

New mailing address: PO Box 762 New fax: 610-410-8917

March 20, 2007

Hon. Irwin A. Popowsky, Consumer Advocate
Office of Consumer Advocate
5th Floor, Forum Place
555 Walnut Street
Harrisburg, PA 17101-1923

Dear Sonny:

The Pa. Foundry Association (PFA) is contacting you to raise our vigorous objections to the discrimination by First Energy against Pa. metal casting firms. Specifically, First Energy is blocking participation by Pa. foundries in PJM's economic demand response programs in the service territories of MetEd and Penelec.

For over four months, First Energy has acted unilaterally and arbitrarily to delay, defer and deny all financial settlements for demand response participation by Pa. foundries. Over 100 settlements have been disputed by First Energy so far, forcing PJM to perform a cumbersome case-by-case administrative review. First Energy knows full well that PJM is ill equipped to handle any volume of retail disputes, as evidenced by the lack of not even one resolution to date.

Despite conformance by the foundries and their curtailment service provider (CSP) with all PJM rules on demand response, First Energy persists in rejecting every demand response event by metal casting firms. First Energy even blocked a foundry's registration for demand response, until PJM properly overturned the tactic upon our appeal. First Energy's obstructionism is now denying settlements for this newly registered foundry, along with all of the others. In addition, I am informed that First Energy has expanded its demand response denials to other sectors.

Clearly, First Energy is engaged in a campaign to undermine demand response programs in general, and to eliminate the specific participation by Pa. foundries. First Energy's anti-competitive practices are counter to public utility law and violate their previous commitments when MetEd and Penelec underwent restructuring and acquisition by First Energy. The discriminatory practices by First Energy not only are precluding the benefits of demand response to foundries and the wholesale power grid, but also are negating all potential value to foundries of participating in the Pa. Automatic Load Management (PALM) initiative and the emerging market of alternative energy credits. In addition, First Energy is undermining investments in demand side programs that are becoming increasingly important as rate caps expire.

Fortunately, no other utility is embarking on First Energy's obstructionist approach. In fact, foundry participation in demand response is growing in other service territories, especially Peco and PPL. If First Energy's discriminatory practices are allowed to continue, however, demand response throughout PJM could be seriously jeopardized.

Under the circumstances, PFA respectfully requests your efforts to end First Energy's discriminatory practices and to prevent their recurrence in the future. PFA is more than willing to assist the Office of Consumer Advocate in this regard.

Sincerely,

Christopher G. Moyer
Executive Vice President