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May 24, 2012

**Via Electronic Filing**

Rosemary Chiavetta, Secretary  
PA Public Utility Commission  
PO Box 3265  
Harrisburg, PA 17105-3265

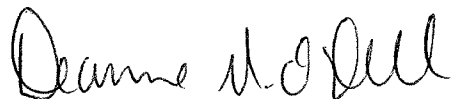
Re: Pennsylvania Public Utility Commission v. Petition of PPL Electric Utilities Corporation,  
Docket No. R-2012-2290597

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Dear Secretary Chiavetta:

On behalf of Direct Energy Services LLC("Direct Energy") enclosed please find the original of its Prehearing Memorandum along with the electronic filing confirmation with regard to the above referenced matter. Copies have been served in accordance with the attached Certificate of Service.

Sincerely,



Deanne M. O'Dell

DMO/lww  
Enclosure

cc: Hon. Susan D. Colwell, w/enc.  
Cert. of Service w/enc.

## CERTIFICATE OF SERVICE

I hereby certify that this day I served a copy of Direct Energy's Prehearing Memo upon the persons listed below in the manner indicated in accordance with the requirements of 52 Pa. Code Section 1.54.

### Via Email and/or First Class Mail

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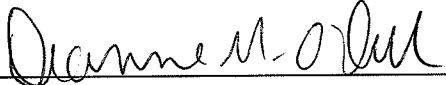
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Deanne M. O'Dell, Esq.

Dated: May 24, 2012



increase in total rates (distribution, transmission, generation and transition charges) of approximately 2.9%. PPL is proposing that the new rates become effective on June 1, 2012. In its filing, PPL addresses its Purchase of Receivables (“POR”) program specifically proposing to increase the discount rate at which PPL will purchase the accounts receivable served by electric generation suppliers (“EGSs”). PPL is also proposing to implement a new funding mechanism for customer education, including new customer education initiatives that may be developed as a part of the Commission’s Retail Markets Investigation proceeding at docket no. I-2011-2237952.

PPL’s current POR program became effective January 1, 2010 after a series of Commission proceedings and through a settlement that was supported by Direct Energy. The currently effective discount rates were established during PPL’s most recent distribution rate case at docket number R-2010-2161694. In its filing in this proceeding, PPL proposes to continue to unbundle generation-related uncollectible accounts expense from its distribution base rates and collect the them through both PPL's Price to Compare (“PTC”) for default service customers and the discount at which PPL purchases the accounts receivable of the EGS for shopping customers. PPL is not proposing to change this program structure but is proposing to change its current discount rate charged to EGSs as follows:

	Residential customers	Small C&I
Current Discount	1.85% (uncollectible factor of 1.804% and .05% for administrative adder).	.15% (.10% for uncollectible and .05% for administrative)
Proposed Future Discount	2.23% (all for uncollectibles)	.23% (all for uncollectibles)

The uncollectible accounts expense or MFC factors were developed from future test year data for the 12 months ending December 31, 2012. The Company's budgeted provision for

uncollectible accounts expense of \$42.1 million primarily is based on an average of its actual bad debt write-offs for the most recent three calendar years (2009-2011).

Under its current POR Program, the Company recovers its POR administrative costs as a percentage of EGSs supply charges to shopping customers. Therefore, in order to develop a POR administrative percentage factor, the Company must estimate: (1) its POR administrative costs, (2) shopping levels, (3) POR Program participation levels, and (4) average competitive supply rates. However, based on its limited experience regarding the operation of its current POR Program, the Company has not yet conducted a comprehensive analysis of that program, including the applicable administration-related costs. As a result, PPL is proposing to reduce the current POR administrative percentage factor of 0.05% to 0.00%.

In addition to the POR program, PPL is proposing a new funding mechanism for customer education, including new customer education initiatives coming out of the RMI proceeding at docket number I-2011-2237952.

### **III. CURRENTLY IDENTIFIED ISSUES**

Direct Energy has currently identified the following issues regarding PPL's POR proposal and reserves the right to address other issues as they may develop throughout the course of the proceeding:

- Whether PPL's unbundling proposal (the MFC charge) will produce a competitively neutral outcome with respect to uncollectible accounts expense and its proposed POR program.
- Whether the proposed changes to the discount rates are appropriate or necessary.
- Whether PPL's POR program should be expanded to include Large Commercial and Industrial Customers.
- Whether PPL's proposed consumer education rider is reasonably recovering appropriate costs related to choice initiatives.

#### **IV. PROPOSED WITNESSES AND SUBJECT MATTER OF TESTIMONY**

At this time, Direct Energy is still evaluating whether it will present a witness in this proceeding but, if it does decide to do so, the most likely witness will be:

Ronald M. Cerniglia  
Director - National Advocacy  
Governmental & Regulatory Affairs  
Direct Energy Services, LLC  
7240 Ryehill Drive  
Cary, NC 27519  
Office phone and fax: (919) 267-5503

The purpose of Mr. Cerniglia's testimony will be to address the issues identified above and offer recommendations for improvement. Direct Energy reserves the right to amend this witness list as may be necessary depending on the course of the proceeding and will provide the Presiding Officer as well as the other parties in this matter reasonable notice if such amendment becomes necessary.

#### **V. PROCEDURAL SCHEDULE**

Direct Energy is agreeable to the Procedural Schedule set for in the Prehearing Conference Order and is willing to work with the parties as necessary to address any suggested changes.

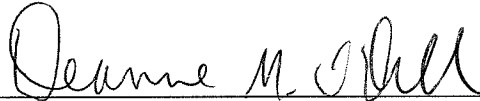
#### **VI. LITIGATION SCHEDULE AND DISCOVERY RULES**

Direct Energy is amenable to working with the other parties in this matter to adopt a reasonable litigation schedule and/or necessary modifications to the Commission's discovery rules.

**VII. SETTLEMENT**

Direct Energy is willing to participate in settlement discussions with any party to narrow the issues in this matter.

Respectfully submitted,



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Date: May 24, 2012

Attorneys for Direct Energy Services, LLC