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September 14, 2011

VIA ELECTRONIC FILING AND HAND DELIVERY

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

RE: Amended Petition of PPL Electric Utilities Corporation for Approval to Implement a Reconciliation Rider for Default Supply Service Docket No. P-2011-2256365
ANSWER OF DOMINION RETAIL, INC.

Dear Secretary Chiavetta:

Enclosed for filing with the Commission are the original and three (3) copies of the Answer of Dominion Retail, Inc. d/b/a Dominion Energy Solutions to the Amended Petition of PPL Electric Utilities Corporation in the above-captioned docket. Copies of this Answer have been served in accordance with the attached Certificate of Service.

Thank you for your attention to this matter. If you have any questions related to this filing, please contact the undersigned.

Very truly yours,

Todd S. Stewart
Counsel for Dominion Retail, Inc.

TSS/alw
Enclosures

cc: Honorable Susan D. Colwell

MAILING ADDRESS: P.O. BOX 1778 HARRISBURG, PA 17105

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing document upon the parties, listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a party)

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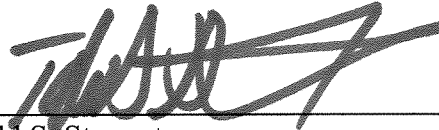
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Todd S. Stewart

Dated this 14th day of September 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 :

**ANSWER OF
DOMINION RETAIL, INC.
IN OPPOSITION TO
AMENDED PETITION**

TO THE PENNSYLVANIA PUBLIC UTILITY COMMISSION:

AND NOW COMES, Dominion Retail, Inc. d/b/a Dominion Energy Solutions (“DES”), by and through its counsel, and hereby submits its Answer to the Amended Petition of PPL Electric Utilities Corporation (“PPL”) seeking “Approval to Implement a Reconciliation Rider and Competitive Transition Rider for Default Supply Service” (“Amended Petition”) filed with the Pennsylvania Public Utility Commission (“Commission”) at the above captioned docket, on or about August 25, 2011.

DES believes that the relief requested by PPL in its original Petition¹ is illegal and contrary to sound public policy, and that the request in PPL’s amendment, to incorporate yet another rider, is similarly unwarranted. Therefore, as it did with the original Petition, DES urges the Commission to DENY PPL’s Amended Petition in its entirety.

¹ PPL submitted its original Petition at this docket on or about August 3, 2011. DES submitted its Answer in Opposition to that Petition on August 23, 2011. To the extent that it is consistent herewith, DES hereby incorporates its Answer to that original Petition, in its entirety, into this Answer.

I. Introduction

PPL has amended its Petition to include--in addition to a migration rider dubbed the “Reconciliation Rider”(“RR”)—a request for a “Competitive Transition Rider” (“CTR”). The purported basis the CTR, is that PPL apparently has recently discovered that there is the potential for it to have significant “unrecovered” costs associated with providing default service for the period January 1, 2010 through May 31, 2012, although PPL never fully quantifies these alleged costs in its Amended Petition. PPL claims that recovering these alleged costs through its agreed-to and approved reconciliation process will “distort” the price to compare. PPL alleges that the result of this alleged “distortion” in the price to compare, will be that customers may make shopping decisions based upon a price to compare that does not reflect the “market”. In other words, PPL appears to contend that if the price to compare is adjusted through an approved reconciliation process that includes the true costs of providing default service, which clearly include the costs of customers leaving and returning to the service at will, more customers will shop—and that is a bad thing. Obviously DES disagrees—both with the notion that including the true costs of default service in the price to compare is a distortion to the price to compare, and with the notion that it is improper for a customer to make a decision to purchase their electric generation supply service from a competitive supplier based upon a price to compare that reflects the true cost of default service.

It would be simplistic to consider PPL’s request for a CTR, in its amendment, as being less problematic than the obviously flawed RR, on the theory that the unrecovered default service costs as of May 31, 2012 are mostly known and measurable, or because the CTR would be “temporary”, thus limiting customer exposure.² However, such an approach would disregard

² The RR on the other hand, would be akin to giving PPL a blank check, to make inaccurate forecasts and then impose the costs of the resulting mismatches on shopping customers in a manner that could reverse the positive

the need to examine the underlying costs to determine if those costs were “reasonably” incurred, in addition to getting over the hurdle of making **all** customers liable for making PPL “whole” for the costs of a limited number of rate anomalies, where the rates in question produced benefits for generally small groups of customers. It cannot be forgotten that there was a small group of customers who benefitted significantly from PPL’s 2011 time of use (“TOU”) rates that would undoubtedly be part of the CTR if it were approved. It was obvious at the time the TOU rates were posted, however, that the rates were dramatically below market and thus almost certain to produce a mismatch between costs and rates—which proved to be the outcome. Is it appropriate to make all customers pay to make PPL whole when mismatch appears to have been caused by PPL in the first instance, and when so few customers received such a proportionately large benefit? DES submits that it is not.

