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ppl™

VIA FEDERAL EXPRESS

January 17, 2012

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JAN 17 2012

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

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

Re: Investigation of Pennsylvania's Retail Electricity Market Intermediate Work Plan
Docket No. I-2011-2237952

Dear Ms. Chiavetta:

Enclosed for filing on behalf of PPL Electric Utilities Corporation ("PPL Electric") are an original and five (5) copies of PPL Electric's comments in the above-captioned proceeding. Pursuant to the order entered by the Public Utility Commission ("Commission") on December 16, 2011, PPL Electric also is submitting a copy of its comments to the Office of Competitive Market Oversight Retail Markets Investigation inbox at ra-RMI@state.pa.us.

Pursuant to 52 Pa. Code § 1.11, the enclosed document is to be deemed filed on January 17, 2012, which is the date it was deposited with an overnight express delivery service as shown on the delivery receipt attached to the mailing envelope.

In addition, please date and time-stamp the enclosed extra copy of this letter and return it to me in the envelope provided.

If you have any questions regarding the enclosed comments, please contact me.

Very truly yours,

Paul E. Russell

Enclosures

cc: Kirk House, Esquire
Mr. Daniel Mumford

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Investigation of Pennsylvania's Retail Electricity Market: Intermediate Work Plan	: :	Docket No. I-2011-2237952

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Comments of
PPL Electric Utilities Corporation on
Tentative Order Entered December 16, 2011

TO THE PENNSYLVANIA PUBLIC UTILITY COMMISSION:

1. <u>Introduction</u>

On December 16, 2011, the Pennsylvania Public Utility Commission ("PUC" or the "Commission") entered a Tentative Order proposing an intermediate work plan for the purpose of enhancing Pennsylvania's competitive retail electricity market. The Tentative Order states that the designation of the plan as intermediate is consistent with the objective that most of the issues, tasks, and goals identified be resolved and implemented prior to the expiration of the electric distribution companies' ("EDCs") next round of default service plans. However, two of the programs, the Retail Opt-in Auction and Standard Offer Referral Programs, are specifically proposed for inclusion in each EDC's upcoming default service plan.

The proposed intermediate work plan set forth in the Tentative Order was developed by the PUC's Office of Competitive Market Oversight ("OCMO") as a result of meetings held with working groups, CHARGE (Committee Handling Activities for Retail Growth in Electricity), and the Commission's Investigation into Pennsylvania's Retail

Electricity Market at Docket No. I-2011-2237952. The Tentative Order provides for the filing of comments within 30 days from the date of entry (which is Sunday, January 15, 2012). The Commission has provided direction through OCMO that the due date will be January 17, 2012. The Tentative Order provides for the filing of reply comments within 15 days thereafter.

PPL Electric Utilities Corporation ("PPL Electric" or "the Company") is a "public utility" and an "EDC" as those terms are defined under the Public Utility Code, 66 Pa.C.S. §§ 102 and 2803, subject to the regulatory jurisdiction of the Commission. PPL Electric furnishes electric distribution, transmission, and default service provider electric supply services to approximately 1.4 million customers throughout its certificated service territory, which includes all or portions of twenty-nine counties and encompasses approximately 10,000 square miles in eastern and central Pennsylvania. PPL Electric has been an active supporter of Customer Choice and an active participant in all phases of the Retail Market Investigation, as well as the activities conducted by OCMO and CHARGE.

In Section 2 of the comments that follow, PPL Electric provides comments addressing the intermediate work plan proposals put forth in the Tentative Order. In the interest of clarity, PPL Electric has attempted to organize its specific comments under the same headings as those used in the Tentative Order.

2. Comments on "Intermediate Work Plan Proposals"

A. Consumer Education

The Tentative Order recommends the development of a comprehensive statewide plan for consumer education to be finalized in the first quarter of 2012. It also describes several intermediate steps recommended by the OCMO to educate consumers about the process and benefits of switching to a competitive supplier for their electric generation. Finally, it recommends enhancements to the PAPowerSwich.com website for the benefit of small business customers. The Company's comments, below, address each of those areas separately.

- **Statewide Consumer Education**

  PPL Electric supports the Commission's objective of a statewide consumer education plan and believes that a key factor contributing to the large number of shopping customers in the PPL Electric service territory is the existence of a strong, effective and well-funded consumer education program.

- **Customer Mailings**

  The Tentative Order proposes several components of the consumer education campaign: 1) a Commission-endorsed postcard, subject of a Secretarial Letter, with the mailing to be completed no later than February 29, 2012; 2) a tri-fold flyer to be mailed in May, 2012; and 3) a letter, including Frequently Asked Questions, from EDCs to be mailed in the early fall of 2012.

