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September 19, 2011

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2nd Floor  
Harrisburg, PA 17120

**VIA HAND DELIVERY**

**RE: 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:


Enclosed for filing with the Pennsylvania Public Utility Commission are the original and three (3) copies of PP&L Industrial Customer Alliance's Answer to Amended Petition of PPL Electric Utilities Corporation for Approval to Implement a Reconciliation Rider and Competitive Transition Rider for Default Supply Service, in the above-referenced proceeding.

As shown by the attached Certificate of Service, all parties to this proceeding are being duly served. Please date stamp the extra copy of this transmittal letter and Answer, and kindly return them to our messenger for our filing purposes.

Very truly yours,

McNEES WALLACE & NURICK LLC

By

  
Patrick L. Gregory

Counsel to PP&L Industrial Customer Alliance

PLG/sds

Enclosures

c: Chief Administrative Law Judge Charles E. Rainey, Jr. (via Hand Delivery)  
Certificate of Service

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SECRETARY'S BUREAU

**CERTIFICATE OF SERVICE**

I hereby certify that I am this day serving a true copy of the foregoing document upon the participants listed below in accordance with the requirements of 52 Pa. Code Section 1.54 (relating to service by a participant).

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Counsel to PP&L Industrial Customer Alliance

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of PPL Electric Utilities Corporation :  
for Approval to Implement a Reconciliation : Docket No. P-2011-2256365  
Rider for Default Supply Service :

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**PP&L INDUSTRIAL CUSTOMER ALLIANCE'S ANSWER TO  
AMENDED PETITION OF PPL ELECTRIC UTILITIES CORPORATION  
FOR APPROVAL TO IMPLEMENT A RECONCILIATION RIDER  
AND COMPETITIVE TRANSITION RIDER FOR DEFAULT SUPPLY SERVICE**

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Pursuant to 52 Pa. Code § 5.61, the PP&L Industrial Customer Alliance ("PPLICA") submits this Answer to the Amended Petition of PPL Electric Utilities Corporation ("PPL" or "Company") for Approval to Implement a Reconciliation Rider and Competitive Transition Rider for Default Supply Service.<sup>1</sup>

**I. INTRODUCTION**

In its initial Petition filed on August 3, 2011, and its Amended Petition filed on August 25, 2011, the Company proposes to implement a reconciliation rider related to transmission service and generation supply service. Pursuant to the rider, PPL would refund overcollections to and recoup undercollections from customers who were default service customers when the overcollection or undercollection occurred. PPL's current tariffs reconcile such overcollections and undercollections through use of a transmission service charge ("TSC") and two generation supply charges ("GSC"), the Generation Supply Charge-1 for residential and small commercial and industrial customers and the Generation Supply Charge-2 for large commercial and industrial customers ("Large C&I"). PPLICA was a party to the proceeding that established PPL's Default Service Plan, at Docket No. P-2008-2060309 and PPLICA's members may be

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<sup>1</sup> A list of PPLICA members is attached as Appendix A.

affected by the Amended Petition and proposed reconciliation rider.

There are multiple proceedings currently before the Pennsylvania Public Utility Commission ("PUC" or "Commission") with respect to the TSC. First, by Order entered May 19, 2011, at Docket No. M-2010-2213754, the Commission raised questions concerning which method PPL should use to reconcile past period overcollections and undercollections in its TSC ("May 19 Order"). Second, by Order entered May 25, 2011, at Docket No. M-2011-2239805, the PUC directed PPL to refile its proposed TSC rates for Large C&I customer groups to be effective June 1, 2011, in order to mitigate potential problems related to existing overcollections from Large C&I customers ("May 25 Order"). In the May 25 Order, the Commission also required PPL to defer all Large C&I TSC reconciliation amounts and to file a plan detailing the best means of refunding any overcollection to Large C&I customers who contributed to such overcollection during the period of January 1, 2010, through May 31, 2011. The PUC directed that such plan be filed within thirty days of issuance of a final Order in the TSC proceeding discussed above at Docket No. M-2010-2213754.

## **II. ANSWER - RECONCILIATION RIDER**

PPL's Amended Petition restates the Company's request for a Reconciliation Rider. Accordingly, this section restates PPLICA's response to such request as set forth in PPLICA's Answer filed August 25, 2011. PPLICA is still evaluating the mechanics, mechanisms, and time frames outlined in the Amended Petition. As discussed herein, PPLICA believes the Amended Petition raises questions which need to be further explored and explained. First, it remains unclear how existing overcollections and undercollections will be treated while the proposed reconciliation rider is being implemented. There are significant TSC overcollection amounts, yet to be refunded, which were collected from Large C&I customers, and those amounts may grow

as a result of the Commission's review at Docket No. M-2010-2213754 of PPL's TSC reconciliation processes. As discussed previously, the May 25 Order directed PPL to file a plan addressing existing TSC overcollections, while the May 19 Order also addressed existing overcollections. *See* May 25 Order at 5. PPL should explain, and the PUC should explore, how the Company will address such overcollections.