While it may be appropriate under certain limited circumstances to recover default service costs from all customers, such as in a situation where almost all the customers in a rate class migrate in a very short period of time and it would thus be wholly unjust and unreasonable to recover the remaining costs that result from billing lag and the like from the few customers who lingered on the rate too long, such does not appear to be the case here. As in the TOU rate example cited above, it appears that the CTR may be intended to recover some mismatches in rates and costs that could have been prevented, and more importantly, which benefited an identifiable and small group of customers. If DES’ belief is born out by the facts, PPL’s request must be denied.

PPL has argued at length that its proposals are “competitively neutral” when it is obvious that a rider such as the RR would incentivize customers who are shopping to return to default service, and would punish customers who do shop by continuing to charge them for default shopping results in its territory.

service costs when they are no longer taking that service. PPL’s proposal runs contrary to the fundamental premise of its existing reconciliation scheme, where customers who take default service pay the costs of default service, including the costs associated with the ability of customers to move freely between default service and competitive service—those costs are default service costs and are appropriately recovered only from default service customers. To do otherwise is the opposite of competitive neutrality, it tips the scale in favor of default service and of customers returning to default service and in favor of not switching in the first place. In short, PPL’s claims of competitive neutrality must be disregarded.

II. Answers to Numbered Paragraphs

1. ADMITTED.
2. ADMITTED.
3. ADMITTED.
 - a. PPL’s Amended Petition contains two paragraphs numbered as ¶ 3. One on page four and one on page five of its Amended Petition. DES admits the allegations contained in the second ¶ 3 as well as the first.
4. ADMITTED in part, DENIED in part. It is ADMITTED that PPL claims that over and/or under collections associated with the costs of providing default service to specific rate classes. However, any implication via the allegation that PPL “experiences” such over and/or under collections that such over and/or under collections are beyond PPL’s control is DENIED. The legal argument in the remainder of ¶ 4 is DENIED.
5. DENIED.
6. ADMITTED upon information and belief.

7. DENIED.
8. ADMITTED in part. It is ADMITTED that PPL's competitive bridge plan was approved by the Pennsylvania Public Utility Commission any characterization there contained in ¶ 8 is DENIED.
9. ADMITTED.

10. ADMITTED.
11. ADMITTED.
12. ADMITTED in part. PPL's DSP plan speaks for itself any characterization thereof is therefore DENIED.
13. ADMITTED in part. It is ADMITTED that PPL has a Commission approved DSP plan that runs through May 31, 2013. That plan speaks for itself and any characterization thereof is therefore DENIED.
14. ADMITTED.
15. ADMITTED in part. It is ADMITTED that PPL has a Commission approved Tariff under which it reconciles net over and under collections. That Tariff speaks for itself and any characterization thereof is therefore DENIED.
16. ADMITTED in part. It is ADMITTED that PPL has a Commission approved Electric Tariff that provides for the reconciliation of over and under collections related to transmission and generation supplier services. That Tariff speaks for itself and any characterization thereof is therefore DENIED.
17. ADMITTED in part. Any Commission Orders related to *Petition of Pennsylvania Power Company for Approval of Interim POLR Supply Plan*, Docket No. P-00052188 and *PA. Power Co. vs. PA. P.U.C.* 932 A. 2nd 300 (Pa. Cmwlt. 2007)

speak for themselves and any characterization thereof or the conclusions to be drawn there from are DENIED.

