on Default Service at 52 Pa. Code §§ 69.1801-1817 ("Policy Statement"), Metropolitan Edison Company ("Met-Ed"), Pennsylvania Electric Company ("Penelec"), Pennsylvania Power Company ("Penn Power") and West Penn Power Company ("West Penn") (each individually a "Company" and collectively, the "Companies") hereby petition the Commission for approval of their Default Service Programs (the "Program(s)") as set forth herein. The Companies file this Joint Petition in accordance with their responsibilities as

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1 Act 129 amended several sections of the Public Utility Code. However, as used in this Petition, "Act 129" will refer to the amendments made by Act 129 to 66 Pa.C.S. § 2807(e), unless specifically stated otherwise.

Default Service Providers ("DSPs") to establish the terms and conditions under which they will procure default service supplies, provide default service to non-shopping customers, satisfy requirements imposed by the Alternative Energy Portfolio Standards Act ("AEPS Act")[2] and recover all associated costs on a full and current basis for the period from June 1, 2013 through May 31, 2015.

Consistent with the Competition Act, Regulations, Policy Statement and AEPS Act, the Companies' Programs are designed to produce the least cost over time by procuring a prudent mix of long-term, short-term and spot market generation supplies that are also designed to satisfy their obligation to furnish adequate and reliable service to default service customers. Accordingly, the Companies respectfully request that the Commission enter an order: (1) granting this Joint Petition; (2) approving the Companies' proposed Programs, including each procurement plan, implementation plan, and contingency plan and related bidder rules, supplier master agreements ("SMAs"), credit documents, and other associated agreements for default service supply from June 1, 2013 through May 31, 2015; (3) approving the Companies' proposed rate design and tariffs for default generation service, including recovery of all of the Companies' costs associated with the provision of default service; (4) approving the Companies' proposed electric generation supplier ("EGSs") agreements for the provision of service under the Companies' proposed Opt-In Auction and Customer Referral Program, as well as time-of-use ("TOU") service for West Penn and Penn Power; (5) approving CRA International, Inc. d/b/a Charles River Associates ("CRA") as the independent third-party evaluator for the Companies' default supply procurements and proposed retail Opt-In Auction and The Brattle Group as the independent third-party evaluator for the Companies' solar photovoltaic alternative energy credit

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[2] 73 P.S. §§ 1648.1 – 1648.8 and related provisions of 66 Pa.C.S §§ 2813-2814.

procurements and TOU procurements; (6) finding that neither the Companies nor their affiliates have withheld from the market any generation supply in a manner that violates federal law; (7) finding that the Programs include prudent steps necessary to negotiate favorable generation supply contracts; (8) finding that the Programs include prudent steps necessary to obtain least-cost generation supply on a long-term, short-term and spot market basis; (9) granting a waiver of the rate design provisions of 52 Pa. Code § 54.187 and transmission-related price-to-compare provisions at 52 Pa. Code §§ 54.182 and 54.187, to the extent necessary; (10) approving the Companies' proposed SMAs and EGS agreements as affiliated interest agreements under 66 Pa.C.S. § 2102; and (11) approving the Companies' proposed terms and conditions of service for EGSs providing service under the Companies' proposed Opt-In Auction, Customer Referral Program, or TOU service for West Penn and Penn Power and granting any additional waivers required for implementation of these programs, to the extent necessary.

I. INTRODUCTION

1. Met-Ed is a wholly owned subsidiary of FirstEnergy Corp. that provides service to approximately 553,000 electric utility customers in eastern Pennsylvania. Penelec is a wholly owned subsidiary of FirstEnergy Corp. that provides service to approximately 591,000 electric utility customers in central and western Pennsylvania. Penn Power is a wholly owned subsidiary of the Ohio Edison Company, which, in turn, is a wholly owned subsidiary of FirstEnergy Corp. Penn Power provides service to approximately 160,000 electric utility customers in western Pennsylvania. West Penn is a wholly owned subsidiary of Allegheny Energy, Inc., which, in turn, is a wholly owned subsidiary of FirstEnergy Corp. West Penn provides service to approximately 717,000 electric utility customers in western Pennsylvania.

2. Each Company is an electric distribution company ("EDC") as defined in the Competition Act and is the electric generation DSP within its service territory for retail customers who do not choose an alternative EGS.

3. The Competition Act became effective on January 1, 1997, and, among other things, restructured the electric utility industry in Pennsylvania by deregulating the generation of electricity, creating the framework for retail customers to choose alternative suppliers of generation, and establishing caps on unbundled rates that EDCs could charge during the transition to competition.

4. Section 2806(d) of the Competition Act, 66 Pa.C.S. § 2806(d), required EDCs to file restructuring plans for Commission approval that, in relevant part, "unbundled" (functionally disaggregated) their rates into distribution, transmission and generation components. Each of the Companies filed restructuring plans which, subject to certain modifications, were approved by the Commission.[3]

5. Following the transition to competition, the Companies retained the obligation to serve as the DSPs for their retail customers. Accordingly, each Company filed plans to fulfill their default service obligations, which were approved by the Commission. The Companies currently provide default service pursuant to Commission-approved default service plans that will expire on May 31, 2013.[4]

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3 *See* Docket Nos. R-00974008 and R-00974009 (Met-Ed and Penelec) (Order entered October 20, 1998); Docket No. R-00974149 (Penn Power) (Orders entered July 22, 1998 and September 17, 1999); Docket No. R-00973981 (West Penn) (Order entered November 19, 1998).

4 *See* Docket Nos. P-2009-2093053 and P-2009-2093054 (Met-Ed and Penelec) (Order entered November 6, 2009); Docket No. P-2010-21576862 (Penn Power) (Order entered October 21, 2010); Docket No. P-00072342 (West Penn) (Order entered July 25, 2008).

6. Section 54.185(a) of the Regulations provides that a DSP should file a default service program with the Commission no later than twelve months before its current default service program will expire. In order to have sufficient time to undertake the competitive procurement process to obtain default generation supplies for service on and after June 1, 2013, the Companies need to have approved default service programs in place by August 17, 2012. Accordingly, the Companies are filing this Joint Petition to obtain approval by that date. *See* 66 Pa.C.S. § 2807(e)(3.6) (providing that the Commission shall issue a final order approving or disapproving a proposed default service program within nine months of filing).

7. This Joint Petition sets forth the Program for each of the Companies and, as such, identifies and describes the Companies' procurement plans, implementation plans, contingency plans and the design of rates to recover all reasonable costs on a full and current basis.

