

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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April 8, 2013

Rosemary Chiavetta, Secretary
PA Public Utility Commission
Commonwealth Keystone Bldg.
400 North Street
Harrisburg, PA 17101

Re: Pa. Public Utility Commission
v.
PPL Electric Utilities
Docket No. R-2012-2290597

Dear Secretary Chiavetta:

Enclosed please find the Office of Consumer Advocate's Comments Regarding PPL's Purchase of Receivables Letter in the above-referenced proceeding.

Copies have been served upon all parties of record as shown on the attached Certificate of Service.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Darryl A. Lawrence".

Darryl A. Lawrence
Assistant Consumer Advocate
PA Attorney I.D. # 93682

Enclosures

cc: Honorable Susan D. Colwell
Certificate of Service
155413.DOC

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

COMMENTS OF THE OFFICE OF
CONSUMER ADVOCATE REGARDING
PPL'S PURCHASE OF RECEIVABLES LETTER

The Office of Consumer Advocate (OCA) hereby submits these Comments in reply to the letter submitted by PPL Electric Utilities Corporation (PPL or Company) on March 28, 2013, addressing certain proposed changes to PPL's Purchase of Receivables (POR) Program (Letter). The OCA agrees with PPL's proposal as to the Residential Class that the Merchant Function Charge (MFC) and POR discount percentage factor of 2.23% should be used. The OCA takes no position as to the proposed tracking and reporting mechanisms for the Small C&I Class, or as to the proposed MFC and POR discount percentage factor for the Small C&I Class.

I. INTRODUCTION

On December 28, 2012, the Commission entered an Opinion and Order (Order) in the above-captioned proceeding. The Order addressed the general rate case filed by PPL. On March 28, 2013, in response to the Order, the Company submitted the Letter regarding certain proposed changes to its POR Program. In the rate case, PPL proposed to change its MFC and POR discount percentage factors for the Residential and Small C&I Classes. For the Residential

Class, PPL proposed to charge all Residential customers, shopping and non-shopping, the same MFC and POR discount percentage factor of 2.23%.

In the rate case Direct Energy argued, *inter alia*, that PPL's proposal to charge the same MFC and POR discount percentage factors within each customer class was not supported. Direct Energy argued that PPL should be ordered to track uncollectibles of both shopping and non-shopping customers so that separate MFC and POR discounts could be established. Order at 146. The OCA notes that this proposal is based on the Settlement Agreement in PPL's 2009 POR filing, which was approved by the Commission. Petition of PPL Utilities Corporation Requesting Approval of a Voluntary Purchase of Accounts Receivables Program and Merchant Function Charge, Docket No. P-2009-2129502, (Order entered Nov. 19, 2009) (2009 POR Settlement Order). That Settlement, as to the Small C&I Class only, provided that:

25. The Company will monitor individual EGS uncollectible percentages for small C&I customers pursuant to Section 12.9.2.6 of the tariff supplement provided in Appendix A and will adjust the discount rate for an individual EGS based upon the provisions contained therein.

Order at 148 (citations omitted). ALJ Colwell agreed with Direct Energy that PPL should be required to provide a breakdown of uncollectible accounts expense based on shopping or non-shopping status. Order at 148-149. ALJ Colwell noted that this requirement is consistent with the 2009 POR Settlement Order. Order at 148. The Commission agreed with ALJ Colwell on this issue, and directed PPL to file the necessary data for its consideration. Order at 154.¹

In accord with the Order, on March 28, 2013, the Company filed the Letter. In the Letter, PPL explained that it does not currently track uncollectible accounts expense broken down by shopping and non-shopping customers. Letter at pg. 1. PPL went on to describe how

¹ The OCA notes that the discussion in the Order refers to "shopping" or "non-shopping" "customers", but does not differentiate between the Residential and Small C&I Classes, even though, as ALJ Colwell provided, the 2009 POR Settlement Order addressed only the Small C&I Class. Order at 148.

such a procedure, if implemented, would be costly. Letter at 1-2. As a potential alternative, PPL proposes to use overdue aged accounts receivable as “an indicator” or proxy for uncollectible accounts expense, and provided a breakout of data for the Residential and Small C&I Classes for both shopping and non-shopping customers. Letter at 2-3. The Company proposes that if this substitute procedure is acceptable, it will provide an annual report in such format and that such reports could then form the basis for setting the MFC and POR discount percentage factors in PPL’s next base rate case. Letter at 4.

As the Commission further considers this issue and the data supplied, the OCA submits that it is not necessary or appropriate to include the Residential Class in this tracking procedure nor is it necessary or appropriate to further consider charging different MFC and POR discount percentages for the Residential Class based on shopping or non-shopping status. The OCA is particularly concerned that such a process could lead to cherry picking and redlining (selectively not serving all customers) within the Residential Class. The POR program was implemented, at least in part, in order to create a level playing field for all Residential customers seeking an alternative generation supplier. The POR program as designed assures that EGSs will serve *all* residential customers regardless of their payment or credit history on a fair and equal basis.

II. COMMENTS

The OCA submits that in considering this issue, the Commission must look to the original intent of the 2009 POR Settlement. As to the Small C&I Class, the program established was different than the program for the Residential Class. The key difference was the “all in/all out” provision that applies to the Residential Class.