18. It is ADMITTED that significant numbers of customers in certain rate classes have shopped as of July 23, 2011 as evidenced by the figures proposed by PPL in ¶ 18. Any statement as to future expected shopping levels is purely speculative and is therefore DENIED.
19. It is neither ADMITTED nor DENIED. It is not clear from the context of ¶ 19 whether PPL intended to describe the current situation or its new proposal. To the extent that it is intended to describe the current situation, it appears to be accurate and therefore is ADMITTED, although PPL's tariff speaks for itself. To the extent that it is intended to describe PPL's proposal, ¶ 19 does not appear to be accurate and therefore is DENIED.
20. ADMITTED in part, DENIED in part. It is ADMITTED that PPL has experienced under and/or over collections related to the TSC, GSC-1 and GSC-2. The conclusion that these under or over collections have been substantial is DENIED.
21. DENIED. PPL's Electric's Commission approved tariff speaks for itself, therefore any characterization thereof is DENIED.
22. ADMITTED in part, DENIED in part. It is ADMITTED that if the vast majority of customers in a particular rate class switch from default service to competitive service in a relatively brief period of time, it may result in significant over or under collection that would be refunded or recoup from a small group of customers which may produce excessively high or excessively low default service

rates compared to market prices. It is DENIED that any such circumstances occurred in PPL's service territory.

23. ADMITTED in part, DENIED in part. It is ADMITTED that if the vast majority of customers in a particular rate class switch from default service to competitive service in a relatively brief period of time, it may result in significant over or under collection that would be refunded or recoup from a small group of customers which may produce excessively high or excessively low default service rates compared to market prices. It is DENIED that any such circumstances occurred in PPL's service territory.
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24. DENIED. It is DENIED that it is the policy of the Pennsylvania Public Utility Commission to recover or recoup costs of default service from customers that are not taking default service. To the extent that customers receive a short term windfall from the refund of significant over recoveries, those customers would also have been liable in the opposite result and therefore there is no need to adjust the system. That is, customers who take default service are liable for the costs and benefits of taking that service.
25. DENIED. It is DENIED that charging the customers the actual cost of default service, including the costs of switching to and from that service freely, create a "distorted" or "unstable" price to compare. It is DENIED that such a price to compare "complicates" shopping decisions for customers.
26. DENIED. PPL's proposed reconciliation rider and CTR are a solution in search of a problem. That is, it is appropriate to recover the true costs of providing default service from customers who take default service at the time the costs are

charged to customers. The true costs of default service include the cost of allowing customers to freely migrate between default service and competitive service. It is ADMITTED that in certain circumstances where the vast majority of customers in a particular rate class migrate in a very short time period making it unjust and unreasonable to impose unrecovered default service costs upon the remaining customers could be an appropriate situation for the application of a mechanism similar to the CTR with appropriate restrictions and appropriate review of the costs themselves to insure that they were reasonably incurred by PPL and were not the result of manipulation or negligence in the forecasting or the creation of the rate.

27. ADMITTED in part. It is ADMITTED that PPL has proposed a migration rider that, much like the gas industry, will have a significant and detrimental effect on competition and will most likely serve to seriously harm them existing levels of customers switching on the PPL system.
28. ADMITTED in part, DENIED in part. It is ADMITTED that PPL appears to describe the relief requested in this paragraph. It is DENIED that the relief is warranted under any circumstances. It is further DENIED that charging customers the true cost of default service will create a “distorted and unstable price to compare”.
29. It is ADMITTED that PPL has proposed to both charge non-shopping customers for the cost of default service and to give customers who switch from shopping from competitive suppliers to purchasing their electric generation supply from PPL to excuse them from paying those costs thus creating an incentive for

customers to switch to default service from competitive service. It is also ADMITTED that PPL has proposed to abrogate the agreed to and approved reconciliation method which currently reconciles costs on a quarterly basis and to extend that to a yearly basis thus further disassociating the cost of providing default service from the recovery of those costs through rates. It is DENIED that these changes will benefit competition or will be competitively neutral, rather, DES avers that such proposal will be harmful to competition.

30. PPL's proposal as contained in Appendices A through F, speak for themselves, any characterization thereof is therefore DENIED.
31. PPL's proposal as contained in Appendices A through F of its Amended Petition, speak for themselves, any characterization thereof is therefore DENIED. It is DENIED that either the CTR or the RR is warranted or wise in the present circumstances.
32. DENIED. PPL's proposal speaks for itself, any characterization thereof is therefore DENIED.
33. DENIED. PPL's proposal speaks for itself, any characterization thereof is therefore DENIED.
34. PPL's proposal speaks for itself and any characterization thereof is therefore DENIED. It is DENIED that PPL's proposal is either warranted or wise.
35. ADMITTED in part, DENIED in part. It is ADMITTED that PPL's proposal which would charge new customers for the costs of default service when they were not responsible for incurring those costs but would excuse customers returning from competitive service to default service from paying default service

costs for a period of up to one year, it is discriminatory and in violation of the Public Utility Code. The remainder of ¶ 35 is DENIED.