  PPL Electric has, with Commission review, undertaken the appropriate actions necessary to complete the postcard mailing by the February 29, 2012 deadline. The Company fully intends to participate, subject to Commission directive, in the two additional mailings.

  The Tentative Order states "the Commission anticipates that the affected EDCs will seek cost recovery in a future filing" for the postcard. There is no mention of cost recovery for the tri-fold flyer and the EDC mailing. The Company recommends that the Commission's Final Order should, instead, explicitly grant EDCs full recovery of all costs incurred for these three mailings. Although different EDCs may propose different recovery mechanisms, there should be no question as to the ability of each EDC to recover all costs undertaken to communicate messages of the Commission's design at the direction of the Commission.

PPL Electric offers these additional comments on the proposed customer mailings:

- PPL Electric supports the timeframes proposed (May 2012 for the tri-fold mailing and early fall of 2012 for the EDC letter) in order to place the call volume that such mailings are likely to create outside of existing high call-volume periods. However, the Company requests that the Commission establish specific dates as soon as practicable so that it can do resource planning.
- The Company believes that it was appropriate for the Commission to retain editorial control of the postcard because it will contain the Commission's message and will be signed by the Commissioners. PPL Electric is pleased that it has had the opportunity to provide input to the Commission in the development of the postcard. With regard to mailings that bear the EDC's letterhead or that are signed by an officer or employee of the EDC, PPL Electric believes that editorial control should remain with the EDC. The Company acknowledges that when done at the direction of the Commission and where cost recovery is to be provided, it

is appropriate for the Commission to set guidelines around the communication. However, the specific language and presentation that are used should be the language that is most acceptable to the EDC and its customer contact personnel because they will have to explain it to customers. The above concern also applies to the tri-fold brochure if it is anticipated that customer questions regarding the material in the brochure are to be addressed by EDC personnel.

- **PAPowerSwitch.com Enhancements**

The Tentative Order further proposes that OCMO undertake efforts to enhance the shopping experience for small business customers, in particular those with a demand threshold of up to 25kW. The Tentative Order anticipates that the OCMO can complete these changes in early 2012 with Commission approval required for these expenditures. The Company agrees with the distinct efforts to enhance the shopping experience for small business customers with changes to the PAPowerSwitch.com website, and that associated costs be separate from the costs for other initiatives proposed within the Tentative Order.

B. Acceleration of Switching Timeframes

The Tentative Order summarizes the proposals previously articulated in the Tentative Order entered November 14, 2011, at Docket No. M-2011-2270442, captioned *Interim Guidelines Regarding Standards for Changing a Customer's* Electricity Generation Supplier. The Company filed comments at that docket on December 15, 2011 and incorporates those comments here by reference. The only additional information provided in the subject Tentative Order that was not included in the November 14 Tentative Order is the stated intent to "initiate a rulemaking to review and revise the switching regulations...no later than six months after the Interim Guidelines are finalized." Order at 9. The Company had raised a concern in its December 15 comments regarding the Commission's proposed approach of waiving existing regulations and putting in place, instead, a set of guidelines. The Company supports the stated intent to have in place a set of regulations addressing switching and, in particular, the potential for unauthorized switches (commonly referred to as "slamming"). However, PPL Electric remains concerned that (1) there will be an interim period when only guidelines are in force and (2) the rulemaking process has no time limits and, therefore, there is no assurance that the guidelines will be replaced quickly by regulations.

C. Customer Referral Programs

The Tentative Order identifies two different types of customer referral programs. The first, labeled a "New/Moving Customer Referral Program", uses customer initiated contacts to the EDC to trigger a conversation regarding shopping for generation supply. The name derives from the belief that the contacts initiated by customers moving into or within an EDC's service territory present an opportunity to encourage customers to shop for generation supply. The second, labeled "Standard Offer Customer Referral Program", involves EDC promotion of an introductory competitive generation product, typically at a discount to the Price to Compare ("PTC"), over a several month term, to eligible customers. The product itself would be provided by EGSs who choose to participate in the program. The Tentative Order proposes that EDCs pursue both types of programs.