8. In December 2011, the Companies will submit *pro forma* default service SMAs, auction rules, requests for proposal ("RFP") rules, associated form agreements and proposed tariff changes, along with the following direct testimony supporting various components of the Programs:

- **Met-Ed/Penelec/Penn Power/West Penn Statement No. 1, Direct Testimony of Richard A. D'Angelo** (Summary of Default Service Program, Overview of PJM Interconnection, LLC, Customer Notice, Cost Recovery and Reconciliation for Default Service Program, Commitments from the Merger Settlement, Investigation into Pennsylvania's Retail Electricity Market).

- **Met-Ed/Penelec/Penn Power/West Penn Statement No. 2, Direct Testimony of Raymond E. Valdes** (Rate Class and Rate Design Plan, Tariff Riders, Time-of-Use and Real-Time Rates, Reconciliation, Tariff Changes).

- **Met-Ed/Penelec/Penn Power/West Penn Statement No. 3, Direct Testimony of Richard L. Schreader** (Supplier Master Agreements, Solar Photovoltaic Alternative Energy Credit Purchase and Sale Agreement).
- **Met-Ed/Penelec/Penn Power/West Penn Statement No. 4, Direct Testimony of Dean W. Stathis** (Product Definitions, Procurement Plan and Schedule, Contingency Plans, Alternative Energy Portfolio Standards Act Requirements).
- **Met-Ed/Penelec/Penn Power/West Penn Statement No. 5, Direct Testimony of Dr. Bradley A. Miller** (Role of Independent Evaluator, Bidder Interactions, Bidder Qualification, Bid Submission/Evaluation, Confidentiality, Reporting to the Commission).
- **Met-Ed/Penelec/Penn Power/West Penn Statement No. 6, Direct Testimony of James D. Reitzes** (Procurement of Solar Photovoltaic Alternative Energy Credits, Analysis of Default Service Supply Plans, Addition of a Market Adjustment Clause to the Price-to-Compare, Outsourcing of Retail Generation Supply for Time-of-Use Customers, Retail Opt-In Auction, Customer Referral Program).
- **Met-Ed/Penelec/Penn Power/West Penn Statement No. 7, Direct Testimony of Charles V. Fullem** (Status of Retail Competition, Removal of Non-Market Based Services from the Price-to-Compare, Addition of a Market Adjustment Charge to the Price-to-Compare, Time-of-Use Rates, Retail Opt-In Auction, and Customer Referral Program.

II. DEFAULT SERVICE PROCUREMENT PLAN

A. Default Service Products

9. The Companies seek to procure full service, load-following energy and energy-related products for all default service customers through a competitive procurement process. For procurement purposes, non-shopping load will be segregated into residential, commercial and industrial customer classes. Each customer class will have its own product specifications, as described below. The load of each class will be divided into tranches, with each tranche constituting a fixed percentage of each of the Company's non-shopping load.

10. Winning bidders in the competitive procurement process must fulfill all obligations imposed on a Load Serving Entity ("LSE") by PJM Interconnection, LLC ("PJM") and, as LSEs, will be required to: (i) provide energy, capacity and transmission service (subject to specific exclusions);[5] (ii) pay all ancillary service costs and PJM administrative expenses; and (iii) provide any other services and pay any other fees as required by PJM of an LSE. Default service suppliers will also be responsible for meeting all AEPS Act requirements except for 40% of the solar photovoltaic requirement, which will be supplied by the Companies.[6]

11. Additionally, each winning supplier will be required to schedule delivery to the load zone that corresponds to the Company with which it has contracted for the sale of power, as follows: Met-Ed Zone (PJM-designated "METED") for Met-Ed products, Penelec Zone (PJM-designated "PENELEC") for Penelec products, Penn Power Zone (PJM-designated "PAPWR")

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5 As explained in Section III.D., *infra*, the Companies will be responsible for Network Integration Transmission Service ("NITS"), Regional Transmission Expansion Plan charges ("RTEP") and any Transmission Expansion Charges for both default service suppliers and EGSs that serve load in the Companies' service areas. The Companies will recover the associated transmission costs from customers in a competitively-neutral manner under their non-bypassable Default Service Support Riders.

6 The Companies' procurement of 40% of the solar photovoltaic requirement fulfills a commitment made at Docket Nos. A-2010-2176520 and A-2010-2176732, as more fully explained in Paragraph 98, *infra*.

for Penn Power products, and the Allegheny Power Zone (PJM-designated "APS") for West Penn products. All load zones are located within the control area for which PJM is the regional transmission organization ("RTO"). Winning suppliers must be members of PJM and must comply with all regulations, business rules, scheduling protocols and all other aspects of doing business within PJM.

Residential Class

12. Each residential class tranche is a full-requirements, load-following product that consists of a 90% fixed-price portion and a 10% variable price spot portion. The 10% spot portion will be priced at the hourly PJM real-time zonal locational marginal price ("LMP") for each of the Companies. A tranche is a fixed percentage of each Company's default service load corresponding to approximately 50 megawatts ("MW"), although the actual load served will vary based on many factors, including customer migration to EGSs. All residential products will have a 24-month term that starts on June 1, 2013, with the exception of an existing 50 MW block with a 48-month term (expiring May 31, 2015) already procured by each of Met-Ed, Penelec, and Penn Power under their current default service plans.

Commercial Class

13. The commercial class products are similarly comprised of a 90% fixed-priced portion, as well as a 10% variable price spot portion, served in 50 MW full-requirements tranches. The spot component is priced in the same manner as the residential class product. All commercial products will have a 24-month term that commences on June 1, 2013.

Industrial Class

14. The industrial class product is an hourly-priced service ("HPS") based upon the PJM real-time zonal hourly market price. Suppliers will bid for the right to serve a portion of the HPS load for a 24-month term commencing June 1, 2013. Each tranche will be approximately 100 MW, although the actual load served will vary based on many factors, including customer migration to EGSs. Winning suppliers will be paid the hourly PJM real-time zonal LMP plus an additional fixed amount for all other costs associated with serving the contracted load.

B. Procurement Schedule And Method

15. The Companies propose plans for the residential and commercial classes that consist of two procurements. The first procurement will occur in November of 2012, and the second will occur in January of 2013. A single procurement is scheduled to occur in January of 2013 for the industrial class.

