

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF SMALL BUSINESS ADVOCATE

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September 14, 2011

Hand Delivery

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 to Implement a Reconciliation Rider for Default Supply Service
Docket No. P-2011-2256365**

Dear Secretary Chiavetta:

I am delivering for filing today the original plus three copies of the Answer to PPL Electric Utilities Corporation's Amended Petition for Approval to Implement a Reconciliation Rider and Competitive Transition Rider for Default Supply Service and Verification, on behalf of the Office of Small Business Advocate, in the above-captioned proceeding.

Two copies have been served today on all known parties in this proceeding. A Certificate of Service to that effect is enclosed.

If you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in cursive script that reads "Elizabeth Rose Triscari".

Elizabeth Rose Triscari
Assistant Small Business Advocate
Attorney ID No. 306921

Enclosures

cc: Parties of Record
Robert D. Knecht

SECRETARY'S BUREAU
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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**PETITION OF PPL ELECTRIC UTILITIES :
CORPORATION FOR APPROVAL TO :
IMPLEMENT A RECONCILIATION RIDER : DOCKET NO. P-2011-2256365
FOR DEFAULT SUPPLY SERVICE :**

**ANSWER OF THE OFFICE OF SMALL BUSINESS ADVOCATE
TO PPL ELECTRIC UTILITIES CORPORATION'S AMENDED PETITION
FOR APPROVAL TO IMPLEMENT A RECONCILIATION RIDER AND
COMPETITIVE TRANSITION RIDER FOR DEFAULT SUPPLY SERVICE**

Pursuant to 52 Pa. Code §5.65, the Office of Small Business Advocate (“OSBA”) hereby answers the Amended Petition filed by PPL Electric Utilities Corporation (“PPL” or the “Company”) with the Pennsylvania Public Utility Commission (“Commission”) on August 2, 2011, and avers the following in support thereof:

I. Introduction

On August 3, 2011, PPL filed a petition seeking authorization to implement a Reconciliation Rider related to transmission service and generation supply service. Pursuant to that rider, the Company would refund overcollections to, and recover undercollections from, customers who were default service customers when the overcollection or undercollection occurred.

The OSBA filed an Answer to that petition on August 18, 2011. Answers were also filed by Dominion Retail, Inc. d/b/a Dominion Energy Solutions (“Dominion”); the Retail Energy Supply Association (“RESA”); and PP&L Industrial Customer Alliance (“PPLICA”). The Office of Consumer Advocate (“OCA”) filed a Notice of Intervention on August 23, 2011. Richards Energy Group, Inc. (“Richards”) filed a Petition to Intervene on August 29, 2011.

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PPL subsequently filed the Amended Petition on August 25, 2011, which superceded and replaced the petition filed on August 3. The Amended Petition added a proposed Competitive Transition Rider (“CTR”) to the originally proposed Reconciliation Rider. According to PPL, the proposed CTR is a temporary non-bypassable reconcilable rider that would refund, or recover, the balance of historic overcollections or undercollections in existence on the effective date of the Reconciliation Rider.

PPL’s current tariffs reconcile such overcollections and undercollections by way of a transmission service charge (“TSC”) and two generation supply charges, the Generation Supply Charge-1 (“GSC-1”) for residential and small commercial and industrial (“Small C&I”) customers and the Generation Supply Charge-2 (“GSC-2”) for large commercial and industrial (“Large C&I”) customers.

The Amended Petition seeks to revise the reconciliation provisions of the GSC-1, GSC-2, TSC, and Merchant Function Charge Rider (“MFC”) so that reconciliation of each is instead reflected in the Reconciliation Rider. The TSC and GSC-2 are currently reconciled annually on a PJM Planning Year basis, whereas the GSC-1 is reconciled quarterly. The Amended Petition seeks to reconcile the GSC-1 annually.

II. Related Proceedings

The OSBA is a party in three Commission proceedings that are pending with respect to the GSC-1 and TSC.

The first is in regard to the TSC. By Order entered May 19, 2011, at Docket No. M-2010-2213754, the Commission raised questions about the method PPL should use to reconcile past period overcollections and undercollections in its TSC (“TSC Order”). On June 3, 2011,

PPL filed a response to the Commission's information requests ("PPL Information Requests"). In Ordering Paragraph No. 3 of the TSC Order, the Commission invited comments from the statutory advocates in response to the PPL Information Requests. The OSBA submitted comments in response to that invitation on June 20, 2011. To date, the Commission has not acted or issued a decision in connection with the TSC proceeding.