1. New/Moving Customer Referral Program

On pages 17 through 19, the Tentative Order requests comments on a number of specific matters related to the design and implementation of a New/Moving Customer Referral Program. The following are the Company's responses to those requests:

- **The Tentative Order states that it is possible to implement a referral program of this type in 2012.**

  PPL Electric does not disagree that it is possible to implement a relatively basic program in 2012. For example, simply modifying call center scripts to provide shopping references where there now are none, could be accomplished during 2012. The resulting longer conversations might require the addition of customer service representatives ("CSRs") to maintain grade of service and other call quality metrics. Assuming a decision to move in this direction is made in the first half of the year, this type of referral program could be accomplished within 2012. However, if the program involves sophisticated transfers of customer calls between an EDC and an Electric Generation Supplier ("EGS"), or if the EDC were to install a high degree of automation; then, there is a significant likelihood that implementation could extend beyond 2012.

- **The Tentative Order requests comments on the types of calls which would be appropriate for customer referral scripts.**

  Although the program is labeled as the <u>New/Moving</u> Customer Referral Program (emphasis added), PPL Electric believes that this type of program can be applied to not only new and moving customers, but, also, to any current default service customer who contacts an EDC call center for any reason other than emergencies such as service outages or termination of service issues. The objective would be to present customers with information about competitive alternatives every time they contact the EDC.

However, PPL Electric also believes that such programs should be tailored to specific customer needs which may be different in each EDC service territory. For example, almost 42% of PPL Electric's smaller customers (i.e., the Residential and Small Commercial & Industrial customer classes) are enrolled with an EGS. These customers represent 63% of the load in these two customer classes. The Company also has survey data indicating that most of the residential customers in the PPL Electric service territory are aware that they may choose from among a number of suppliers for their generation supply. Most of the customers surveyed indicate that they remain on default service by their own choice. The Company believes that this information needs to be reflected in determining the types of customer calls that are addressed, how competitive issues are discussed on those calls, and, ultimately, the size of the investment in technology and CSR resources to support the program. Accordingly, the Company believes that the following are appropriate elements of a referral program initiated by customer contacts:

1. Add a message to the Interactive Voice Response ("IVR") system that would promote shopping and the PAPowerSwitch.com website to customers who are on hold. This could be done at little additional cost

and accomplished within 2012. All customers in the particular hold queue would hear the message. The message would reinforce the shopping culture.

2. Enhance the PPL Electric Welcome Packet that is sent to all new customers with additional information regarding shopping. In addition, have CSRs explain to new customers during the initial phone call that they can choose their generation supplier. CSRs would explain that more information will be sent in the Welcome Packet. In addition, if the customer already has decided on a supplier, the CSR would be able to offer to transfer the call as described below. In 2011, PPL Electric sent out 32,000 Welcome Packets to new Residential and Small Commercial & Industrial customers. PPL Electric believes that the implementation of this approach will involve additional CSR resources as well as incremental printing and mailing costs.

In PPL Electric's view, the next level of a referral program initiated by customer contacts would be to have CSRs actively engage non-shopping customers, who call PPL Electric for non-emergency reasons, in a conversation about shopping. In order to manage call volume and call length, as well as provide the customer with a high quality experience, PPL Electric proposes to develop an automated process to implement such capability. Call answering systems would be programmed to recognize the reason for the customer's call, determine whether or not the caller is currently on default service, and present scripts directly to the CSR to whom the call is directed.

The CSR would, after resolving the customer's initial reason(s) for calling, discuss the potential benefits of shopping for a generation supplier. The CSR also would offer the customer an e-mail or text message with more information as well as a link to the PAPowerSwitch.com web site. This option is much more involved than the first two recommendations, and as such would most likely result in full implementation in 2013. This is a more costly proposal because PPL Electric would need to install a new Customer Relationship Management ("CRM") system to manage the customer contact information and track what information was provided to each individual caller. New CSR screens and process flows would have to be developed and linked to existing customer information and billing systems.

- **The Tentative Order requests comments on whether a referral program initiated by a customer contact should be managed by the EDC call center, a contracted call center, or a statewide call center.**

Because the program relies on an initial contact from the customer, the program will necessarily involve either the EDC call center or a call center contracted by the EDC to take calls on its behalf. PPL Electric believes that a program as outlined in its comments (i.e., the call types and activities outlined above coupled with the degree of information and transfer capabilities described below) can be managed by the EDC, either through its own call center or one it contracts with for general call answering, with necessary enhancements and additional staffing. In the event the Commission determines that the program should involve elements that would require significant increases in call times, call volumes, or expertise regarding EGS programs, the Company believes that it may be more appropriate that a call center be contracted for this particular purpose. Depending on the degree to which efficiencies may be available or uniformity is an important attribute, it may be appropriate that this service be provided by a single statewide call center.

