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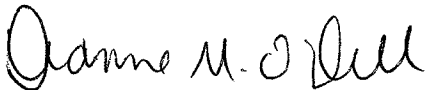
August 23, 2011

**Via Electronic Filing**Rosemary Chiavetta, Secretary  
PA Public Utility Commission  
PO Box 3265  
Harrisburg, PA 17105-3265Re: Petition of PPL Electric Utilities Corporation for Approval to Implement a Reconciliation Rider for Default Supply Service, Docket No. P-2011-2256365

Dear Secretary Chiavetta:

On behalf of the Retail Energy Supply Association ("RESA") enclosed is the original of its Answer in Opposition to the Petition of PPL Electric Utilities Corporations along with the electronic filing confirmation page with regard to the above-referenced matter. Copies have been served in accordance with the attached Certificate of Service.

Sincerely yours,



Deanne M. O'Dell, Esq.

DMO/lww  
Enclosurecc: Hon. Charles E. Rainey, Jr., w/enc.  
Cert. of Service, w/enc.

## CERTIFICATE OF SERVICE

I hereby certify that this day I served a copy of RESA's Answer in Opposition to the Petition of PPL Electric Utilities Corporation upon the persons listed below in the manner indicated in accordance with the requirements of 52 Pa. Code Section 1.54.

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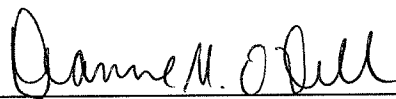
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Deanne M. O'Dell, Esq.

Dated: August 23, 2011

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition Of PPL Electric Utilities :  
Corporation For Approval To Implement A : Docket No. P-2011-2256365  
Reconciliation Rider For Default Supply :  
Service :

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**THE RETAIL ENERGY SUPPLY ASSOCIATION’S  
ANSWER IN OPPOSITION TO THE  
PETITION OF PPL ELECTRIC UTILITIES CORPORATION**

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Pursuant to 52 Pa. Code § 5.61, the Retail Energy Supply Association (“RESA”)<sup>1</sup> submits this Answer in opposition to the PPL Electric Utilities Corporation’s (“PPL”) Petition for approval to implement a reconciliation rider for default supply service (“Petition”).

**INTRODUCTION AND SUMMARY OF RESA’S ANSWER**

In its August 3, 2011 Petition, PPL proposes to implement a “Reconciliation Rider” related to transmission service and generation supply service. Pursuant to this proposed Reconciliation Rider, PPL would refund overcollections to and recoup undercollections from customers who were default service customers when the overcollection or undercollection occurred regardless of whether the customer is receiving generation service from a competitive supplier at the time of the over/under collection. Further, all new default customers – which includes customers moving within the service territory of PPL who are required to take default

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<sup>1</sup> RESA’s members include: Champion Energy Services, LLC; ConEdison *Solutions*; Constellation NewEnergy, Inc.; Direct Energy Services, LLC; Energetix, Inc.; Energy Plus Holdings, LLC; Exelon Energy Company; GDF SUEZ Energy Resources NA, Inc.; Green Mountain Energy Company; Hess Corporation; Integrys Energy Services, Inc.; Just Energy; Liberty Power; MC Squared Energy Services, LLC; Mint Energy, LLC; MXenergy; NextEra Energy Services; Noble Americas Energy Solutions LLC; PPL EnergyPlus, LLC; Reliant Energy Northeast LLC and TriEagle Energy, L.P.. The comments expressed in this filing represent the position of RESA as an organization but may not represent the views of any particular member of RESA.

service for a month because they are treated as new customers – would automatically be subject to the reconciliation. Additionally, PPL proposes to calculate the reconciliation on an annual basis and to include it as a separate line item on customer bills.

RESA was a party to the proceeding that established PPL's Default Service Plan, Docket No. P-2008-2060309 and RESA's members may be impacted by the Petition and proposed Reconciliation Rider. RESA opposes the petition for the following reasons.

First, before the Commission can approve PPL's charge, PPL must show, through record evidence, that such a mechanism is needed to address a substantial inequity created by the current recovery approach and that its proposed solution does not harm customers or the competitive market. Additionally, there are unanswered implementation questions surrounding the proposed Reconciliation Rider which need to be developed through further record evidence. PPL's current tariffs reconcile such overcollections and undercollections by way of a transmission service charge ("TSC") and generation supply charges ("GSC-1" and "GSC-2"). The impact of reconciliation under the proposed Reconciliation Rider would be calculated and reconciled on an annual basis. It is unclear if this calculation and reconciliation would impact the current quarterly reconciliation through May 2012 or any other reconciliation under the TSC, GSC-1 or GSC-2. Also, implementation of the proposed reconciliation appears to be cumbersome and difficult as PPL must project the total number of MWhs that will be subject to the reconciliation charge for the future period based on universe of customers subject to the reconciliation charge and the number of months that these customers received default service during the prior period. To calculate the \$/MWh reconciliation charge PPL must account for the individual customer forecasted usage and adjust it for the amount of months they were on utility service in the prior planning year.