The second pending Commission proceeding concerns the GSC-1. On May 20, 2011, PPL filed the proposed GSC-1 for the period June 1, 2011, through August 31, 2011, at Docket No. M-2011-2243137. On May 31, 2011, the OSBA filed a Complaint against the proposed GSC-1. PPL timely answered the OSBA's Complaint. Thereafter, the case was assigned to Administrative Law Judge ("ALJ") Susan J. Colwell. The parties have filed all testimony and a hearing is scheduled for October 5, 2011.¹

The third proceeding also concerns the GSC-1, but for the period September 1, 2011, through November 30, 2011, at Docket No. M-2011-2258733. The OSBA and OCA filed a Complaint against this GSC-1 on August 25, 2011, to which PPL has filed Answers in response. By Order entered August 25, 2011, the Commission permitted the proposed GSC-1 to go into effect. However, to date, the Commission has not acted specifically on the OSBA's Complaint.

The proposed Reconciliation Rider and proposed CTR are irrelevant to the disposition of the aforementioned TSC and GSC-1 proceedings. The Reconciliation Rider, as proposed, is purely prospective. It would only refund or recoup overcollections or undercollections that occur after its effective date. Even if approved by the Commission, the Reconciliation Rider would not become effective until June 1, 2012.

¹ The hearing was originally scheduled for August 29, 2011, but was continued due to Hurricane Irene.

The proposed CTR would refund or recoup historic overcollections or undercollections, which may include those alleged in the pending proceedings. However, the CTR does not provide an explanation of or a solution to the issues identified in those proceedings.

In an apparent attempt to support the proposed CTR, PPL cites to the GSC-1 proceeding at Docket No. M-2011-2243137, as follows:

Given the magnitude of the over and under collections and the small number of non-shopping customers, it may not be possible or reasonable to refund or recover these large historic over and under collections from a very small number of customers. If PPL Electric were to attempt to recover significant under collections from a small subset of customers, rates would increase so significantly that all customers would shop and there would be no customers left to pay the outstanding under collection.²

Although the OSBA agrees that recovery of undercollections from a diminishing number of default service customers presents a challenge, it denies that the undercollections at issue at Docket No. M-2011-2243137 were caused by customers leaving default service and choosing to shop. At least in the case of the GSC-1, significant historic undercollections are the result of PPL's flawed reconciliation accounting method and an apparent under recording of revenues. Shopping may have affected PPL's recoupment of these undercollections, but shopping did not cause them.

III. Instant Proceeding

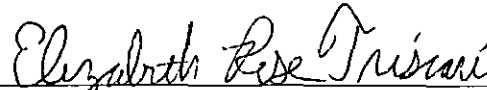
One reason the OSBA is participating in the instant proceeding is to dispute any assertion that the proposed Reconciliation Rider and CTR constitute an adequate resolution of, or "fix," for the underlying problems associated with PPL's reconciliation of the TSC, GSC-1, and GSC-2.

² Amended Petition at ¶42.

At this time, the OSBA takes no position on the merits of PPL's proposed Reconciliation Rider and CTR as mechanisms to refund overcollections or recover undercollections. The OSBA reserves the right to comment on the Reconciliation Rider and CTR after PPL has filed its testimony and the OSBA has had the opportunity to engage in discovery.

WHEREFORE, the Office of Small Business Advocate respectfully requests the Commission to direct the Office of Administrative Law Judge to hold hearings on PPL's proposed Reconciliation Rider and Competitive Transition Rider and prepare a Recommended Decision.

Respectfully submitted,



Elizabeth Rose Triscari
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For:

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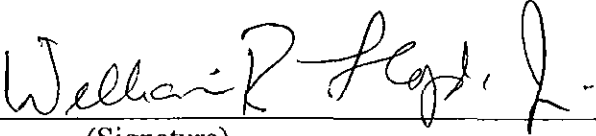
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VERIFICATION

I, William R. Lloyd, Jr., hereby state that the facts set forth herein above are true and correct to the best of my knowledge, information, and belief and that I expect to be able to prove the same at a hearing held in this matter. 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: September 14, 2011



(Signature)

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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

CERTIFICATE OF SERVICE

I certify that I am serving two copies of the Answer to PPL Electric Utilities Corporation's Amended Petition for Approval to Implement a Reconciliation Rider and Competitive Transition Rider for Default Supply Service and Verification, on behalf of the Office of Small Business Advocate, by e-mail and first-class mail (unless otherwise noted) upon the persons addressed below:

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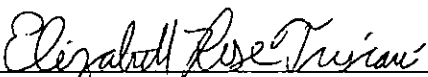
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Date: September 14, 2011