- **The Tentative Order proposes that such a program be available to residential and small commercial and industrial customers. The Tentative Order invites comments on this proposal as well as whether such a program should be available to participants in customer Assistance Programs ("CAP").**

PPL Electric believes that referral programs initiated by a customer contact should be available to residential and small commercial and industrial customers. Such programs also should be available to participants in CAP programs, but may need to include some different messages for CAP participants.

- **The Tentative Order requests comments on whether a referral program should include the capability to transfer a customer on the phone directly to an EGS (so-called "hot transfer") and how this capability might be incorporated into the accelerated switching guidelines.**

PPL Electric supports transferring a customer who already has decided on a supplier to the call center of that supplier, a so-called "hot transfer". However, the Company does not believe that its CSRs should be held on the line by a customer who has not yet made up his/her mind.

The footnote on page 18 of the Tentative Order defines a "hot transfer" as "*the capability of the EDC call center representative to immediately transfer the customer's call to the selected EGS without any delay or other action required of the customer.*" Implementing such capability would require some modest infrastructure modifications, development and maintenance of a new process including the maintenance of correct phone numbers, and training for CSRs in how and when to use this capability. It is important to note that the definition does not require a hand-off from CSR to CSR, but would, instead, permit the EDC to transfer the customer into the EGS's hold queue if there is no EGS CSR immediately available. PPL Electric believes that this process would provide the most efficient use of its CSRs' time.

With regard to accelerating the switching process for New/Moving customers, PPL Electric believes that the switching process might be accelerated for those customers who know the EGS they wish to serve them at the time of that initial contact if the account number could be established during the initial contact by the customer and that account number could be conveyed through a "hot transfer". PPL Electric is exploring the general issue of creation and communication of account numbers.

- **The Tentative Order requests comments on the degree to which EDCs should be expected to provide information regarding EGS product offerings.**

PPL Electric believes that the EDC's CSRs should not discuss the specifics of any EGS product offerings at anytime. These product offerings change frequently and suppliers are likely to have multiple offers. PPL Electric is particularly concerned that, if not current on supplier offerings, its CSRs may misinform customers, thereby, potentially harming both EGSs and customers.

2. Standard Offer Customer Referral Program

The Tentative Order summarizes the high-level program design previously described in the Tentative Order entered October 14, 2011, at Docket No. M-

2011-2237952, *captioned Investigation of Pennsylvania's Retail Electricity Market: Recommended Directives on Upcoming Default Service Plans.* The Final Order on that matter (entered December 16, 2011) states that EDCs should *include such a program in their upcoming default service plans.* The Tentative Order provides broad guidelines for the referral programs and states the expectation that EDCs will file such programs, consistent with the guidelines, as *part of their default service plans.* The Tentative Order states that any deviations from the guidelines undertaken by an EDC must be justified by operational constraints.

With regard to the guidelines spelled out on pages 20 and 21 of the Tentative Order, PPL Electric generally concurs that the program:

- should be voluntary for both customers and EGSs;
- should be provided for a minimum of three months;
- should be uniform across an EDC's service territory;
- should permit customers to elect service from a specific participating EGS or, in the alternative, be assigned by random process;
- should rely on existing EDI protocols; and,
- should involve no termination fee or penalty during the term of the offer.

In addition, the Company provides comments and requests for clarification regarding the following guidelines:

- The Tentative Order states that the referral program should be comprised of a percentage reduction from the "effective PTC" and should be provided for a minimum of three months. The Company believes that the Commission should clarify the implementation of such an approach. Specifically, the Commission should clarify whether the percentage reduction remains constant in the event the PTC changes during the term of the standard offer (meaning that price will vary), whether the standard offer is a constant price established against the PTC effective on the date the standard offer is made (meaning that the percentage will vary), or whether another interpretation is intended.

- The Tentative Order states that the referral program should be presented during contacts by eligible customers who are on default service at the time of the contact. Although the guideline is not exact as to which contacts should and which contacts should not trigger a contact, PPL Electric concurs with the intent that such referrals be made under appropriate circumstances and only after the customer's fundamental reason for calling has been addressed to the customer's satisfaction. However, in order for this to be done with call times, volumes, and qualities maintained at satisfactory levels, significant investment in infrastructure and customer service representatives will be required.
- The Tentative Order states that the referral program should rely on *existing notice requirements regarding changes in terms and* conditions. The Company interprets this last point to mean that participating customers are assured of a communication from their

EGS stating either the new terms and conditions that will apply at the expiration of the standard offer term or the EGS' intent to drop the customer. The Company believes that it is appropriate for customers to receive some notice as the end of the term approaches and that under the existing notice requirements customers will receive such notice. However, the Company encourages the Commission to make this a specific requirement of participating EGSs rather than leaving it to interpretation of requirements that may change in the future.