36. ADMITTED in part, DENIED in part. It is ADMITTED that PPL's proposal which would charge new customers for the costs of default service when they were not responsible for incurring those costs but would excuse customers

returning from competitive service to default service from paying default service costs for a period of up to one year, it is discriminatory and in violation of the Public Utility Code. The remainder of ¶ 36 is DENIED.

37. Neither ADMITTED nor DENIED.

38. Neither ADMITTED nor DENIED.

39. DENIED. It is DENIED that there have been a significant historic over or under collection in PPL's service territory that were the result of forces beyond the control of PPL. Accordingly, it is DENIED that there is a need for a CTR as proposed by PPL.

40. DENIED.

41. It is not clear from PPL's description of the CTR what it intends by its statements that it intends to recover historic net over or under collections related to transmission service and generation supply charges. It is not clear to what charges PPL refers and PPL offers no quantification of the charges, even though PPL, in several places in its Petition, characterizes these over or under collections as significant in magnitude or the like. Accordingly, PPL's characterizations of these charges are denied and strict proof thereof is demanded.

42. DENIED.

43. DENIED.
44. DENIED. It is also DENIED that there is any evidence whatsoever in PPL's Petition to contend that the net over/under collections to which it refers in ¶ 44 and any others were reasonably incurred or not the result of actions which could have been prevented by the exercise of reasonable diligence. Accordingly, it is DENIED, absent any evidence to the contrary, that PPL has a legal right to recover these costs in the first instance.
45. DENIED. It is DENIED that PPL's proposed CTR is warranted under the circumstances.
46. It is specifically DENIED that PPL has experienced a "unanticipated level of net over or under collections...". It is DENIED that the CTR or the RR is competitively neutral. It is DENIED that it is sound public policy to reduce the impact of reconciliation on customers who take default service. It is DENIED that switching to an annual versus quarterly reconciliation will provide appropriate price signals to customers. It is ADMITTED, however, that it is appropriate to recover all costs of default service from customers who take default service.
47. DENIED.
48. DENIED.
49. Neither ADMITTED nor DENIED.
50. DENIED.
51. DENIED.
52. DENIED.

53. DENIED.

54. DENIED. It is specifically DENIED that it is fair or appropriate to charge customers who have switched to competitive supply for the cost of default service when they are not taking default service. It is also DENIED that it is appropriate to refrain from charging customers who are taking default service for the full cost of having the ability to switch freely between default service and competitive service. The Commission has made it clear that default service rates are to recover all of the costs of providing default service 52 Pa. Code § 57.187(a).

55. DENIED.

56. It is ADMITTED that the reconciliation rider appears to be conceptually similar to the migration riders which have almost single handedly destroyed or prevented competition in the natural gas industry, however, as a matter of fact, the factual circumstances which may have been sufficient to permit such riders in the gas industry are not present here. It is DENIED that a migration rider as proposed here is an appropriate or reasonable means to recover default service costs. Rather, it is averred, that default service costs should be recovered from the customers availing themselves of the service at the time. PPL's proposal creates anti-competitive incentives to switch to default and is not competitively neutral but competitively harmful. As described more fully in DES' Answer to PPL's original Petition, which is incorporated herein by reference, there are significant factual differences between the migration rider in natural gas industry and what PPL has proposed here. The circumstances under which the migration rider in the gas industry is imposed and that which PPL proposes here which render the

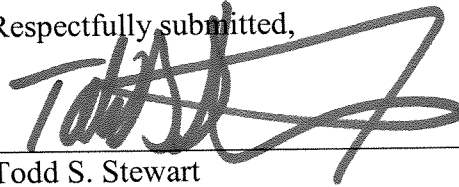
analogy inaccurate at best. These differences include the fact that in the gas industry, the prices of gas in the foreign markets are generally not known well and in PPL's circumstances the prices for the vast amount of the electricity in its portfolio at any given time are known to PPL. That is, there is very little price volatility and for the prices there is very little price volatility and PPL has no volumetric risk for customers leaving the service. That risk is born by the wholesale suppliers. In the natural gas market, the vast majority of the load is subject to fluctuation in any given month. This fact also militates against the need for any type of mechanism to recover the costs because in most circumstances any such unrecovered costs should be insignificant.

57. Neither ADMITTED nor DENIED.

58. The request for relief in ¶58 is DENIED to the extent necessary.

WHEREFORE, DES respectfully requests PPL's Amended Petition be DENIED in its entirety.

Respectfully submitted,



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DATED: September 14, 2011