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VIA E-FILE

August 29, 2012

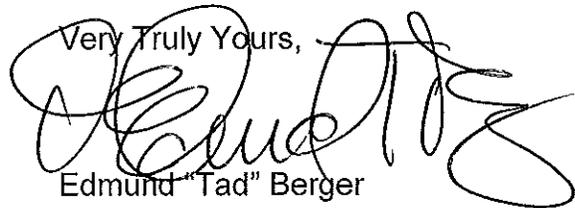
Rosemary Chiavetta, Secretary
PA Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

**Re: Pa Public Utility Commission v. PPL Electric Utilities, Inc.
Docket No. R-2012-2290957**

Dear Secretary Chiavetta:

Enclosed please find the Main Brief of Richards Energy Group, Inc., which is being electronically filed today. It is my understanding that you no longer require that a paper copy be filed with the Commission. If that is not the case, please let me know.

Very Truly Yours,



Edmund "Tad" Berger

cc: Certificate of Service
Hon. Susan Colwell, ALJ (via e-mail and first class mail)

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

I hereby certify that I have this day served a true copy of the foregoing document, **Main Brief of Richards Energy Group, Inc.**, upon the participants, listed below, in accordance with the requirements of § 1.54 (relating to service by a participant):

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August 29, 2012

A handwritten signature in black ink, appearing to read 'Edmund Berger', written over a horizontal line.

Edmund "Tad" Berger

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Pennsylvania Public Utility Commission	:	
	:	
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**MAIN BRIEF OF
RICHARDS ENERGY GROUP, INC.**

I. INTRODUCTION

On or about March 30, 2012, PPL filed Supplement number 118 to Tariff Electric PA PUC No. 201 along with supporting data. Supplement 118 was designed to produce an increase in distribution rates, including those charged to REAP members. Additionally, PPL proposed to recover costs through its “Competitive Enhancement Rider” from all distribution customers for costs it may incur from activities associated with Orders of the Commission in its *Investigation of Pennsylvania’s Retail Electricity Market*, Docket No. I-2011-2237951 as well as certain costs associated with its Commission-mandated Price to Compare.

On July 13, 2012, Richards Energy Group, Inc. (“Richards” or “REG”) filed a Petition to Intervene Out of Time in this matter on behalf of itself and the members of the Richards Energy Affinity Program (“REAP”). Richards is a licensed electric generation supplier, authorized by the Commission at A-110072 to provide services to commercial, industrial, and institutional customers within the Commonwealth of Pennsylvania. REAP is a power purchasing consortium composed of approximately 480 midsized industrial and commercial customers mostly within

the Commonwealth of Pennsylvania who purchase roughly \$100,000,000 of electricity per year. Most of the members of REAP are GS-1, GS-3, LP4 and LP5 customers of PPL Electric Utilities Corporation ("PPL"). Richards serves as the coordinator of this program. At present, within its customer group, Richards provides services to approximately 1,350 electric accounts which are provided distribution services by PPL.

On July 26, 2012, ALJ Colwell granted Richards' Petition to Intervene.

Richards has not filed testimony in this proceeding but Richards participated in the hearings in this matter and indicated that it would be filing a brief on various issues. Specifically, Richards supports PPL's cost-of-service study and opposes the cost-of-service study put forth by OCA witness Glenn Watkins. Furthermore, Richards Energy submits that costs included in Rate CER should be allocated only to the customers receiving the benefits of such programs and activities, which should not include customers who have already selected alternative suppliers and, therefore, are already shopping and would not benefit further from these programs and activities.

II. SUMMARY OF ARGUMENT

The Commission should find that PPL's cost-of-service study is an appropriate basis for allocating revenues in this matter as it best reflects cost-causation principles and follows the preferred approach identified in the NARUC Manual. With respect to Rate CER, the Commission should adopt the position of Direct Energy that the costs of consumer education programs and activities should be allocated to those customer classes for which they are incurred. They should not be allocated to customers, for example, who have already selected alternative suppliers, as those customers do not cause the incurrence of such costs.

III – VII: REG takes no position on these aspects of the case.

VIII. RATE STRUCTURE

A. Cost-of-Service Study: PPL's Cost-of-Service Study Is Consistent With The Manner In Which Costs Are Experienced On its System And Should Be Utilized As The Basis For Allocating Revenues In This Proceeding.

1. Introduction

In this proceeding, PPL witness Joseph Kleha allocated distribution plant and expenses partly on the basis of number of customers and partly on the basis of peak demand. As part of the process of developing this allocation, Mr. Kleha classified distribution plant as demand-related, customer-related, and a combination of customer-related and demand-related. PPL St. 8 at 18-25. Office of Consumer Advocate ("OCA") witness Glenn Watkins took issue with Mr. Kleha's classification of a significant portion of distribution plant as partially customer-related and partially demand-related. OCA St. 3 at 7-38.

2. Richards Energy Group's Position

Richards Energy Group supports the proposed cost-of-service allocation advocated by Company witness Kleha as reflecting a more realistic operation of PPL's system and because it is consistent with the NARUC Manual. Mr. Kleha's methodology utilizes a minimum-system approach to classification of distribution plant, designed to recognize the costs required to connect a customer with no load placed on the system. OCA witness Watkins criticizes this approach, claiming that it creates "distinct bias against residential and small volume user classes." OCA St. 3 at 25-26. Mr. Watkins then goes on to take specific issue with Mr. Kleha's determination of minimum-size system parameters for classification of customer-related costs.