D. Retail Opt-in Auction Programs

The Tentative Order summarizes the high-level program design for retail opt-in auction programs previously described in the Tentative Order entered October 14, 2011, at Docket No. M-2011-2237952, captioned Investigation of Pennsylvania's Retail Electricity Market: Recommended Directives on Upcoming Default Service Plans. The Final Order on that matter (entered December 16, 2011) states that EDCs should *include such a program in their upcoming default service plans. The Tentative Order* invites comments on specific proposals for the details associated with setting up and implementing opt-in auctions.

1. Customer Eligibility

The Tentative Order proposes that opt-in auctions be limited to the residential customer class; that the marketing of such programs be targeted to default service customers, but that shopping customers not be considered to be ineligible; and that there may be practical issues that could render CAP program participants, net metering customers, time of use customers or other customers on "exotic" rates to be ineligible. PPL Electric concurs with limiting retail opt-in auctions to the residential customer class and targeting marketing efforts to default service customers, but also permitting shopping customers to participate. PPL Electric also agrees that practical limitations may make it difficult or inappropriate to include certain specific rates. However, because the Company currently permits CAP participants, net metering customers, and time-of-use customers to choose an EGS, this may be less of an issue for PPL Electric than for other EDCs. The Company notes, however, that EGSs are not required to settle excess generation with net metering customers, thereby, creating a potential disincentive for customers with over-sized generators. If this group is not excluded, it may make sense to pay special attention to customer education for net metering customers so that they don't inadvertently cause themselves financial harm.

2. EGS and EDC Participation

PPL Electric concurs with the Tentative Order's proposal that EGS participation should be voluntary and that licensed EGSs may be considered to be eligible. The Tentative Order notes elsewhere that, in addition to being licensed, an EGS may need to meet certain credit tests and/or post security. PPL Electric concurs that these additional requirements may be appropriate.

3. Pilot Programs

PPL Electric concurs with the Tentative Order's proposal that there should be no retail opt-in pilot programs.

4. **Program Length/Term**

PPL Electric concurs with the Tentative Order's proposal that the term of retail opt-in auction products be between 6 and 12 months, customers be permitted to exit without penalty prior to the end of the term, and customers who exit prior to the end of the term be barred from returning to the program.

5. **Timing**

PPL Electric concurs with the Tentative Order's proposal that programs should start on or after June 2013 to minimize disruption of then-current default service supply contracts. PPL Electric also concurs with the proposal to consider special circumstances to delay the start of such programs a few months beyond June 2013 in order to balance the goal of not disrupting contracts with the goal of achieving some level of statewide uniformity.

PPL Electric also concurs with the Tentative Order's proposal that, in an effort to avoid customer confusion and dissatisfaction, enrollment periods be relatively short and that the start of service follow closely after the end of the enrollment period. The Company also agrees that customers are more likely to participate if they know the price upfront.

6. **Customer Participation Caps**

At the bottom of page 33 and top of page 34, the Tentative Order states, "This information as to the potential size of the default service base would aid (suppliers) in making informed bids for <u>default service</u>." (Emphasis added.) This language is presented as the rationale for capping customer participation in the retail auction. However, the language references bidding on default service when, in fact, the product being offered is not very different from the normal competitive products that EGSs offer to customers. Although the Company agrees that there are significant risk issues associated with the obligation to serve that are part of providing default service, the Company believes that the opportunity to bid on tranches of retail supply adequately limits the risk exposure of an EGS. The Company does not see this as fundamentally different from the decisions an EGS must routinely make regarding how many customers it can serve and acquiring the generation and risk management resources to serve them. Accordingly, the Company does not believe that a customer participation cap is necessary nor is it in the interest of customers.

7. Supplier Participation Load Caps

The Tentative Order proposes to cap any individual EGS's participation to not more than 50% of the default service accounts. Elsewhere, the Tentative Order proposes to limit customer participation to not more than 50% of the default customer population. If read together, these two provisions would seem to permit a single supplier to serve 100% of the auction participants. This result would seem to be at odds with the stated objective of encouraging a diverse mix of suppliers. PPL Electric recommends, instead, that the Tentative Order endorse the principle of achieving a diverse mix, but leave the exact design up to the individual EDCs. PPL Electric believes that the appropriate auction design for its customer load, which, as of the end of 2011, has 51 EGSs serving 500,000 residential customers, may be different from the design for an EDC which has fewer EGSs participating and less customers shopping. As noted above in these comments, PPL Electric concurs with the Tentative Order's proposal to use a tranche structure.