16. The Companies propose to procure the previously-described full requirements default service products through simultaneous, multiple-round, descending-price clock auctions similar to those used, and being used, by Met-Ed, Penelec and Penn Power under their current default service plans. The proposed auction process allows suppliers to efficiently switch between the different products being procured by Met-Ed, Penelec, Penn Power and West Penn. Potential suppliers will have to meet certain credit and financial criteria in order to participate in the auction. Winning bids will be chosen from pre-qualified participants solely on the basis of price (i.e., the low-price bidders will be the procurement winners). Bidding will proceed in rounds. In a round, the procurement manager announces a price for each product. Participants in the procurement then make bids for the number of tranches that they are willing to supply for each of the specified products at the announced prices. If the number of tranches supplied by all

suppliers is greater than the number of tranches needed for a product at a particular price, the price for that product is reduced in the next round. In that round, suppliers are given an opportunity to bid again and are permitted to switch their bids from one product to another, if applicable.

17. The format described above is characterized as a "descending clock" auction because prices "tick down" as rounds progress, starting at an initial price and being reduced until the number of tranches that all bidders are willing to supply is just enough to match the load to be supplied.

18. The "descending clock" procurement process has many benefits. Its multi-product design allows all products to be procured in a single auction, which provides a cost-effective, economically efficient means to obtain multiple products while also allowing for instantaneous market-based pricing. Suppliers receive feedback from the results of each round. Because pricing is transparent, some suppliers will withdraw, and the least-cost suppliers will prevail. Met-Ed, Penelec and Penn Power have employed the descending clock auction to obtain default supplies under their current default service programs, and the Commission is familiar with the process and the results it obtains.

C. AEPS Act Requirements

<u>Non-Solar Photovoltaic Requirements</u>

19. In accordance with Section 54.185(d)(1) of the Regulations, the Companies propose to satisfy most of their AEPS Act requirements as part of the solicitation of a default service supply. Specifically, winning suppliers of full-requirements default service products will be responsible for meeting all "Tier I" and "Tier II" requirements other than 40% of solar photovoltaic energy requirements, which the Companies will obtain, as explained below.

Consistent with their current default service plans, the Companies will continue to procure all Tier I and II requirements associated with the 50 MW blocks supplying Met-Ed, Penelec and Penn Power's residential customers through short-term contracts.

Solar Photovoltaic Requirements

20. The Companies will conduct four separate RFPs to solicit bids to obtain a fixed number of solar photovoltaic alternative energy credits ("SPAECs") over a ten-year period, based on the Companies' most recent distribution load forecasts. The amount selected for procurement is expected to meet approximately 40% of the solar photovoltaic AEPS requirements of all EGSs and default service suppliers and will be provided to each on a load ratio basis.

21. Consistent with their current default service plans, Met-Ed, Penelec and Penn Power will continue to acquire the remaining 60% of its SPAECs associated with the 50 MW blocks supplying its residential customers through short-term contracts.

22. The proposed RFP process is similar to the procurement process being used by Met-Ed, Penelec and Penn Power under their current Commission-approved default service plans. Prospective bidders will be invited to participate in a two-part RFP process. First, they become "qualified" bidders after submitting contact and credit information, making specified representations, and agreeing to specified conditions. Qualified bidders will be able to make binding offers in the second part of the process, which also requires that they post appropriate financial guarantees and agree to additional conditions designed to foster the competitiveness of the procurement process.

D. Independent Evaluators

23. Consistent with the Regulations' requirements and the Policy Statement's recommendation, the Companies have retained CRA to be the independent third-party evaluator and auction manager for their default service procurements, as well as for the administration of the procurement process to supply service under their Opt-In Auction. CRA has extensive expertise in the operation of competitive wholesale energy markets.

24. The Companies have selected The Brattle Group to fulfill the role of the independent third-party evaluator for the procurement of SPAECs and for the administration of their auction for TOU rate offerings. The Brattle Group has expertise in competitive energy matters and has been involved in several RFP design and management processes, including the procurement of electric power and renewable energy supplies under long-term contracts. The Brattle Group has served as the independent evaluator in the SPAEC procurements of Met-Ed, Penelec and Penn Power.

25. The auction and RFP rules that guide the bid solicitation process are designed to comply with the Commission's codes of conduct and to ensure that bidder qualification requirements are fair and nondiscriminatory.[7]

E. Requirements Of PJM

26. As required by Section 54.186(d)(4) of the Regulations, the Companies' Programs are consistent with the legal and technical requirements of PJM pertaining to the generation, sale and transmission of electricity. The Companies' proposed SMAs require suppliers to maintain specific qualifications under applicable PJM agreements and rules. Before suppliers may

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[7] *See* 52 Pa. Code §§ 54.186(b)(5)(ii) and 54.186(c)(2).

participate in the bid process, they will have to demonstrate that they can fulfill the technical and regulatory requirements of the SMAs, including becoming an LSE, as defined under PJM's rules.

F. Contingency Plan

27. While not every contingency can be anticipated, the Companies have identified the following two possible scenarios and have developed proposed contingency plans accordingly: (i) an individual solicitation is not fully subscribed; and (ii) a winning supplier defaults prior to the start of the delivery period or at any time during the delivery period.

28. If a scheduled solicitation is not fully subscribed during the initial proposed procurement date, the Companies will rebid the unfilled tranches from that solicitation in the next scheduled procurement. For any unfilled tranches remaining, the Companies will purchase the necessary physical supply through PJM-administered markets. The Companies will not enter into hedging transactions to attempt to mitigate the associated price or volume risks to serve such unfilled tranches. The Companies propose to secure any AEPS Act compliance requirements for unfilled tranches at market prices.

29. If a winning bidder defaults prior to the start of, or during, the delivery period, the Companies will offer the unfilled tranches to the other qualified bidders who participated in the most recent solicitation. The Companies may enter into an agreement with the qualified bidder(s) offering the best terms for the unfilled tranches resulting from the default, provided the prices offered by such bidder(s) are consistent with the original prices at which the unfilled tranches were procured, giving due consideration to changes in market conditions from the time when the original tranches were procured. If the Companies are not able to enter into such agreement and at least thirty calendar days remain prior to the start of the delivery period, the Companies will seek to bid the defaulted tranches in a separate supplemental competitive

solicitation. If insufficient time exists to conduct an additional competitive solicitation, or if the supplemental solicitation is unsuccessful, the Companies will supply the tranches by purchasing power in the PJM-administered markets in the same manner described in the preceding paragraph.

30. If the Companies' SPAEC solicitation is not fully subscribed or if a winning supplier defaults before or during the delivery period, the Companies will conduct short-term procurements at market prices to ensure compliance for 40% of the solar photovoltaic AEPS requirements, on behalf of winning suppliers, until such time as the Commission approves an alternative mechanism. Additional costs incurred by the Companies in implementing this contingency plan will be assessed against the defaulting SPAEC supplier.