In PPL's 2010 base rate case, PPL described the differences of the Residential Class when arguing against RESA's proposal to eliminate the "all in/all out" requirement of its POR Program for Residential customers. PPL's reasoning and argument in this regard were succinctly captured in ALJ Colwell's Recommended Decision in the 2010 base rate case, as follows:

The residential class includes low-income customers; the uncollectible accounts expense is much higher for the residential class; the limitations on the ability to terminate service under Chapter 56, including the moratorium on winter shutoffs; and the Company's ability to pursue collections is subject to Chapter 56. PPL Electric St. 6-R, p. 13.

In the absence of the "all-in/all-out" requirement, an EGS could potentially maintain the billing and collection responsibilities for low risk, good-paying residential customers, while shifting the risk of residential customers with poor credit or payment histories to PPL Electric through use of its consolidated billing. As a result, the Company's actual uncollectible accounts expense would likely be higher than the average for all residential customers, and it might be significantly higher due to the moratorium on residential winter terminations under chapter 56. The "all in/all out" requirement was a protection, under the Company's current POR program, as an appropriate mechanism to address this concern. PPL Electric St. 6-R, p. 13. RESA has failed to introduce evidence of any conditions that have changed since the settlement that established the current POR that would alter the risk acknowledged by RESA.

Further, as explained above, the large number of residential customers currently taking competitive supply within the PPL Electric service territory and the large number of EGSs serving residential customers does not suggest that the "all-in/all-out" requirement has been any impediment to EGS participation in the development of a robust competitive market. PPL Electric St. 6-R, pp. 5-6, 13.

Pa. PUC v. PPL, Dock. No. R-2010-2161694, Recommended Decision at 88 (Oct. 15, 2010) (2010 PPL R.D.). Similar to the concerns expressed by PPL as to the lack of an "all in/all out" provision, creating different MFC and POR charges for the Residential Class based on shopping

or non-shopping status opens the door for the same type of cherry picking and redlining activities that PPL warned of.

In fact, as to the Small C&I Class, where EGSs are free to use either POR or dual billing, the parties to the 2009 POR Settlement created specific protections for the POR Program.

As PPL explained in the 2010 rate case:

The small C&I class program differs from residential rate classes in that an EGS may selectively enroll small c&i customers in the POR program through consolidated billing, while serving other customers through dual billing. PPL Electric St. 6-R, p. 12; RESA St. 1, p. 16. As a result, an EGS can maintain the billing and collection responsibilities for low risk, good-paying small c&i customers, while shifting the risk of small c&i customers with poor credit or payment histories to PPL Electric through use of its consolidated billing. To discourage such “cherry-picking” activities, the parties to the settlement of the Company’s default service provider case mutually agreed to a tracking mechanism to monitor individual EGS uncollectible accounts expense for small c&i customers when the EGS does not enroll all accounts in the POR program.

2010 PPL R.D. at 89. As the 2009 POR Settlement Order provided, PPL created a separate Tariff Supplement to address this unique situation and to guard against “unusual business behavior” that might lead to increased uncollectible accounts expense for the Small C&I Class. See 2009 POR Settlement Order, Appendix A, Provision 12.9.2.6.

The parties to the 2009 POR Settlement carved out exceptions and created specific protections that applied only to the Small C&I Class as to the ability of an EGS to enroll those customers in the POR Program or to engage in dual billing. As recognized then, and since, the Residential Class is an entirely different entity than the Small C&I Class under the “all in/all out” provisions. Segregating the Residential Class into shopping and non-shopping groups in order to assign different MFC and POR discount percentage factors could lead to EGSs engaging in the “unusual business behavior” that PPL sought to guard against in its Tariff Supplement

12.9.2.6. The OCA submits that such measures are neither reasonable nor appropriate for the Residential Class.

Further, the Letter establishes that for the data PPL does possess, there is no difference between overdue/aged receivables for shopping Residential customers versus non-shopping Residential customers. Letter at 3. Based on this entire year of data, there would appear to be no good reason to further complicate PPL's record keeping, tracking and monitoring activities related to its POR Program, and to unnecessarily increase the level of administrative costs of the Program for Residential customers.

Moreover, as PPL readily admits, the Company cannot currently provide accurate data as to the *actual*, written-off, uncollectible expense for shopping customers versus non-shopping customers. Letter at 1-2. As the Commission provided in its Order:

The ALJ expressed concern that PPL's procedure does not require the Company to determine the actual amount of its uncollectible expenses in order to recover them. The ALJ concluded that the actual amount of the uncollectible expenses is required in order to fairly charge customers the correct amount.

Order at 149. To this end, PPL can only provide a proxy, a potential estimate of what the actual uncollectible expense is, if it is to be broken down as proposed. Yet, the uncollectible accounts expense by class, PPL's proposed 2.23%, is a readily identifiable, actual number from the rate case. The OCA submits that based on the evidence to date, there is no reasonable basis to conclude that PPL should embark on a costly tracking and reporting procedure for the Residential Class.

It should be clear from the Letter that PPL cannot currently provide the level of detailed information that was originally requested, at least not without incurring significant additional costs. The data that has been provided, tends to show that no such costly and complicated measures need to be undertaken for the Residential Class. Accordingly, the OCA

has no objection to PPL's proposed MFC and POR discount percentage factors for the Residential Class, but respectfully requests the Commission to exclude the Residential Class from any tracking and reporting mechanisms as discussed in the Letter.

III. CONCLUSION

The OCA respectfully requests that the Commission consider its comments herein as it reaches a determination on this matter.

Respectfully Submitted,



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Dated: April 8, 2013

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CERTIFICATE OF SERVICE

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

I hereby certify that I have this day served a true copy of the Office of Consumer Advocate's Comments Regarding PPL's Purchase of Receivables Letter, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code §1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 8th day of April 2013.

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