Second, the Amended Petition raises questions concerning the 2010 GSC. The Amended Petition states that in 2010, PPL "experienced an undercollection of approximately \$8 million for generation supply charges associated with Large C&I default service customers under the 2010 GSC." Amended Petition at 10. PPL claims that this undercollection "resulted primarily from January 2010, when the generation rate caps expired and the generation prices PPL Electric had to pay suppliers in January 2010 were substantially higher than those paid in December 2009 under capped rates." *Id.* at n.6. PPL notes that while many default service bills issued in January 2010 were prorated for usage which occurred in December 2009, "billed revenue under the 2010 GSC for January 2010 reflected only about half of the revenue that typically would be derived from a full, non-prorated billing month." *Id.* Generation supply-related costs incurred for January 2010, however, "reflected a full month of customer electricity usage," and PPL claims that this difference between prorated billed revenue and actual incurred costs resulted in a significant undercollection for the month of January 2010. *Id.* PPLICA wishes to explore this issue further, as it does not understand how PPL's explanation corresponds with the Company's wholesale contracts and customer billing methods. It is PPLICA's understanding, for example, that PPL was being served via a wholesale supply contract with PPL EnergyPlus through December 31, 2009. As of January 1, 2010, it appears that new wholesale contracts would have taken effect at the higher rates. It is PPLICA's understanding that Large C&I customers who did

not have a December 31, 2009 meter read date paid a blended retail rate, which should have meant that the revenues matched PPL's costs with no resulting undercollection. The PUC should further explore this and other issues raised by the Amended Petition.

### **III. ANSWER – COMPETITIVE TRANSITION RIDER**

PPL's Amended Petition includes a new request for a Competitive Transition Rider ("CTR"), which would be "a temporary non-bypassable Section 1307(e) reconcilable rider to refund or recoup the net historic over or under collections related to transmission service and generation supply charges" incurred prior to the effective date of the reconciliation rider. Amended Petition at 17. Like the Company's request for the reconciliation rider, the proposed CTR also raises questions which need to be further explored and explained.

First, the CTR would be computed separately among "three customer classes." Amended Petition at Appendix F. The third such class, "Large Commercial and Industrial (Large C&I)" would consist of Rate Schedules LP-4, IS-P (R), LP-5, LP-6, LPEP, IS-T (R) and L5S. *Id.* It is unclear whether it would be appropriate to include LP-5 and LP-6 customers in the same class as LP-4 customers. It may be more appropriate to compute the CTR separately for Rate Schedules IS-P and LP-4, and for IS-T, LP-5 and LP-6. Second, the design of the refund mechanism in the CTR as a cents per kWh surcharge or credit raises questions concerning inter-class cost allocations. Third, as discussed previously, there are multiple pending proceedings currently before the PUC with respect to the TSC. How these proceedings will affect the recovery of TSC costs and the CTR's refund mechanism remains an open question. The PUC should further examine all of the issues raised by these questions.

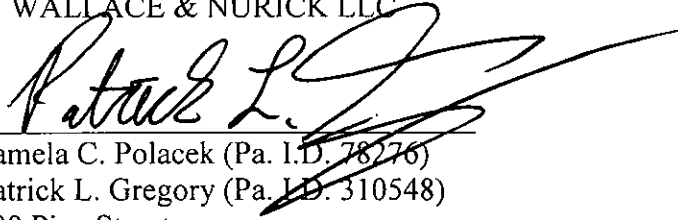
IV. CONCLUSION

WHEREFORE, the PP&L Industrial Customer Alliance respectfully requests that the Pennsylvania Public Utility Commission direct the Office of Administrative Law Judge to hold hearings on PPL's proposed reconciliation rider, as well as the CTR, and prepare a Recommended Decision.

Respectfully submitted,

McNEES WALLACE & NURICK LLC

By



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Counsel to the PP&L Industrial Customer Alliance

Dated: September 19, 2011



## APPENDIX A

### PP&L INDUSTRIAL CUSTOMER ALLIANCE

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General Dynamics-OTS Scranton  
Hercules Cement Company  
High Industries, Inc.  
Lafarge North America  
Linde LLC  
Rieter Automotive North America, Carpet  
SAPA Extrusions, Inc.  
The Hershey Company  
TIMET North America  
Wegmans Food Markets, Inc.