III. RATE DESIGN PLAN

A. Price To Compare Default Service Rate Rider

31. Met-Ed, Penelec and Penn Power currently recover the cost of default service for the residential and commercial customer classes through a Price to Compare Default Service Rate ("PTC") Rider. West Penn currently recovers the cost of default service for the residential and commercial customer classes under a Generation Charge, an Energy Cost Adjustment (a reconciliation factor), and a Transmission Service Charge ("TSC").

32. The Companies are proposing the following changes, effective June 1, 2013, to the PTC Riders of Met-Ed, Penelec, and Penn Power:

- The periods on which the PTC rates are calculated are to be advanced by one month. For example, the PTC rates will be calculated at the end of each "Default Service Quarter" (defined in the riders as the three months ending December 31st, March 31st, June 30th and September 30th) to become effective at the beginning of the third month following the end of each Default Service Quarter. Accordingly, new PTC rates will go into effect on March 1st, June 1st, September 1st, and December 1st of each year, the same as the existing PTC Riders, beginning with PTC rates effective on June 1, 2013;

- The seasonal weighting factors are being removed;
- NITS charges are being removed;
- RTEP charges and PJM Transmission Expansion charges are being removed;
- A Market Adjustment Charge is being added;
- A cost of credit is being included;
- The timeframe within which the PTC rates will be filed with the Commission is being increased from the current ten days to thirty days prior to the effective date of the rate changes; and
- Minor text changes are being made to provide for universal application of the PTC Rider for all Companies.

33. West Penn is proposing a PTC Rider to become effective on June 1, 2013, which will replace its current Generation Charge and Energy Cost Adjustment for West Penn's residential and commercial customer classes. The structure of West Penn's proposed PTC Rider will be similar to the proposed PTC Riders for Met-Ed, Penelec, and Penn Power. The PTC Rider will not replace West Penn's TSC since West Penn's TSC is proposed to be collected in the non-bypassable Default Service Support Rider, as discussed later in this section.

B. Hourly Pricing Default Service Rider

34. Met-Ed, Penelec and Penn Power currently recover the cost of default service for the industrial customer class through an Hourly Pricing ("HP") Default Service Rider. West Penn also has an Hourly-Priced Default Service Rider which: (1) provides an hourly-priced product based upon day-ahead LMP as opposed to real-time LMP used by Met-Ed, Penelec, and Penn Power for each respective PJM transmission zone; and (2) prices capacity on a per-MW-day basis as opposed to the per-kWh-$HP_{\text{Cap-AEPS-Other Charge}}$ basis used by Met-Ed, Penelec, and Penn Power.

35. To provide consistency across all Companies, effective June 1, 2013, West Penn proposes that its rider employ the same calculation as that used by Met-Ed, Penelec, and Penn Power, including the use of real-time LMP for the respective PJM transmission zone, the pricing of capacity based upon a per-kWh-$HP_{Cap\text{-}AEPS\text{-}Other\ Charge}$ basis, and the removal of NITS charges. Additionally, West Penn's Energy Cost Adjustment tariff pages will be eliminated because the reconciliation mechanism will be embedded in the calculation of the HP Default Service Rider charges. The Companies also propose that, effective June 1, 2013, Met-Ed, Penelec, and Penn Power remove NITS charges from their HP Default Service Riders.

36. In addition to the industrial customer class, this rider will apply to qualifying commercial customers with smart metering technology that elect, on a voluntary basis, to take default service under the HP Default Service Rider.

37. The periods on which the HP Default Service rates are calculated are to be advanced by one month, in the same manner as the PTC Riders for the residential and commercial classes. For example, the rates will be calculated at the end of each "Default Service Quarter" (defined in the riders as the three months ending December 31st, March 31st, June 30th and September 30th) to become effective at the beginning of the third month following the end of each Default Service Quarter. Accordingly, new HP Default Service rates will go into effect on March 1st, June 1st, September 1st, and December 1st of each year, beginning with rates effective on June 1, 2013.

C. Market Adjustment Charge

38. The Companies propose a bypassable Market Adjustment Charge ("MAC") for the residential and commercial customer classes at a rate of \$0.005 per kWh, which will be included in the PTC Rider. The MAC will be included in the weighted average cost and in the

reconciliation calculation to reasonably compensate the Companies for the obligation and attendant risk of procuring electric power for customers who choose not to shop. The MAC will have the collateral benefit of enhancing competition by creating additional "headroom" beneath the price-to-compare for competitive offers.

D. Default Service Support Rider

39. Met-Ed, Penelec, and Penn Power currently have Default Service Support ("DSS") Riders that impose non-bypassable charges.

40. The DSS Riders proposed for Met-Ed and Penelec will continue to include an amount for recovery of default service-related uncollectible accounts expense, the amortization of the 2006 deferred transmission service charges, and all costs associated with retail market enhancements. Costs for PJM-imposed non-market based ("NMB") Services Transmission Charges (NITS, RTEP and Transmission Expansion Charges) will be added to the Met-Ed and Penelec DSS Riders.

41. The DSS Rider proposed for Penn Power will continue to include an amount for recovery of default service-related uncollectible accounts expense, Federal Energy Regulatory Commission ("FERC")-approved Midwest Independent System Operator ("MISO")/PJM Integration charges (including MISO Transmission Expansion Plan ("MTEP") charges, MISO exit fees, and PJM integration charges), and customer education costs. NMB Services Transmission Charges and all costs associated with retail market enhancements will be added to the Penn Power DSS Rider.

42. West Penn proposes to establish a DSS Rider to become effective June 1, 2013, which will include NMB Services Transmission Charges, and all costs associated with retail market enhancements.

43. The Companies propose a flat rate per-kWh rate design for the residential and commercial customer classes and a demand-based rate design for the industrial customer class. The demand for the industrial customer class will be determined in the same way it is determined under the controlling rate schedule or tariff for each Company. This rate design is consistent with the current metering capabilities of the various customer classes.

44. The Companies propose to update the DSS Rider rates annually on June 1st, unless otherwise directed by the Commission.

45. The Companies respectfully request a waiver, if necessary, of the Regulations (specifically with regard to the inclusion of transmission costs in the price to compare addressed at 52 Pa. Code §§ 54.182 and 54.187) so that they may remove NMB Services Transmission Charges from the price-to-compare and include such charges in the non-bypassable DSS Rider.