Second, RESA opposes PPL's petition because PPL's proposal will send inaccurate price signals to customers and may distort customer shopping decisions. While PPL states that it will continue to recalculate the default service rate on a quarterly basis, the actual default service "cost" will not be passed on to consumers in a timely way under PPL's proposal here because it will be amortized over a year. Therefore, customers will not be seeing the true cost of energy on a contemporaneous basis thus distorting their perception of the market price of energy. Default service rates must be market-responsive and must reflect all of the relevant costs incurred by the EDC in providing default service. Both of these factors are required so that competitive suppliers can compete on equal footing with the EDC's default service rates. If default service rates do not accurately track changes in costs and market prices over time, then the default service rate will become out-of-market. At best, this creates intermittent opportunities for competitive suppliers to attract customers. Such a market design is not sustainable and presents too much risk for retail suppliers to enter the market. Similarly, if default rates do not fully reflect all of the costs of providing generation service (for example due to misallocated costs and cross-subsidization) then EGSs are at an unfair competitive disadvantage compared to the EDC's default service rate. The Commission has been clear that EDCs are required to use quarterly or shorter true-ups so that any deferrals can be minimized to the point of being negligible. *See Rulemaking Re Electric Distribution Companies' Obligation to Serve Retail Customers at the Conclusion of the Transition Period Pursuant To 66 Pa. C.S. § 2807(e)(2)*, Docket No. L-00040149, Final Rulemaking Order entered May 19, 2007 at 37-39.

Third, while not overtly a customer fee for leaving default service, the imposition of the reconciliation on customers could be perceived as such by the customer contrary to the statute and the Commission's regulations. 66 Pa. C.S. § 2802(12); 52 Pa. Code 54.189(e). The

imposition of a retroactive charge on shopping customers in the form of a charge for recovery of a year's worth of reconciliations will distort and confuse customers about the consequences of their decision to leave default service. It will also lead to confusion in the marketplace because the bottom-line amount paid by customers will be based, at least in part, on a year's worth of reconciliation data rather than the current price of energy. The reconciliation mechanism may also distort customer shopping decisions. For example, if the reconciliation adjustment is a credit, a customer receiving EGS service may have the incentive to return to default service in order to become eligible to receive the reconciliation credit in the future.

Finally, RESA submits that the concept of reconciliation from customers is fundamentally flawed and, as proposed by PPL, means that customers will face a barrier to switching to a competitive supplier or returning to default service. Therefore, RESA recommends that this matter be referred to the Office of Administrative Law Judge to give RESA, and other parties, the opportunity to explore other methods of cost recovery beyond the reconciliation mechanism proposed by PPL which may more appropriately balance PPL's right to recovery with the public interest.

For these reasons, and for the reasons discussed in greater detail herein, the Petition and the proposed Reconciliation Rider (a) raise serious competitive concerns for electric generation suppliers ("EGSs") and for the residential, commercial and industrial customers of PPL; (b) are not reasonable; (c) are not in the public interest; and, (d) should be denied.

## **RESPONSE TO PECO'S NUMBERED PARAGRAPHS**

### I. Introduction

¶¶ 1 to 2. **Admitted.**

¶¶ 3 to 3. **Admitted.**<sup>2</sup>

¶¶ 4 to 7. **Admitted in part, denied in part.**

It is admitted that, on August 3, 2011, PPL filed with the Commission the subject Petition (together with accompanying appendices) requesting that the Commission approve a tariff supplement to implement a Reconciliation Rider applicable to its provision of Default Service to become effective June 1, 2012.

RESA hereby incorporates the “Introduction and Summary of Answer” portion of this Answer into the response to these Paragraphs. For the reasons set forth herein, and for the reasons discussed in greater detail herein, the Petition and the proposed Reconciliation Rider raises serious competitive concerns for EGS and for PPL’s customers, is not reasonable, is not in the public interest, and should be denied.

To the extent that Paragraphs 4 to 7 of the Petition contain a description of matters claimed to be set forth in the Petition, Tariffs, Commission Orders, Documents on file with the Commission (or some combination thereof) those documents speak for themselves, and any allegation of the Petition that is contrary to and/or not corroborated by those documents are specifically denied.

RESA’s responses to Paragraphs 8 to 44 of the Petition are incorporated herein by reference. Paragraphs 4 to 7 of the Petition set forth legal conclusions to which no response is required. Any remaining allegations in Paragraphs 4 to 7 of the Petition are denied.

## II. Discussion

### A. **Overview of the Impact of Over and Under Collections**

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<sup>2</sup> The Petition contains two paragraphs labeled as No. 3. The first No. 3 identifies PPL’s attorneys. The second No. 3 describes the services provided by PPL. This response includes both of these Paragraphs.

**¶¶ 8 to 16. Admitted in part, denied in part.**

To the extent that Paragraphs 8 to 16 of the Petition contain a description of matters claimed to be set forth in the Petition, the proposed Reconciliation Rider, Commission-approved Tariffs, Commission Orders, Documents on file with the Commission (or some combination thereof) those documents speak for themselves, and any allegation of the Petition that is contrary to and/or not corroborated by those documents are specifically denied.