8. Composition of Customer Offer – Product

The Tentative Order requests comments on the merits of two different products – *a fixed rate product with a bonus* and *a percent-off rate with no bonus.* PPL Electric believes that both have their merits and that either can work. PPL Electric recommends, however, that rather than selecting a particular approach, it would be more appropriate to allow the EDC to select an approach from among a slate of acceptable approaches. The Company believes that the amount of shopping and the mix of default service contracts may suggest that one product design may be more appropriate than another. Because EDCs are likely to have different amounts of shopping and different supply portfolios, the Company believes that the product most likely to be successful in one service territory may be different than the product that is likely to be successful in another. In this regard, the Company concurs with the Tentative Order's conclusion that the product structure does not need to be uniform across the Commonwealth.

9. Customer Options Upon Program Expiration

PPL Electric concurs with the Tentative Order's proposal to allow participants to remain with the EGS to which they were assigned in the program and to rely on the normal notice requirements to alert those customers that they will either experience new terms and conditions or be dropped. However, consistent with comments made elsewhere regarding the standard offer referral program, the Company believes that, because this is a special program, end-of-program communications should be made a specific requirement of participating EGSs rather than simply leaving it up to the interpretation of requirements that may change in the future.

10. Opt-In Auction Structure

PPL Electric concurs with the Tentative Order's proposal to have customer accounts randomly assigned among the winning bidders in accordance with the number of tranches each bidder has won. The Company believes that there is little to be gained, however, in continuing to discuss the merits of sealed bid auctions versus declining clock auctions versus any other option that may be proposed. Each has its pros and cons, but any commonly used approach will provide a reasonable result.

11. Creditworthiness

PPL Electric believes that the financial assurance required of participating EGSs with regard to energy supply should be the same as those described later in these comments under the heading "Coordination Between EDCs and EGSs". If the EDC is to serve as the backstop in the event of a default by a participating EGS and must provide a specific price, discount, or incentive payment over the remaining term of the product, then the EDC should be provided financial assurance relative to those obligations.

E. Default Service Price to Compare on Bills

The Tentative Order proposes to require that each EDC place its current Price to Compare ("PTC") on customer bills and state when the PTC will be in effect. The Tentative Order also proposes that an explanation of the frequency of PTC changes be included and, if bill space and character limitations permit, a referral to the PaPowerSwitch.com website should be included.

PPL Electric currently prints the PTC on residential and commercial customer bills. The information being displayed on customers' bills substantially aligns with all the Commission's proposed information with the exception of a statement that the PTC can be adjusted and an explanation about how often it can be adjusted. The Tentative Order provides the following example:

> "Your Price to Compare for your rate class is X.XXX per kWh through XX/XX/XX. This can change quarterly. For more information and supplier offers visit www.PAPowerSwitch.com."

PPL Electric's current PTC message is as follows:

> "PPL's price to compare for your rate is X.XXX cents per kWh effective XX/XX/XX through YY/YY/YY. For a list of supplier offers, visit papowerswitch.com or www.oca.state.pa.us."

PPL Electric estimates that there would be a modest incremental cost to change the PTC information currently being printed on customers' bills to add or delete text within the current character and space allotment. The Company would propose adding the sentence "This can change quarterly." and deleting the Office of Consumer Advocate's ("OCA's") web address in order to create the space necessary to meet the proposed requirements. However, the Company notes the following concerns:

1. While the PTC currently changes every three months, it does not change on calendar quarters. The Company believes that the term "quarterly" may be

misinterpreted by customers and may work counter to efforts to make shopping seem less complex to customers.

2. PPL Electric has included the OCA's web address at the request of the OCA.

F. Coordination between EDCs and EGSs

1. EDC Supplier Charges

The Tentative Order observes that current EDC supplier charges are not a significant concern and, therefore, are not addressed in the Intermediate Work Plan. The Tentative Order does note that "(a)s the Commission moves to smart meter deployment and with increasing demands for EGS access to smart meter data, that concern may change." Tentative Order at 46. Accordingly, the Tentative Order requests stakeholders who disagree to identify specific EDC supplier charges which they believe should be addressed in the Intermediate Work Plan.

PPL Electric concurs that it is not aware of supplier concerns regarding the charges spelled out in its supplier tariff or with the administration of those provisions of the supplier tariff. With regard to the provision of interval data, EGSs currently can request Historical Interval Usage information via EDI in accordance with the protocols established by the Commission's Electronic Data Exchange Working Group at no charge. However, if an EGS's preference is to receive this information in a file format, PPL Electric charges the EGS because fulfilling such requests requires manual processing. The Company currently is evaluating alternative methods of making interval usage data available to suppliers at no charge.

