

COMMONWEALTH OF PENNSYLVANIA



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March 21, 2012

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

RE: Pennsylvania Public Utility Commission
v.
PPL Electric Utilities Corporation
Time of Use Rates
Docket No. R-2011-2264771 *et al.*

Dear Secretary Chiavetta:

Enclosed please find the Office of Consumer Advocate's Main Brief in the above-referenced proceeding.

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

Respectfully Submitted,


Aron J. Beatty
Assistant Consumer Advocate
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Enclosure

cc: Honorable Susan D. Colwell
Certificate of Service

149540

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission :
v. : Docket Nos. R-2011-2264771
PPL Electric Utilities Corporation : C-2011-2267808
(Time Of Use Filing) : C-2011-2268983

MAIN BRIEF
OF THE OFFICE OF CONSUMER ADVOCATE

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DATED: March 21, 2012

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I. INTRODUCTION/STATEMENT OF THE CASE

On September 26, 2011, PPL Electric Utilities Corporation (PPL or Company) filed Tariff Electric –Pa. PUC No. 201 – time-of-use (TOU) rates. The Company’s filing contained a new TOU program, designed to replace the existing program in its entirety. Under the new program, TOU customers will pay higher rates during peak usage periods, and lower rates during non-peak periods. The TOU program was filed pursuant to Section 2807(f)(5) of the Public Utility Code, which requires default service providers to offer one or more proposed time-of-use rates and real-time price plans to customers that have smart meters. 66 Pa. C.S. §2807(f)(5). The purpose of the rate program is to allow customers to shift usage from higher cost periods to lower cost periods, and to give those customers who take these actions the ability to enjoy savings related to the cost reductions that result from changing their energy usage patterns. In addition to the individual benefits associated with shifting usage, TOU programs can provide system benefits by reducing peak usage at high demand periods, thus lowering wholesale power costs to all users. The Office of Consumer Advocate (OCA) files this Main Brief with regard to PPL’s proposed Residential TOU program now pending before the Commission. The OCA supports TOU programs but recommends program design changes to PPL’s proposal so as to better align incentives with wholesale market conditions, bring greater benefits to customers choosing the TOU option and encourage robust participation.

Under the Company’s proposal, TOU rates will be established by using the existing fixed-price default service rate plus a premium during on-peak hours and minus a discount during off-peak hours. As a result, TOU rates will change in accordance with the default service price, but the premium and discount will remain the same throughout the year and

for the term of the program. This methodology is substantially different than PPL's existing methodology, which is not directly tied to the default service price.

The Company has proposed an on-peak period of 12 p.m. to 7 p.m. on weekdays, with all other hours and weekends considered off-peak. Unlike its current TOU program, which differentiates summer from non-summer periods, the Company proposes that the on and off-peak hours be the same on a year round basis.

The OCA supports the Company's proposed "premium/discount" methodology that ties TOU rates to the default service price for this program. The Company has identified the problems that can occur when the link between its TOU service and its default service price is severed. The OCA submits, however that the Company's proposed filing should be modified to bring greater participation, and benefits, to residential customers. As designed, the Company's proposed program will be unattractive to customers and may produce negative results for customers who are unable to shift enough usage.

In particular, the OCA submits that the Company's premium/discount percentages are too low to drive the type of significant savings that will garner customer participation. The OCA's expert witness recommended a redesign of the premium/discount to better reflect the cost differentials seen in the wholesale market. In addition, the OCA submits that the Company's on-peak and off-peak periods should be modified to reflect the seasonality associated with wholesale peak usage periods.

Finally, the TOU rates should be developed in a revenue neutral fashion. Under the Company's proposal, if an average customer elects TOU service and does not shift any usage, or does not shift enough usage, that customer will face higher generation bills than had

they not elected TOU service. The program design should ensure that an average customer who takes TOU service and shifts usage will save money.

Taking these factors into consideration, the OCA's expert witness recommended the following modifications:

OCA Proposed Modifications to Daily On-Peak and Off-Peak Hours

Period	PPL Proposed	OCA Proposed
Summer peak	12 pm to 7 pm	11am to 7 pm
Summer off-peak	All other hours	All other hours
Non-summer peak	12 pm to 7 pm	5 pm to 9 pm
Non-summer off-peak	All other hours	All other hours

OCA St. 1 at 10.

OCA Proposed Modifications to Premiums and Discounts

Period	PPL Premium/(Discount)	OCA Premium/(Discount)
Summer peak *	+20%	+50%
Summer offpeak	-5%	-20%
Non-summer peak**	+20%	+25%
Non-summer offpeak	-5%	-4%

* OCA summer peak period 1 hour longer than PPL peak period

** OCA non-summer peak period 3 hours shorter than PPL peak period

OCA St. 1 at 14.

