



RECEIVED
IRRC

2800 Pottsville Pike
P.O. Box 16001
Reading, PA 19612-6001

2015 APR 17 PM 2: 59

Lauren M. Lepkoski, Esq.
(610) 921-6203
(610) 939-8655 (Fax)
llepkoski@firstenergycorp.com

3088

610-929-3601

April 13, 2015

VIA ELECTRONIC FILING

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

**Re: Advance Notice of Proposed Rulemaking for Revision of the
Commission's Regulations on Automatic Adjustment Clauses
Related to Electric Default Service
Docket No. L-2014-2421001**

Dear Secretary Chiavetta:

Pursuant to the Pennsylvania Public Utility Commission's Proposed Rulemaking Order entered October 2, 2014 in the above-referenced proceeding, enclosed herewith for filing are the Comments of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company.

Please contact me if you have any questions regarding this matter.

Very truly yours,

Lauren M. Lepkoski

dln
Enclosures

c: Krystle J. Sacavage, Law Bureau

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Advance Notice of Proposed Rulemaking	:	
for Revision of the Commission's	:	Docket No. L-2014-2421001
Regulations on Automatic Adjustment	:	
Clauses Related to Electric Default Service	:	

**COMMENTS OF METROPOLITAN EDISON COMPANY,
PENNSYLVANIA ELECTRIC COMPANY, PENNSYLVANIA POWER
COMPANY AND WEST PENN POWER COMPANY**

I. INTRODUCTION

On May 22, 2014, the Pennsylvania Public Utility Commission (“Commission”) entered an Order in the above-referenced matter seeking comments to an Advance Notice of Proposed Rulemaking Order (“ANOPR Order”) regarding the Commission’s proposal to apply a symmetrical rate of interest to over and under collections resulting from the reconciliation of automatic adjustment clause costs and revenues related to electric default service. The Commission directed that comments be submitted within sixty days of publication in the *Pennsylvania Bulletin*. The ANOPR Order was published in the *Pennsylvania Bulletin* on June 7, 2014. On August 6, 2014, Metropolitan Edison (“Met-Ed”), Pennsylvania Electric Company (“Penelec”), Pennsylvania Power Company (“Penn Power”) and West Penn Power Company (“West Penn”) (collectively, “the Companies”) submitted comments to the ANOPR Order.

On October 2, 2014, the Commission entered a Proposed Rulemaking Order establishing a symmetrical rate of interest which will be applicable to both over and under collections resulting from the reconciliation of automatic adjustment clause costs and revenues related to electric default service. The Commission directed that comments be submitted within thirty days of publication in the *Pennsylvania Bulletin*. The Proposed Rulemaking Order was published in the *Pennsylvania*

Bulletin on March 14, 2014. The Companies respectfully submit the following comments to the Proposed Rulemaking Order.

II. PROPOSED UNIFORM INTEREST RATE STRUCTURE

In the Proposed Rulemaking Order, the Commission is proposing to establish a symmetrical rate of interest that is applicable to over and under collections resulting from the reconciliation of default services costs and revenues through the automatic adjustment clauses. All of the Companies adjustment clauses except for the Price-to-Compare (“PTC”) have a symmetrical interest rate component included in the calculation. Establishing symmetrical interest rates for over and under collections is equitable to both customers and EDCs because it provides for identical treatment. Therefore, the Companies’ support this component of the Commission’s Proposed Rulemaking Order.

The Commission is also proposing that the applicable rate of interest on over and under collections would be interest at the prime rate for commercial borrowing in effect on the last day of the month the over and under collection occurred, as reported in the *Wall Street Journal*. Currently, the Companies’ PTC automatic adjustment clause provides for payment of interest to the Companies at 6% annual interest rate for under collections, which is defined by the Loan Interest Act at 41 P.S. § 202, and 8% annual interest rate for refunds to customers for over collections, which is the legal rate plus 2% which is defined under 52 Pa. Code § 54.187(g).

The Companies have a concern with the Commission’s proposal to use the prime rate for commercial borrowing as the applicable rate of interest due to its historical volatility. The Companies understand that the Commission intends to provide stability and uniformity to the interest rate component of the automatic adjustment clause with these changes; however, varying the interest rate using the prime rate for commercial borrowing has the opposite effect. The prime

rate for commercial borrowing has remained relatively low in the recent past. However, back in the 1970's and early 1980's, the prime interest rate for commercial borrowing rose to as high as 21.5%. By establishing as part of regulation an interest rate process that has been historically volatile without providing an "escape hatch" could expose customers to significant swings in interest rates. Therefore, the Companies recommend that the Commission approve the use of the current legal interest rate of 6%. The legal rate of interest coupled with a symmetrical interest rate policy will provide stability to this ever-fluctuating automatic adjustment clause and provide for a mechanism that is just and reasonable.

III. REVISED INTEREST RATE CALCULATION

The Companies have been using a slightly different method of calculating interest than that proposed by the Commission in this Proposed Rulemaking Order. Specifically, any over and under collection of expenses for the month would be recorded on the Companies' books of account. Interest charges are calculated using the average of the beginning and ending balance for any month. The amount of these interest charges are added or subtracted to the cumulative reconciliation balance in any given month.

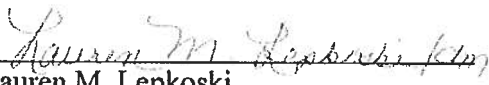
In the Proposed Rulemaking Order, the Commission stated that the interest should be calculated based on when the under or over collection has occurred. As the Commission recognized in the Proposed Rulemaking Order this is a deviation from how the Companies currently perform this calculation in accordance with its tariffs. The Companies request that the Commission consider allowing the Companies to maintain its current interest charge calculation process until the new process can be adequately transitioned, reviewed and audited.

IV. CONCLUSION

Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company appreciate the opportunity to provide comments regarding the Commission's Proposed Rulemaking Order regarding interest calculations for automatic adjustment clauses related to Electric Default Service. The Companies look forward to working with the Commission and other parties on this matter.

Respectfully submitted,

Dated: April 13, 2015


Lauren M. Lepkoski
Attorney No. 94800
FirstEnergy Service Company
2800 Pottsville Pike
P.O. Box 16001
Reading, PA 19612-6001
Phone: (610) 921-6203
Fax: (610) 939-8655
Email: llepkoski@firstenergycorp.com

Counsel for:
Metropolitan Edison Company,
Pennsylvania Electric Company,
Pennsylvania Power Company and
West Penn Power Company

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Advance Notice of Proposed Rulemaking :
for Revision of the Commission's : **Docket No. L-2014-2421001**
Regulations on Automatic Adjustment :
Clauses Related to Electric Default Service :

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true and correct copy of the foregoing document upon the individuals listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

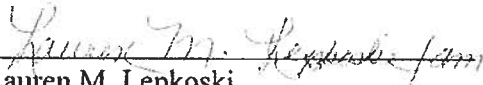
Service by first class mail, as follows:

John R. Evans
Office of Small Business Advocate
Suite 1102, Commerce Building
300 North Second Street
Harrisburg, PA 17101

Tanya McCloskey
Office of Consumer Advocate
555 Walnut Street – 5th Floor
Harrisburg, PA 17101-1923

Johnnie E. Simms
Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

Dated: April 13, 2015


Lauren M. Lepkoski
Attorney No. 94800
FirstEnergy Service Company
2800 Pottsville Pike
P.O. Box 16001
Reading, Pennsylvania 19612-6001
(610) 921-6203
llepkoski@firstenergycorp.com

Counsel for:
Metropolitan Edison Company
Pennsylvania Electric Company
Pennsylvania Power Company and
West Penn Power Company