Id.

Mr. Watkins' criticisms are without a sound basis and REG agrees with Mr. Kleha's Rebuttal and Rejoinder of Mr. Watkins' claims regarding the appropriateness of using a customer component and the use of a minimum-system as set forth in his Rebuttal Testimony. PPL St. 8-R at 3-31; PPL St. 8-RJ (Part 2) at 5-7. REG submits that PPL's assessment is more consistent with allocation principles established by the National Association of Regulatory Utility Commissioners (NARUC) and the actual costs incurred on PPL's system, and it is also consistent with the Commission's Order in PPL's last base rate proceeding. PPL St. 8-RJ at 6, citing *Pa. P.U.C. v. PPL Electric Utilities*, R-2010-2161694, 2010 WL 5651177, slip op. at 19 (December 16, 2010) ["2010 PPL Base Rate Order"]. For example, Mr. Watkins argues that a pole size of 35 feet should be utilized as the minimum size pole (OCA St. 3 at 28-29) when Mr. Kleha has clearly testified that poles less than 40-feet in length are "specialty items because their use on PPL Electric's distribution system is limited" and they "typically are not used to carry overhead primary and secondary conductors and devices that directly serve customers." PPL St. 8-R at 25. Mr. Kleha testified that smaller poles (less than 40 feet in height) are "used to serve street lighting appliances, and for service drops and guying applications." *Id.* Furthermore, Mr. Watkins agreed, on cross-examination by REG, that taller poles allow longer spans and, therefore, may result in a lower average cost when compared to the use of smaller poles. *Transcript of August 9, 2012, Tr. 526-27.* Thus, his argument for the use of a 35-foot size pole as the basis for determining the minimum-size system is without a sound basis.

REG agrees with Mr. Kleha's classification of distribution plant as partially customer-related and partially demand-related and his allocation of such plant based on his customer and demand allocation factors. The Commission agreed with this reasoning in PPL's last base rate

proceeding, finding that PPL's position "contrary to prior Commission action in PPL's 2004 and 2007 base rate proceedings and inconsistent with recommended COSS principles as outlined in the NARUC Manual." *2010 PPL Base Rate Order, supra, at 19*. Consequently, REG supports the cost-of-service allocation study relied upon by Mr. Kleha and his proposed revenue allocation.

B. Revenue Allocation

REG supports PPL's proposed revenue allocation and scaleback as consistent with the cost-of-service study. Consistent with the Commonwealth Court's decision in *Lloyd v. Pennsylvania Public Utility Commission*, 904 A. 2d 1010 (2006), the Commission should seek to eliminate the disparity in the cost-of-service indicated results between customer classes.

C. Tariff Structure

REG has not taken a position on any specific tariff structure issues in this proceeding.

D. Tariff Rules and Riders

REG has not taken a position on any specific tariff rules and riders in this proceeding.

IX. MISCELLANEOUS ISSUES

D. Rate CER: Costs Associated with the Competitive Enhancement Rider (Rate CER) Should Be Allocated To Those Customers For Whom Such Costs Are Incurred.

PPL proposed to create a reconcilable rider to recover Commission-approved consumer education programs and activities and the costs of competitive enhancements directed by the Commission to be considered by PPL in its default services plan proceeding.

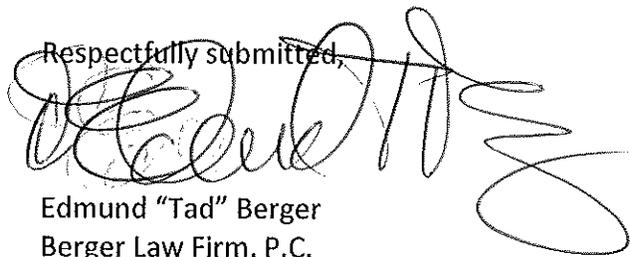
In his Direct Testimony, Direct Energy witness Ronald Cerniglia testified that Rate CER "should apply to the classes of customers that receive the direct benefits from the enhancements." Direct Energy St. 1 at 19. REG agrees with this position that Rate CER should be applied only to those customers and customer classes that benefit from the programs,

activities and enhancements funded by Rate CER. Further, REG would emphasize that, as Company witness Kleha acknowledged on cross-examination, customers already shopping know that they can shop and that Rate CER provides an incentive to customers to shop to the extent that it is imposed on them. Tr. 423. Consequently, Rate CER is best imposed on non-shopping customers to provide them an incentive to shop and should not be imposed on customers who have already selected alternative suppliers, consistent with Mr. Cerniglia's testimony that it should be imposed only on those customer classes who benefit from Rate CER programs and activities.

X. CONCLUSION

REG submits that the Commission should adopt PPL's proposed cost-of-service study and its position on revenue allocation and scaleback issues in this proceeding. Further, as per the testimony of Direct Energy witness Cerniglia, the Commission should allocate the costs of consumer education and program activities in Rate CER to those customer classes that benefit from such consumer education and should not allocate such costs to customers who are already shopping.

Respectfully submitted,



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DATED: August 29, 2012