The OCA submits that its recommendations are fully supported by the Direct and Surrebuttal testimony of Richard S. Hahn.¹ Mr. Hahn's testimony was admitted into the record

¹ Mr. Hahn is a Principal Consultant for La Capra Associates who has worked in the electric utility business for over thirty years. Mr. Hahn has testified as an expert witness on numerous occasions in several states. Mr. Hahn has

at the February 22, 2012 Evidentiary Hearings. A full description of the underlying data can be found in Mr. Hahn's testimony. The OCA files this Main Brief in accordance with the procedural schedule approved by ALJ Colwell.

II. ARGUMENT

A. Introduction.

In this proceeding, PPL is seeking permission to replace its existing TOU program using an entirely new rate setting methodology. Under its current program, PPL developed on-peak and off-peak rates based on projected spot market prices. PPL St. 1 at 5. The Company's TOU rates were developed independent of its default service rates and were based solely on the hourly wholesale market prices. During the course of the existing TOU plan's operation, both on-peak and off-peak TOU rates have varied from significantly below default service rates, to significantly above default service rates. PPL St. 1 at 6. As a result, participation levels have varied widely and cost recovery concerns have arisen.

On August 22, 2011, the Company filed its quarterly rate update for its TOU service, which reflected a substantial price increase for TOU service. The Company requested and received Commission authorization to suspend the scheduled September 1, 2011 TOU increase.² PPL Electric Utilities Corporation— Generation Supply Charge Effective September 1, 2011, Docket No. M-2011-2258733 (Order entered August 25, 2011)(August 25 Order). In its

held technical and managerial positions in both regulated and unregulated companies covering all aspects of utility planning, operations, regulatory activities and finance. He is currently an elected Commissioner for the Reading Municipal Light Department (RMLD) in Massachusetts and is Chairman of its Rate and Power Subcommittee. The RMLD is one of the largest municipal systems in New England and maintains its own staff to actively manage its power supply portfolio. Mr. Hahn has a BSEE and an MSEE from Northeastern University and an MBA from Boston College.

² The OCA fully supported the Company's request to suspend the TOU quarterly rate adjustment.

August 25 Order suspending the TOU increase, the Commission required the Company to file a new TOU rate plan to address problems inherent in the existing program. August 25 Order at 3.

B. Burden of Proof.

In its last fully litigated TOU proceeding, the Commission adopted Administrative Law Judge David A. Salapa's analysis of the burden of proof under which PPL's TOU filing would be reviewed. Pennsylvania Pub. Util. Comm'n v. PPL Electric Utilities Corp., Docket No. R-2009-2122718 (Order entered March 9, 2010). In this proceeding, PPL has the burden of proof to establish that it is entitled to the relief it is seeking. 66 Pa. C.S. §332(a). PPL must establish its case by a preponderance of the evidence. Samuel J. Lansberry, Inc. v. Pennsylvania Pub. Util. Comm'n, 578 A.2d 600 (Pa. Cmwlth. 1990), alloc. den., 602 A.2d 863 (Pa. 1992). To meet its burden of proof, PPL must present evidence more convincing, by even the smallest amount, than that presented by any opposing party. Se-Ling Hosiery v. Margulies, 70 A.2d 854 (Pa. 1950). The Commission further stated that a utility compiles its policies, rules and regulations into its tariff, which it submits to the Commission for review. Brockway Glass Co. v. Pennsylvania Pub. Util. Comm'n, 437 A.2d 1067 (Pa. Cmwlth. 1981). In evaluating the tariffs filed with it, the Commission must determine those tariffs reasonableness, fairness and consistency with established policy. Reynolds Disposal Co. v. Pennsylvania Pub. Util. Comm'n, 468 A.2d 1179 (Pa. Cmwlth. 1983).

The OCA submits that, as filed, the Company's proposal is not sufficient to meet its burden of proof. As detailed below, the OCA's proposed modifications comply with the Commission's prior TOU standards, and are supported by clear and convincing evidence and should be adopted.

C. The Company's Proposed Premium/Discount Methodology Is Reasonable But Requires Some Modifications.

In this filing, the Company has proposed a new method for setting the TOU rate. The Company has "pegged" the TOU rate to the default service rate rather than the actual or projected hourly wholesale market prices. PPL St. 2 at 10-11. OCA witness Hahn explained the Company's proposal, as follows:

The Company is requesting approval of a new proposed TOU program which is based on a conceptual approach that is very different from the previous TOU program. It is also requesting approval of a new rate mechanism for the recovery of any over and undercollections from default service rates. Under the Company's new TOU and default service proposals, the computed undercollection or overcollection of default service costs will not vary with TOU enrollment. This is possible because the TOU rates are tied to the default service rate.