E. Solar Photovoltaic Requirements Charge Rider

46. Met-Ed, Penelec, and Penn Power currently have a Solar Photovoltaic Requirements Charge Rider ("SPVRC Rider") that applies to all delivery service customers. The SPVRC Rider imposes a flat rate per kWh and applies to all rate schedules. Because the amount of SPAECs to be purchased is expressed on the basis of a percentage of metered kWh sales, the cost per kWh is the same for secondary, primary, and transmission voltage service customers. The rate is changed annually to recover the annual cost of the SPAECs purchased through the solar RFP, the cost of any SPAECs purchased in the spot market to match the amount needed, and administrative costs. From this amount, the proceeds the Companies receive from SPAECs sold into the spot market would be deducted.

47. Met-Ed, Penelec, and Penn Power propose to assess, effective June 1, 2013, a carrying cost for banked SPAECs and to recover that cost under their SPVRC Rider. The

banked SPAECs will accrue carrying costs, computed and compounded on a monthly basis based upon the costs to procure SPAECs. Carrying costs will be calculated at the legal statutory rate pursuant to 41 P.S. § 202 (currently six percent), applied to the average of each month's beginning and ending balances.

48. West Penn's current default service program does not provide for West Penn to procure SPAECs for load served by EGSs and the load supplied by default service generation suppliers. Consequently, West Penn's proposed Program includes a SPVRC Rider that, if approved, would become effective June 1, 2013. West Penn's SPVRC Rider will be similar to the proposed SPVRC Riders for Met-Ed, Penelec, and Penn Power. West Penn's proposed procurement of SPAECs is contingent upon the approval of its proposed non-bypassable SPVRC Rider in order to ensure the recovery of costs associated with the procurement of SPAECs.

F. Time-Of-Use Rates

49. The Companies currently offer an optional TOU pricing rate to residential customers and propose to continue to offer such pricing under their Programs. Met-Ed's and Penelec's current TOU rate offerings are included in their distribution rates, are competitively neutral and have no expiration date. Because West Penn's current TOU rate offering will expire on May 31, 2013 and Penn Power's TOU rate is implemented as an option under its current PTC Rider, these two Companies will offer a new TOU rate coincident with their respective Programs, in accordance with the Commission's recommendations in its October 14, 2011 Tentative Order.

50. In order to comply with Act 129, Penn Power and West Penn propose to adopt a new Residential TOU Default Service Rider that will authorize those Companies to "bid out" TOU service to an EGS, as more fully explained below. The Rider will be available to

residential customers that have been provided a smart meter pursuant to Penn Power's and West Penn's approved Smart Meter Plans.[8] The rider will be available only to those customers that affirmatively elect TOU service on an opt-in basis.

51. West Penn and Penn Power will each select an EGS to provide TOU service through an internet-based, transparent auction process to occur annually between January and March. The auctions for each Company will occur on the same day.

52. West Penn and Penn Power will seek twelve-month, fixed-price, on-peak and off-peak products under which the on/off-peak periods will match those established by PJM. The first twelve-month period for TOU service will begin on June 1, 2013. The winner of each auction will be determined by the lowest weighted price for the twelve-month product. The winner will take on LSE responsibilities for enrolled customers.

53. EGSs that have satisfied each Company's supplier tariff requirements will be eligible bidders, provided that all auction qualifications, including financial assurances, are satisfied. Bidders must execute an agreement committing to: (a) comply with and utilize pre-approved terms and conditions of service; (b) bill customers via EDC rate-ready consolidated billing; and (c) not include any early termination penalties. The auction winner will assume LSE responsibilities for enrolled customers. The auction process will be overseen by The Brattle Group and the auction results must be approved by the Commission.

54. The customer enrollment window will begin after completion of each auction and will last two months. Non-shopping residential customers that have been provided a smart meter pursuant to Penn Power's and West Penn's approved Smart Meter Plans will be sent information

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[8] *See* Docket No. M-2009-2123950 (Met-Ed, Penn Power and Penelec) (Order entered June 9, 2010); Docket No. M-2009-2123951 (West Penn) (Order entered on May 3, 2011).

via bill insert or a direct mailing that will provide the TOU prices established through the auctions, as well as standard terms and conditions of service. Customers will also be given a tear-off card bearing the return address of the winning bidder.

55. The winning bidder will be responsible for processing customer enrollments. Enrollments must adhere to the Company's meter reading schedule and be consistent with the switching rules of the Company's supplier tariff.

56. Customers that enroll in the TOU program will be permitted to select a different EGS without penalty. However, once a customer has decided to leave TOU service, the customer may not return to TOU service until the next enrollment window.

57. Upon conclusion of each twelve-month TOU service period, an enrolled customer will not automatically revert to default service. The TOU supplier must inform customers of their right to select another EGS or return to default service prior to the conclusion of the twelve-month period, in accordance with the notice requirements of 52 Pa. Code § 54.5(g)(1). The TOU supplier will retain the customer unless the customer elects a different EGS or default service and may establish new TOU prices without Commission approval of those prices, as is the case with any other EGS rates.[9]

58. If a customer with a smart meter calls the Company during an enrollment window to make a new mover request or register a high bill complaint and expresses an interest in TOU rates, that customer will be referred to the TOU supplier.

59. The cost of the auction and customer information materials will be recovered from residential customers under the Company's DSS Rider as a retail market enhancement.

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[9] *See* 66 Pa.C.S. §§ 2802(14) and 2809(e).

60. In the event that there are no EGSs electing to participate in the auction, or the Commission rejects the auction results, service will be provided under the terms and conditions of the PTC Rider for the residential class, including the E factor calculated therein with the residential class rate multiplied by an on-peak rate factor to determine the on-peak rate and a off-peak rate factor to determine the off-peak rate.

F. Reconciliation

61. The PTC Rider currently includes, and is proposed to continue to include, a reconciliation mechanism referred to as the "E" factor. The E factor will be recalculated at the end of each Default Service Quarter and will be reflected in the rate change that takes effect at the beginning of the third month following the end of each Default Service Quarter.

62. At the end of each month during the Programs, each Company will prepare, separately for the residential customer class and commercial customer class, a reconciliation of costs and revenues that conforms to the tariff formula for computing the E factor.

63. The difference between costs and revenues will represent the over-collection or under-collection, as applicable, for the month, which will be recorded in the appropriate deferral accounts on each Company's regulated books of account. Each Company will perform separate computations and maintain separate balances for the residential and commercial customer classes. Interest will accrue on the cumulative over-collection or under-collection balances, also calculated separately by residential and commercial customer class, for each Company. Carrying charges will be calculated at the interest rates specified in the Regulations.