2. Sample Bills

The Tentative Order proposes that EDCs make available to EGSs samples of the following three bill types:

1. A sample bill showing the billing format when an EDC provides default service.
2. A sample bill showing the billing format when an EDC provides a consolidated bill.
3. A sample bill showing the billing format under a dual billing scenario.[1]

PPL Electric currently provides a sample bill showing the billing format for EDC Consolidated Billing on both the PPL Electric Utilities and PA Power Switch web sites. PPL Electric would incur limited costs associated with providing additional sample bills showing the billing format when an EDC provides default service and the billing format under a dual bill scenario.

The Tentative Order also recommends that, in the context of trouble-shooting billing issues with an existing EGS customer, EGSs also should have the opportunity to examine that customer's actual bill with a minimum number of steps necessary to achieve such access. Accordingly, the Tentative Order requests comments regarding (1) whether existing Letters of Authorization ("LOAs") should be deemed to provide customer consent to such requests and (2) the logistical and cost impacts to EDCs in fulfilling such requests.

[1] The Tentative Order states that in the dual billing scenario "the EDC bills only for transmission and distribution charges." Tentative Order at 47. PPL Electric notes that in a dual billing scenario, the EDC bills for only distribution charges – transmission, along with generation, is billed by the EGS.

Currently, upon request by an EGS, PPL Electric does provide customer-specific bills to the supplier of record for up to the last two billing cycles. PPL Electric's billing system only retains copies of bill images for the current and last bill cycle. For bill images older than two months, the EGS must request a copy from the customer. EGSs can request a customer specific bill image for up to the last two billing cycles by calling the PPL Electric Supplier Hotline and/or sending an e-mail to the PPL Electric Supplier Mailbox. PPL Electric provides EGSs with a .pdf of the bill image via email at no cost to the EGS.

PPL Electric does not request a copy of an LOA from an EGS upon its request for a copy of a specific customer's bill. Neither does PPL Electric, in this circumstance, request an LOA from the customer. PPL Electric does confirm that its records indicate that the customer is being supplied by the requesting EGS. The Company fulfills such requests under the assumption that either the EGS has an appropriate LOA provided by the customer or that the contract between the customer and EGS addresses the issue. Accordingly, PPL Electric is unable to provide an opinion as to whether the language in existing LOAs should be deemed sufficient to provide customer consent to such requests. EGSs should be responsible for compliance with LOAs, and the PUC should enforce compliance.

3. Creditworthiness Standards

3.a. Credit Instruments

The Tentative Order proposes the use of the Met-Ed creditworthiness standard involving long-term bond rating criteria on a statewide basis and, also, of the expanded list of eligible credit vehicles proposed by the Retail Energy Supply Association ("RESA").

PPL Electric would agree to grant an unsecured credit limit of 5% of a supplier's *tangible* net worth if its senior unsecured rating from the major rating agencies is considered investment grade. Met-Ed's Credit Standards does not specify "tangible" net worth. Use of Tangible Net Worth ("TNW") is consistent with industry standards and the PJM Regional Transmission Organization ("PJM") credit underwriting standards. Consideration of "tangible" assets and net worth would exclude assets considered to be restricted, highly risky, or potentially unavailable to settle a claim in the event of default. Examples of such assets include, but are not limited to, restricted assets, derivative assets, goodwill and other intangible assets. Given that EGSs operating within PJM already need to meet PJM's credit requirements, adoption of this approach would create a standard credit measure for EGSs in Pennsylvania which is consistent with other PJM member states.

PPL Electric agrees with Met-Ed's credit standard that permits an EGS to meet its credit standard by demonstrating that the EGS has an investment-grade long-term bond rating from two of the four major rating agencies. Because Duff & Phelps is no longer a major rating agency (Tentative Order at 49), PPL Electric recommends that Standard & Poor's, Moody's, Fitch, and Dominion Bond Rating be considered to be the four major rating agencies.

PPL Electric agrees with Met-Ed's alternative credit arrangements including: a Parental Guaranty from an investment grade parent; an irrevocable Letter of Credit *from a Qualified Institution*; or a cash deposit. PPL Electric does not agree with RESA's expanded list which would permit the use of a Surety Bond and establishing the EDC as a beneficiary. Surety Bonds differ from state to state and are not easily liquidated. Furthermore, simply stating that the EDC will be included as a beneficiary provides little protection if the asset to which the EDC is the beneficiary is of questionable value or, as in the case of accounts receivable of the EGS, potentially unavailable in certain circumstances.