OCA St. 1 at 4. Mr. Hahn continued:

Both components of the TOU rates, the time periods and the prices themselves, are quite different from the existing rates. The new TOU rates will be tied directly to the fixed residential default service rates (Rates RS and RTS). The price for usage during a peak period will be a fixed percentage higher than the default service rate, and the price for off-peak usage will be a fixed percentage lower. Thus when the default service rate changes every quarter, the price paid under the TOU rate will also change. The non-generation components of rates will not change.

OCA St. 1 at 5.

The Company has proposed to implement a percentage premium/discount methodology for all on peak and off peak hours. While the Company would collect these charges from TOU customers, for reconciliation purposes it would treat all kWh of TOU service as though they were billed at default service rates. PPL St. 1 at 7. The Company further proposes to collect all under collected expenses associated with its current TOU service from all

non-shopping customers through its existing GSC-1 mechanism if it is not permitted to recover those costs in its ongoing Competitive Transition Rider proceeding at Docket No. P-2011-2256365. PPL St. 1 at 8-10. These under collections are estimated to be approximately \$1.8 million. PPL St. 1 at 8. The proposed TOU program would be voluntary and available to all Residential customers. PPL St. 1 at 11. PPL has proposed to continue its current TOU education efforts upon approval of the plan. PPL St. 1 at 14.

Given the documented problems surrounding the existing TOU program, the OCA submits that linking the TOU rate to the default service rate is appropriate for this program which is intended to be in place until May 31, 2013.³ PPL St. 2-R at 2. As OCA witness Hahn testified:

Q. Is the approach of setting premia and discounts to the standard TOU rate a reasonable one?

A. Yes, it is. Percentage modifications to the standard flat default service rate allows the TOU rates to track changes in the default rate, while providing customers the opportunity to reduce their bills through changing their usage patterns away from the most expensive periods.

OCA St. 1 at 5.

While agreeing with the Company's conceptual approach, the OCA submits that the Company's rate design is not reasonably calculated to attract customers and incent load shifting – the key goals of a TOU program. The Company's proposal provides customers with limited opportunity for savings. As Company witness Woodruff testified, "PPL Electric does not anticipate that its TOU rate option for default service will attract many customers." PPL St. 2-R

³ See the Commission's August 25 Order for a description of the problems in PPL's existing TOU program: PPL Electric Utilities Corporation– Generation Supply Charge Effective September 1, 2011, Docket No. M-2011-2258733 (Order entered August 25, 2011)(Order suspending September 1, 2011 increase of residential on-peak TOU rates from 11.6 cents/kWh to 33.3 cents/kWh).

at 7. OCA witness Hahn explained why the TOU program, as proposed, will not attract many customers, as follows:

Q. Do you think the proposed TOU rates will attract many customers and cause much shift in load?

A. Not as designed by the Company. I have calculated that a customer would have to use 7.6% less energy on peak than a typical customer in order to just come out even on this TOU rate. This suggests this rate will be attractive to very few customers. Even for customers who could use less energy on peak, the proposed rate differential is too small to have much of an impact on load shifting. The premium is only being applied to the default service rate, so that a 20% adder to default service will only result in an increase to the total rate of about 11%. I have estimated the impact that this may have on load. The result is that I would expect the reduction in summer peak period usage from the proposed premium would be from one to two percent, while there might be a very small increase in off-peak usage. The dollar savings from this load shift would also be small, making it unlikely that the TOU rate would attract many customers.

OCA St. 1 at 15.

The OCA submits that the Company's proposed percentage premium/discount methodology eliminates the potential for distortions between the default service rate and the TOU offering. For these reasons, the OCA supports PPL's proposed methodology for the program. The OCA submits, however, that modifications are needed to better achieve the goals of the program.

D. The Company's Filing Should Be Modified To Better Reflect The Differentials Seen In The Wholesale Markets.

1. The Company's On and Off-Peak TOU Rates Should Reflect Both The Daily And Seasonal Price Differentials Found In The Wholesale Market.

In order to develop a reasonable TOU program, it is necessary to consider wholesale market conditions. The OCA submits that in general, on-peak rates should be

developed to reflect time periods when energy costs are highest during the course of a day. By targeting these high cost periods, any shift of usage away from these periods can have a beneficial effect for both the customer and the system. The OCA also submits that since the daily peak price periods vary during the year, seasonality should be taken into account when designing the on and off-peak periods.