64. The cumulative over-collection or under-collection recorded on each Company's books at the end of each Default Service Quarter for the residential customer class and commercial customer class will be used to compute the new E factors. The E factors will recoup

any cumulative net under-collections or refund any cumulative net over-collections, including accrued interest, on a per-kWh basis over the three-month billing period of the PTC Rider rates that become effective on the first day of the third month after the end of each Default Service Quarter. The quarterly recalculation of the E factor could produce either an additional charge or a credit, which will be included in the calculation of the PTC Rider rates charged during the effective period.

65. The HP Default Service Rider currently includes, and is proposed to continue to include, a reconciliation mechanism referred to as the "E_{HP}" factor. At the end of each month during the Programs, each Company will prepare a reconciliation of costs and revenues that conforms to the tariff formula for computing the E_{HP} factor.

66. The difference between costs and revenues will represent the over-collection or under-collection, as applicable, for the month, which will be recorded in the appropriate deferral accounts on each Company's books. Interest will accrue on the cumulative over-collection or under-collection balances. Carrying charges will be calculated at the interest rates specified in the Regulations.

67. The cumulative over-collection or under-collection recorded on the respective Company's books of account at the end of each Default Service Quarter will be used to compute the new E_{HP} factor. The E_{HP} factor will recoup any cumulative net under-collections or refund any cumulative net over-collections, including cumulative interest, on a per-kWh basis over the three-month billing period of the new E_{HP} that becomes effective on the first day of the third month after the end of each Default Service Quarter.

68. The SPVRC Rider currently includes, and is proposed to continue to include, a reconciliation mechanism referred to as the "E" factor. The E factor will be recalculated annually and will take effect each June 1st.

69. At the end of each month, each Company will prepare a reconciliation of costs and revenues that conforms to the tariff formula for computing the SPVRC Rider's E factor. The reconciliation between costs and revenues represents the over-collection or under-collection, as applicable for the month, which will be recorded in the appropriate deferral accounts on each Company's regulated books of account. Interest will accrue on the cumulative over-collection or under-collection balances. Carrying charges will be calculated at the legal rate of interest stated in 41 P.S. § 202.

70. The cumulative over-collection or under-collection recorded on each Company's books annually will be used to compute the new SPVRC Rider's E factor. The E factor will recoup any cumulative net under-collections or refund any cumulative net over-collections, including accrued interest, on a per-kWh basis to become effective on June 1st.

G. Tariff Changes

71. West Penn is proposing a variety of tariff changes, including new definitions, the addition of new riders, and the movement of charges to new locations in West Penn's tariff to make West Penn's default service tariff provisions similar to those of Met-Ed, Penelec and Penn Power.

72. For Met-Ed, Penelec and Penn Power, other than the changes to the PTC, HP Default Service, DSS and SPVRC Riders previously described, the definition of Non-Market Based Services Transmission Charges will be added to the definitions sections of each Company's tariff in their respective compliance filings.

IV. RETAIL OPT-IN AUCTION

73. Each Company will conduct a descending clock auction for a twenty-four month retail service rate from EGSs beginning June 2013 that is priced as a "percent-off" the price-to-compare for that Company ("opt-in service"). All non-shopping residential customers (as identified thirty days prior to the enrollment period) will be notified of their opportunity to enroll with the winning supplier(s).

74. Auctions would occur after the January 2013 default service procurement auctions, but no later than March 2013, to allow potential bidders to make reasonable estimates of the Companies' average price to compare over the twenty-four month period. The auctions for each Company will occur on the same day. The winner of each auction will be determined by the highest percentage off of the price-to-compare. In the event of a tie, the customers notified of the opportunity to enroll will be randomly split equally between winning bidders.

75. EGSs that have satisfied the Company's supplier tariff requirements will be eligible to bid provided all auction qualifications, including financial assurances, are satisfied. Bidders must execute an agreement committing to: (a) comply with and utilize pre-approved terms and conditions of service; (b) bill customers via EDC rate-ready consolidated billing; and (c) not include any early termination penalties. The auction winner will assume LSE responsibilities for enrolled customers. The auction process will be overseen by CRA, and the Commission will approve auction results.

76. The enrollment window will begin after completion of the auction and will last for up to eight weeks. Customers will be sent information via direct mailing that will provide the price (in this case, the percent off the price-to-compare) and standard terms and conditions of service. Customers will also be provided with a tear-off card with the return address of the

winning bidder as well as the website and phone number so that they may utilize any of the three methods for enrollment.

77. The cost of the auction, costs incurred to form the aggregation, and the costs associated with the development and distribution of customer information materials will be recovered from residential customers via the Company's DSS Rider as a retail market enhancement.

78. Enrolled customers will be permitted to select a different EGS and/or default service without penalty. However, once a customer leaves opt-in service, the customer may not return to opt-in service.

79. The winning bidder will be responsible for processing customer enrollments. Enrollments must adhere to the Company's meter reading schedule and be consistent with the switching rules of the Company's supplier tariff.

80. Upon conclusion of the twenty-four month period, an enrolled customer will not automatically revert to default service. The opt-in service supplier must inform customers of their right to select another EGS or to return to default service prior to the conclusion of the twenty-four month period in accordance with the notice requirements of 52 Pa. Code § 54.5(g)(1). The opt-in service supplier will retain the customer unless the customer elects a different EGS or default service and may establish new prices without Commission approval of such prices, as is the case with any other EGS rate.

81. Implementation of the opt-in auction results will be contingent upon Commission approval of the winning bidders. In the event that there are no EGS(s) awarded for the auction, either by lack of participation or Commission rejection, then an opt-in program will not be

available to customers. In the event of EGS default during the period of the contract, the participating customers will be returned to default service.

V. CUSTOMER REFERRAL PROGRAM

82. Each Company will implement a Customer Referral Program for non-shopping residential class customers that either: (a) call a Company with a new mover request[10]; (b) call a Company with a high bill complaint; or (c) inquire about customer choice. At the conclusion of the discussion, the Company's customer service representative will tell the callers that: (a) they have the ability to shop to reduce their price; (b) numerous other EGS offers exist; and (c) they can be transferred to the Customer Referral Plan implementation team, if interested.

83. Once a customer is transferred, the Customer Referral Plan implementation team will explain: (a) customer choice; (b) that numerous offers are available at PaPowerSwitch.com; and (c) that the Company has information about the current lowest prices for a twelve-month fixed-price offering and a twenty-four month fixed-price offering, which were obtained through an open bidding process. The retail EGS(s) with the lowest twelve-month and twenty-four month fixed-price offerings to which customers would be referred will be updated weekly in the manner explained below.