PPL Electric agrees with Met-Ed's requirement of an initial credit amount of $250,000, with such amount to be adjusted commensurate with the financial risks placed on the EDC. The $250,000 value is a minimum qualification standard used to compare an EGS's potential creditworthiness to the risk of nonpayment of the base line gross receipts tax. An investment grade EGS (direct or guarantor) would certainly qualify an EGS for the $250,000 amount.

3.b. Nature of Risk

In response to the Tentative Order's request for comments, PPL Electric believes that a uniform risk assessment formula established for the larger EDCs in the Commonwealth is only possible if the larger EDCs in the Commonwealth all have the same risk tolerance. As it relates to new EGSs entering the market that may be poorly capitalized and not investment grade, the question becomes who should bear this risk in the event of default. PPL Electric believes that the EGS credit exposure calculation should appropriately protect EDCs and their customers from incurring costs associated with an EGS default. Said another way, PPL Electric believes that the defaulting EGS should bear the burden of any default, not the EDC or its customers.

PPL Electric anticipates that parties will provide a wide variety of comments, some of which may seem inconsistent, but, in fact, may be totally consistent with the different risk tolerances of the parties. Accordingly, PPL Electric suggests the Commission establish a working group and direct this working group to develop uniform credit standards. PPL Electric suggests that uniform credit standards include criteria on how a non-investment grade or not rated EGS will be treated and whether unsecured credit will be extended to those EGSs. The working group would need to decide if using credit modeling techniques would be an acceptable way to determine whether unsecured credit should be extended in those cases.

In the absence of any requirements addressing how an EGS should hedge its load for EGS supply, PPL Electric agrees with Met-Ed's view that the default service provider is exposed to price and load volatility in the event the EDC would need to obtain generation supply at a higher rate for retail customers prior to the EDC being able to serve the retail customers under existing default service supply contracts. Additionally, the EDC would be exposed to costs associated with responding to customer inquiries and performing non-standard/manual adjustments for returning retail customers to default service upon an EGS default.

PPL Electric suggests a working group discuss the components of a formula that would best reflect uniform risk across large EDCs. That discussion could, as a starting point, use Med-Ed's "EGS Credit Exposure Formula" which is a formula that attempts to calculate the exposure of an EDC and its customers for procuring short-term load in the event of an EGS default. In calculating that exposure, Met-Ed's EGS Credit Exposure Formula reflects the potential for price spikes and market disruptions. PPL Electric believes that such an approach is appropriate, but observes that the assumptions used can lead to a "perfect storm" scenario rather than a scenario that provides appropriate protection against a reasonably likely set of circumstances. PPL Electric notes that its Supply Master Agreements with wholesale suppliers that have been awarded contracts to provide default supply tranches include credit and collateral provisions intended to protect PPL Electric and its customers in the event of wholesale supplier default. Similar risks exist in the event of a retail supplier default and the Company would expect the Formula to result in similar credit and collateral provisions.

PPL Electric agrees that EDCs do have an exposure for payment of the EGS' gross receipts tax liability if the EGS fails to pay gross receipts tax and that some protection of the EDC for that risk is appropriate. PPL

Electric also agrees with Met-Ed's formula for calculating gross receipts tax exposure which reflects the risk of new EGSs entering the market without having established their tax requirement until March of the following year and which takes into account the amount of security bond the EGS has with the Commission so as not to "double dip".

PPL Electric also agrees with the inclusion of costs for noncompliance and the use of posted credit to cover these costs.

Finally, PPL Electric agrees with the need to cover an EDC's exposure to nonpayment in the case of EGS consolidated billing. With regard to Met-Ed's stated formula for covering this type of exposure, PPL Electric would suggest that the two highest months in the past 12 months on each customer's distribution billings be used as collateral requirements. PPL Electric requires clarification as to the reason for the "plus 50%" in Met-Ed's calculation of collateral requirements.

3. Conclusion

PPL Electric appreciates the opportunity to comment on this Tentative Order. As stated above, PPL Electric has been an active supporter of Customer Choice and an active participant in all phases of the Retail Market Investigation, as well as the activities conducted by OCMO and CHARGE. PPL Electric looks forward to the opportunity to continue working with the Commission and all stakeholders in this proceeding to enhance Pennsylvania's competitive retail electricity market.

Respectfully submitted,

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Dated: January 17, 2012
at Allentown, Pennsylvania

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