OCA witness Hahn explained how to develop appropriate TOU rate periods, as follows:

I recommend that peak and off-peak periods should be based on average energy prices for PPL loads, which is related to PPL load shape. The residential peak and off-peak periods should not be based on only the residential load shape. If residential customers shift load away from the most expensive hours on the system, this will contribute to achieving the goal of a reduction in PPL average energy cost. In addition, in the future default service bids should reflect lower residential use during the most expensive hours.

OCA St. 1 at 6.

After establishing the parameters of the task at hand, Mr. Hahn analyzed relevant load shapes to determine how on-peak periods should be set. OCA St. 1 at 5-10. Mr. Hahn compared the average hourly loads for all summer months and peak day hourly loads for PPL's total load and for its residential loads. OCA St. 1 at 9. Mr. Hahn undertook a similar analysis for the non-summer period, noting that the load shape was "quite different from the summer load shape." OCA St. 1 at 9. In reviewing the data, Mr. Hahn concluded that a single "on peak" period to be used through all months of the year as proposed by the Company could not be justified by the data. Mr. Hahn's review of the data showed a difference in the peak pricing periods between the summer and non-summer months. Mr. Hahn explained:

I have reviewed the 2010 load data. The difference between the summer and the non-summer load shapes does not support the approach of maintaining the same peak period during all months.

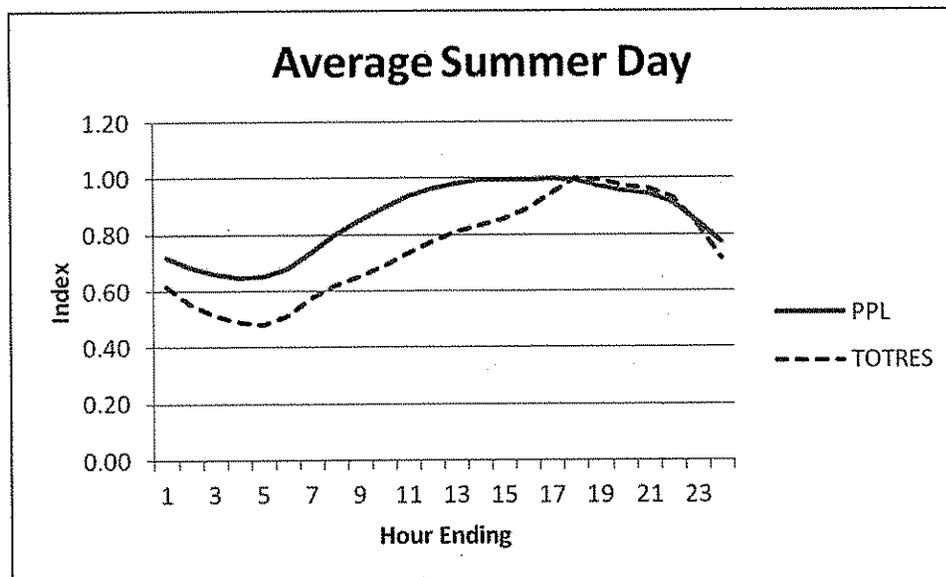
OCA St. 1 at 6. Mr. Hahn's analysis clearly indicated that the peak load differences indicated that two seasons should be established for the TOU program – a summer peak period and a non-summer peak period.

After determining that two seasons would be needed to develop reasonable TOU rates, Mr. Hahn examined the appropriate hours of each weekday that should be considered “on-peak” for each season. Starting with summer, Mr. Hahn testified as follows:

An examination of the PPL system summer peak day load shape shows that the highest peak loads occur between 11am and 7pm. Residential loads shifted away from the summer peak period due to the TOU rates will reduce PPL system peak loads. This indicates that the summer peak period should be from 11am to 7pm, or one hour longer than proposed by the Company.

OCA St. 1 at 6. Mr. Hahn highlighted the summer load shape in the following graph:⁴

GRAPH 1



⁴ TOTRES stands for PPL's residential load shape. OCA St. 1 at 7.