84. A customer that expresses interest in either the twelve-month fixed-price offering or the twenty-four month fixed-price offering will be transferred to the EGS that made such offer so that the customer may be enrolled by the EGS. The EGS must accept any and all residential customers that elect to accept the referral offer. Enrollments must adhere to the Company's

[10] Customers both newly moving into the service territory, and moving from one location to another within the same Company's service territory are eligible for the Customer Referral Program.

meter reading schedule and must be consistent with the switching rules of the Company's supplier tariff.

85. In order to establish the lowest twelve-month and twenty-four month fixed-price offerings for the residential class on a weekly basis, the Companies will create a website for EGSs to enter their offers for the following week. EGSs will be required to submit their offers electronically by 2 pm Eastern prevailing time each Friday in order to be considered for the upcoming calendar week (Sunday through Saturday). The website will also show the identity of EGSs and their respective bids from the prior week and identify the winning bids.

86. The lowest bid for each product must be lower than the Company's known price-to-compare for the applicable customer class. If the low bid for a product is not lower than the Company's known price-to-compare, the Company will not make referrals for that product during the upcoming week.

87. The cost of the Customer Referral Plan, including the cost of the Customer Referral Plan implementation team, will be recovered from residential customers via the Company's DSS Rider, as a retail market enhancement.

88. In order to participate in the program, EGSs must execute an agreement committing to: (a) comply with pre-approved terms and conditions of service; (b) bill customers via EDC rate-ready consolidated billing; and (c) not include any early termination penalties.

89. New mover, high bill, and customer choice calls that include referrals must be exempted from existing call center metrics and performance levels that the Companies are obligated to maintain pursuant to Commission orders.

VI. ADDITIONAL ISSUES

A. Commitments From The Merger Settlement

90. On February 24, 2011, the Commission approved a settlement at Docket Nos. A-2010-2176520 and A-2010-2176732 of the proceeding for a certificate of public convenience authorizing a change of control of West Penn and Trans-Allegheny Interstate Line Company to be effected by the merger of FirstEnergy Corp. and Allegheny Energy, Inc. (the "Merger Settlement"). The Merger Settlement included several provisions setting forth items the Companies were required to do (or to refrain from doing) that are relevant to their default service plans. In general, these commitments either have been fully satisfied, are in the process of being satisfied, or will have been accomplished upon approval of the Companies' Programs, as explained below.

91. First, as they committed to do, the Companies have proposed voluntary TOU rates to residential customers with smart meters and voluntary real-time rates to commercial and industrial customers with smart meters

92. Second, the Companies agreed that they would all use a uniform price-to-compare structure in this default service proceeding. Consistent with that commitment, all of the Companies are proposing to use the same price-to-compare structure in their Programs in this case.

93. Third, the Companies made commitments to implement retail market enhancements, including the promotion of shopping in customer welcome packets, updated eligibility lists, sync lists, interval/non-interval consumption information via Electronic Data Interchange ("EDI"), EDI change requests, rate-ready/bill-ready options, purchase of receivables for residential and commercial customers and budget billing for utility-consolidated billing, to be

completed within three months following integration of West Penn into FirstEnergy's SAP computer system. The implementation of these commitments is on track and is expected to be completed in the second quarter of 2012.

94. Fourth, the Companies agreed to appoint an ombudsman, and West Penn agreed to discontinue billing EGS administrative charges. These commitments have been implemented.

95. Fifth, the Commission's Order approving the Merger requires monthly meetings with EGSs. The first monthly EGS meeting was held on March 29, 2011, and EGS meetings have been conducted monthly thereafter.

96. Sixth, subject to appropriate confidentiality agreements, the Companies agreed to provide the Pennsylvania Office of Consumer Advocate ("OCA"), the Pennsylvania Office of Small Business Advocate ("OSBA"), and the Office of Trial Staff, which is now recognized as the Commission's Bureau of Investigation and Enforcement ("I&E"), with detailed information about processes for, and results of, procuring default supplies for service rendered after June 1, 2013. This includes copies of solicitations, assessments done to qualify prospective suppliers, disqualification information, results of procurement processes, and a summary showing market shares of default suppliers. The Companies are required to supply this information within three days after the Commission approves the procurement results. This Merger Settlement commitment will be implemented as part of this default service proceeding.

97. Seventh, the Companies will file with the Commission annually, for the years 2011-2015, a report on wholesale market prices and price trends within PJM. The report will also be served on the OCA, OSBA and I&E subject to an appropriate protective order, as also provided in the Merger Settlement.

98. Finally, Met-Ed, Penelec and Penn Power, which all have an SPVRC Rider in their current tariffs, agreed: (1) to procure 40% of SPAECs for the period 2011 through 2021 using ten-year contracts; and (2) to distribute the SPAECs thus acquired to EGSs and default service suppliers on a load-ratio basis. In addition, West Penn is proposing an SPVRC Rider for inclusion in its tariff as part of this proceeding and is further proposing to procure 40% of the SPAECs similarly to Met-Ed, Penelec and Penn Power.

B. Investigation Of Pennsylvania's Retail Electricity Market

99. The Commission has initiated a statewide investigation of the retail electricity market at Docket No. I-2011-2237952. This proceeding for approval of the Companies' Default Service Programs will run in parallel with that statewide investigation. On October 14, 2011, the Commission issued a tentative order in the statewide investigation and solicited comments. The Companies reserve the right to update their proposed Programs as necessary to implement any final Commission orders resulting from the statewide investigation.

C. Affiliate Relations

100. Pursuant to 66 Pa.C.S. § 2807(e)(3.1)(III)(B), which states that any agreement between affiliated parties shall be subject to Commission review and approval under Chapter 21 of the Public Utility Code, the Companies request that the Commission approve the *pro forma* SMAs and the EGS agreements associated with the Opt-In Auction, TOU offering, and Customer Referral Program as affiliated interest agreements pursuant to 66 Pa.C.S. § 2102. The Regulations and Policy Statement permit affiliates of DSPs to participate in competitive procurements for default service supplies. Consequently, it is possible that the Companies' affiliate, FirstEnergy Solutions Corp. ("FES"), may participate in one or more of the Companies' proposed procurements. In the event FES is a winning bidder, it will need to execute the SMA in

the same timeframe as any other supplier. As a result, advance approval of the *pro forma* SMAs, which will be filed with the Companies' direct testimony, as affiliated interest agreements is necessary. The Commission granted similar approvals of the Companies' existing SMAs as part of the approval of their existing default service program.

101. Section 2807(e)(3.7)(III) of the Public Utility Code requires the Commission, when approving default service programs, to find that "[n]either the Default Service Provider nor its affiliated interest has withheld from the market any generation supply in a manner that violates federal law." The Companies do not own generation and, pursuant to the Commission's Competitive Safeguards[11] and the FERC's Standards of Conduct,[12] the Companies' supplier affiliate, FES, does not discuss generation market related issues with Met-Ed, Penelec, Penn Power or West Penn. However, the Companies are not aware of any determination by any court or regulatory agency of competent jurisdiction that FES has withheld from the wholesale market generation supply in violation of federal law.

