

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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May 20, 2010

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

RE: Petition of PPL Electric Utilities
Corporation for Approval of a Default Service
Program and Procurement Plan for the Period
January 1, 2011 through May 31, 2013
Docket No. P-2008-2060309

Dear Secretary Chiavetta:

Enclosed for filing is the Answer of the Office of Consumer Advocate to the Petition of PPL Electric Utilities Corporation filed on April 30, 2010, in the above-referenced proceeding.

Copies have been served as indicated on the Certificate of Service.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read 'Aron J. Beatty'.

Aron J. Beatty
Assistant Consumer Advocate
PA Attorney I.D. # 86625

Enclosures

cc: Honorable Susan D. Colwell
Office of Special Assistants

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of PPL Electric Utilities	:	
Corporation for Approval of a Default	:	
Service Program and Procurement	:	Docket No. P-2008-2060309
Plan for the Period January 1, 2011 Through	:	
May 31, 2013	:	

ANSWER OF THE
OFFICE OF CONSUMER ADVOCATE

On April 30, 2010, PPL Electric Utilities Corporation (PPL) filed a Petition Seeking Expedited Approval to Amend the Supply Master Agreement for Allocation of Auction Revenue Rights Under the Default Service Procurement Plan, in the above-referenced proceeding. PPL has proposed to modify, prospectively, the allocation of Auction Revenue Rights (ARRs) to permit PPL to proportionally assign the ARRs to wholesale suppliers. ARRs are entitlements allocated annually by PJM to Firm Transmission Service Customers that entitle the holder to receive an allocation of the revenues from the Annual Financial Transmission Rights (FTR) Auction.¹ The Office of Consumer Advocate was a party in this proceeding, and a signatory of the Settlement that was ultimately approved by the Commission in its June 30, 2009 Order in this docket. The OCA submits this Answer to PPL's pending Petition.

¹ FTRs are financial instrument that entitles the holder to receive compensation for certain congestion-related transmission charges that arise when the grid is congested and differences in locational prices result from the redispatch of generators out of merit order to relieve that congestion.

PPL proposes to modify the terms agreed to by the parties in the Settlement of its 2011 through 2013 Default Service Program. By the terms of the Settlement, beginning January 1, 2011, PPL will receive ARRs from PJM and collect any resulting congestion revenue associated with the ARRs. Petition at ¶12. Upon collecting the congestion revenue associated with those ARRs, PPL will be obligated to flow those revenues through to retail customers as a credit applied to the Generation Service Charge. Petition at ¶22. As PPL notes in its Petition, “the value of ARRs is determined in PJM’s annual FTR auction.” Petition at ¶17. As a result, under the Settlement as approved, retail customers would receive a credit through the Generation Service Charge of an amount determined in PJM’s annual FTR auction – a competitive process.

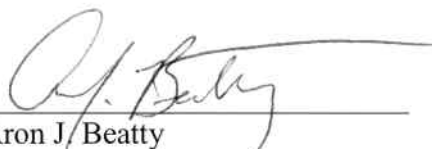
At this time, the OCA is still reviewing the Company’s proposed modifications to its existing SMA. The OCA has served a set of Interrogatories in order to develop a greater understanding of the proposal and its possible ramifications. It is the OCA’s position that the full benefit of ARRs should accrue to retail customers. It is not clear to the OCA that PPL’s proposed modification will result in retail customers receiving the full benefit of the ARRs.

Currently, the GSC is credited an amount equal to the market value of ARRs as determined by market participants in PJM’s annual FTR auction. The Company asserts in its Petition that under its modified proposal, wholesale suppliers will derive more value out of PPL’s ARRs than PPL itself will be able to obtain. Petition at ¶¶27, 30. The Company has not demonstrated, nor stated, that this additional value extracted from those ARRs by the wholesale suppliers would translate into benefits for retail customers. Indeed, PPL has not demonstrated even that the current value of the ARRs that retail customers receive through the method approved in this proceeding would continue to be provided to customers.

The OCA submits that PPL has not demonstrated how retail customers will receive greater benefits (or even the same benefits) through wholesale suppliers' ownership of ARRs as compared to the direct crediting of revenues to customers through the Generation Service Charge. For these reasons, the OCA submits that further investigation is warranted to ensure that retail customers are no worse off under the proposed amendments than under the SMA as agreed to in the Settlement.

WHEREFORE, the Office of Consumer Advocate respectfully requests that the Commission fully review the proposed modifications to PPL's Supply Master Agreement, as approved in the Commission's Order of June 30, 2009. The OCA submits that PPL's proposed modifications should not be permitted unless it is demonstrated that retail customers will receive the full benefit of the ARRs.

Respectfully Submitted,



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Dated: May 20, 2010
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CERTIFICATE OF SERVICE

Petition of PPL Electric Utilities Corporation :
for Approval of a Default Service Program : Docket No. P-2008-2060309
and Procurement Plan for the Period :
January 1, 2011 through May 31, 2013 :

I hereby certify that I have this day served a true copy of the foregoing document, Answer of the Office of Consumer Advocate to the Petition PPL Electric Utilities Corporation filed on April 30, 2010, 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 20th day of May 2010.

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