RESA's responses to Paragraphs 1 to 7 and 17 to 44 of the Petition are incorporated herein by reference. Paragraphs 8 to 16 of the Petition set forth legal conclusions to which no response is required. Any remaining allegations in Paragraphs 8 to 16 of the Petition are denied.

**¶ 17. Admitted in part, denied in part.**

To the extent that Paragraph 17 of the Petition contains a description of matters claimed to be set forth in the Orders of the Commonwealth Court, Commission Orders, Documents on file with the Commission (or some combination thereof) those documents speak for themselves, and any allegation of the Petition that is contrary to and/or not corroborated by those documents are specifically denied.

It is denied that that the recovery proposed by the Reconciliation Rider is reasonable, and is in the public interest. RESA's responses to Paragraphs 1 to 16 and 18 to 44 of the Petition are incorporated herein by reference. Paragraph 17 of the Petition sets forth legal conclusions to which no response is required. Any remaining allegations in Paragraph 17 of the Petition are denied.

**¶¶ 18 to 26. Admitted in part, denied in part.**

PPL has offered no data to justify its requested departure from the existing Commission-approved reconciliation processes. A discovery and hearing schedule should be established for the Petition and the proposed Reconciliation Rider so that a record can be developed.

After a reasonable investigation, RESA is without knowledge or information sufficient to form a belief as to the truth of the averments contained in Paragraphs 18 to 26 of the Petition and, therefore, these allegations are denied. Strict proof is demanded at a hearing.

RESA's responses to Paragraphs 1 to 17 and 27 to 44 of the Petition are incorporated herein by reference. Paragraphs 18 to 26 of the Petition set forth legal conclusions to which no response is required. Any remaining allegations in Paragraphs 18 to 26 of the Petition are denied.

**B. Description of the Proposed Reconciliation Rider**

¶¶ 27 to 36. **Admitted in part, denied in part.**

To the extent that Paragraphs 27 to 36 of the Petition contain a description of matters claimed to be set forth in the Petition, the proposed Reconciliation Rider, Commission-approved Tariffs, Commission Orders, Documents on file with the Commission (or some combination thereof) those documents speak for themselves, and any allegation of the Petition that is contrary to and/or not corroborated by those documents are specifically denied.

RESA's responses to Paragraphs 1 to 27 and 37 to 44 of the Petition are incorporated herein by reference. Paragraphs 27 to 36 of the Petition set forth legal conclusions to which no response is required. Any remaining allegations in Paragraphs 27 to 36 of the Petition are denied.

**C. The Proposed Reconciliation Rider is in the Public Interest**

¶¶ 37 to 44. **Denied.**

For all the reasons set forth above in the Introduction, RESA submits that the Petition and proposed Reconciliation Rider raise serious competitive concerns for EGSs and for the residential, commercial and industrial customers of PPL. It is denied that that the recovery proposed by the Reconciliation Rider is reasonable, and is in the public interest.

After a reasonable investigation, RESA is without knowledge or information sufficient to form a belief as to the truth of the factual averments contained in Paragraphs 37 to 44 of the Petition and, therefore, these allegations are denied. Strict proof is demanded at a hearing.

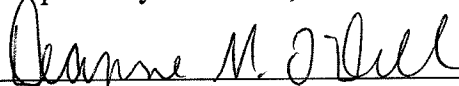
RESA's responses to Paragraphs 1 to 36 of the Petition are incorporated herein by reference. Paragraphs 37 to 44 of the Petition set forth legal conclusions to which no response is required. Any remaining allegations in Paragraphs 37 to 44 of the Petition are denied.

RESA reserves the right to raise additional issues in opposition to the Petition and the proposed Reconciliation Rider after PPL has filed its testimony and RESA has had the opportunity to engage in discovery.

### CONCLUSION

**WHEREFORE**, RESA respectfully requests that the Commission deny PPL's Petition and the proposed Reconciliation Rider and grant any other relief deemed to be reasonable and appropriate under the circumstances.

Respectfully submitted,



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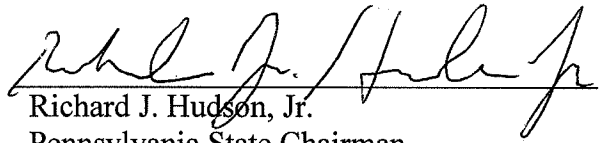
Date: August 23, 2011

Attorneys for Retail Energy Supply Association

**VERIFICATION**

I, Richard J. Hudson, Jr. hereby state that I am the Pennsylvania State Chairman for the Retail Energy Supply Association and am authorized to make this verification on its behalf, and that the facts set forth in the in the attached **Answer** are true and correct to the best of my knowledge, information and belief. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

Date: 8/23/11



Richard J. Hudson, Jr.  
Pennsylvania State Chairman  
Retail Energy Supply Association