VII. NOTICE

102. In accordance with Sections 54.185 and 54.188 of the Regulations, the Companies will provide notice of this filing in several ways:

- Within thirty days of filing this Joint Petition, each of the Companies will provide public notice of the filing by publishing a notice in the major newspapers serving their respective service areas. The notice will contain information about the Companies' tariff filings, their proposed competitive solicitations of generation

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[11] 66 Pa. Code § 54.121, *et seq.*

[12] 18 C.F. R. Part 358.

resources, how the Companies' Programs may affect customers, where the filings are available for public inspection, how comments or complaints can be filed, and how customers can participate in this proceeding.

- The Companies' Joint Petition and, when filed, their direct testimony and accompanying exhibits will be made available for inspection at Met-Ed's principal office in Reading, Penelec's principal office in Erie, Penn Power's principal office in New Castle, and West Penn's principal office in Greensburg. This material will also be posted to the Companies' public internet domain, where it will be available electronically for public inspection.
- The Companies will provide additional public notice by means of a press release and a bill message to inform customers of the filing.
- The Companies have also served copies of this Joint Petition and will serve, when filed, their direct testimony and accompanying exhibits on the OCA, OSBA, I&E, PJM, and all EGSs registered to provide service in their respective service territories.
- The Companies request that the Commission publish notice of this filing in the Pennsylvania Bulletin and set a reasonable deadline for intervention.
- The Companies will provide additional notice as directed by the Commission.

103. The Companies believe these communication efforts will provide potential interested parties with ample notice as well as an opportunity to participate in the Commission's proceeding addressing the Companies' Programs.

VIII. PROPOSED SCHEDULE

104. Pursuant to § 2807(e)(3.6) of the Public Utility Code, the Commission has nine months from the date of this filing to issue a final order. In accordance with that timeline, the Companies suggest the following schedule for this proceeding:

Petition Filing	November 17, 2011
Publication in the Pennsylvania Bulletin	December 3, 2011
Companies' Direct Testimony	December 20, 2011
Pre-Hearing Conference	December 22, 2011
Other Parties' Direct Testimony	January 27, 2012
Rebuttal Testimony	February 24, 2012
Surrebuttal Testimony	March 16, 2012
Oral Rejoinder and Hearings	March 21-22, 2012
Main Briefs	April 13, 2012
Reply Briefs	April 27, 2012
Recommended Decision	May 29, 2012
Exceptions	June 18, 2012
Reply Exceptions	June 28, 2012
Commission Order	August 17, 2012

IX. REQUEST FOR WAIVERS

105. To the extent necessary, the Companies request: (1) a waiver of 52 Pa. Code § 54.187 (h) – (j) in order to continue to use their proposed residential, commercial and industrial customer class definitions, which the Commission has previously approved for Met-Ed, Penelec and Penn Power; (2) a waiver of the Commission's requirements at 52 Pa. Code §§ 54.182 and 54.187 with regard to including certain transmission-related costs in the price-to-compare so that they may remove NMB Services Transmission Charges from the price-to-compare and include such charges in the non-bypassable DSS Rider, as previously explained; and (3) any additional

waivers of the Commission's requirements for the implementation of the Companies' proposed Opt-In Auction and Customer Referral Programs and TOU service for West Penn and Penn Power.

X. PUBLIC INTEREST CONSIDERATIONS

106. The Companies' proposed Programs are in the public interest for all of the reasons previously explained and for the following reasons: (1) the Programs will utilize a competitive and transparent bid solicitation process; (2) the Programs will utilize fair and nondiscriminatory bidder qualification requirements; (3) an independent third party evaluator will be utilized for all procurements; (4) the Programs are consistent with the legal and technical requirements established by PJM and align with its planning year; (5) the Programs provide for compliance with AEPS, including a ten-year procurement for solar credits; (6) the Programs have protocols to ensure that the Companies' supplier affiliates do not receive an advantage in the solicitation and evaluation of competitive bids; (7) the Programs provide for hourly or quarterly adjustments of the default service rate components, as applicable; (8) the Programs include viable contingency plans; (9) the Programs ensure that the price-to-compare is designed to recover all default service costs (subject to the waiver for certain transmission-related costs, as previously explained); (10) the Programs have a procurement schedule that diversifies the times when procurements occur; (11) the Programs utilize a prudent mix of long-term, short-term and spot market generation supply to yield the least cost to customers over time; and (12) the Companies are providing ample notice of their proposed Programs to interested parties.

XI. CONCLUSION

Pursuant to the requirements of 66 Pa.C.S. § 2807(e)(3.7), the Companies request that the Commission enter an order: (1) granting this Joint Petition; (2) approving the Companies' proposed Programs, including each procurement plan, implementation plan, and contingency plan and related bidder rules, SMAs, credit documents, and other associated agreements for default service supply from June 1, 2013 through May 31, 2015; (3) approving the Companies' proposed rate design and tariffs for default generation service, including recovery of all of the Companies' costs associated with the provision of default service; (4) approving the Companies' proposed supplier master agreements as affiliated interest agreements under 66 Pa.C.S. § 2102; (5) approving CRA as the independent third-party evaluator for the Companies' default supply procurements and proposed retail Opt-In Auction and The Brattle Group as the independent third-party evaluator for the Companies' solar photovoltaic alternative energy credit procurements and TOU procurements; (6) finding that neither the Companies nor their affiliates have withheld from the market any generation supply in a manner that violates federal law; (7) finding that the Programs include prudent steps necessary to negotiate favorable generation supply contracts; (8) finding that the Programs include prudent steps necessary to obtain least-cost generation supply on a long-term, short-term and spot market basis; (9) granting a waiver of the rate design provisions of 52 Pa. Code § 54.187 and transmission-related price-to-compare provisions at 52 Pa. Code §§ 54.182 and 54.187, to the extent necessary; (10) approving the Companies' proposed electric generation supplier agreements for the provision of service under the Companies' proposed Opt-In Auction and Customer Referral Program, as well as TOU service for West Penn and Penn Power; and (11) approving the Companies' proposed terms and conditions of service for EGSs providing service under the Companies' proposed Opt-In Auction or Customer Referral Program or TOU service for West Penn and Penn Power and granting any additional waivers required for implementation of these programs, to the extent necessary.

Respectfully submitted,

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