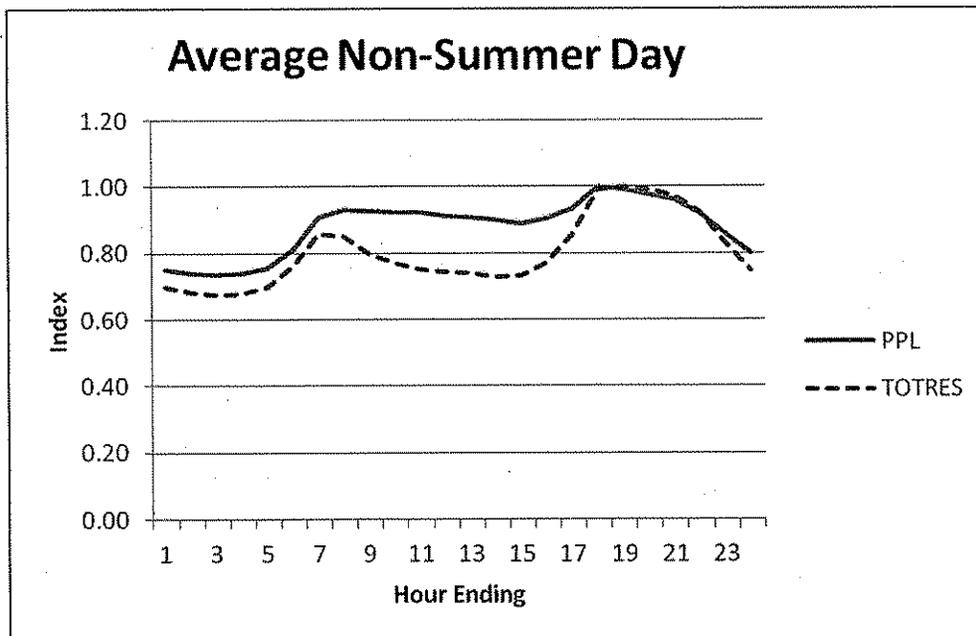
OCA St. 1 at 7.

In contrast to the summer period afternoon/evening peak, the load data shows a “dual” peak in the winter months that is significantly different than the summer peak. That is, the load increases in the morning hours, decreases in the afternoon, only to increase again later in the day. Mr. Hahn explained the importance of this distinction, as follows:

[A]n examination of load shapes for the non-summer season demonstrates that neither the 11am - 7pm period nor the PPL proposed 12pm-7pm is appropriate for the non-summer months. Graphs 3 and 4 illustrate load shapes during the non-summer months. The hours from 12 pm to 5 pm are almost a trough in the load shape, yet they would be included in the hours for which the Company would charge a premium.

OCA St. 1 at 7. Mr. Hahn included in his Direct Testimony the following graph to demonstrate the dual winter peak periods:

GRAPH 3



OCA St. 1 at 7-8.

Based on his review of the relevant load shapes, OCA witness Hahn made the following recommendations for the on and off-peak periods for the TOU rates:

Period	PPL Proposed	OCA Proposed
Summer peak	12 pm to 7 pm	11am to 7 pm
Summer offpeak	All other hours	All other hours
Non-summer peak	12 pm to 7 pm	5 pm to 9 pm
Non-summer offpeak	All other hours	All other hours

OCA St. 1 at 10.

The OCA submits that Mr. Hahn's analysis demonstrates that the Company should utilize a separate summer and non-summer period as part of the TOU program, each with its own on-peak hours. The use of two seasons will allow rates to better reflect the wholesale conditions appropriate for the time of year in which energy is consumed. The OCA also submits that this program design should not be unduly complicated for customers. Mr. Hahn explained:

First, customers who sign up for TOU rates should be able to understand the different consequences that air conditioning and heating load have on seasonal energy cost in different hours. Second, customers who select TOU rates should be fully informed by the Company of these differences, and I would recommend that the Company provide bill inserts that remind customers of when time periods change. Third, effective users of TOU rates will probably use demand control devices that could be programmed to reflect seasonal differentials. Fourth, and most important, if rate incentives do not reflect the difference in underlying costs, they could actually incent the wrong behavior.

OCA St. 1 at 10. The OCA submits that the Company's single, year round program does not reasonably reflect actual market conditions. The OCA recommends that the program be

modified to reflect the seasons and the on-peak/off-peak hours recommended by OCA witness Hahn.

2. The Company's TOU Rate Premiums And Discounts Do Not Properly Reflect Cost Differences In The Wholesale Market.

Once the appropriate seasons and on-peak hours are selected, it is necessary to determine the premiums and discounts that will reflect market conditions during the on-peak and off-peak periods while providing reasonable incentives to customers to shift usage from on-peak hours to off-peak hours. Under the Company's proposal, all on-peak hours (year round) would be priced at a 20% premium relative to the default service rate. The Company proposes a discount for all off-peak hours (year round) of 5%. PPL St.2 at 7, 10. As explained by OCA witness Hahn, the Company's proposed premium and discount are not adequate. OCA St. 1 at 11.

While the OCA agrees with the Company's approach, the differentials proposed by the Company do not provide appropriate price signals. OCA witness Hahn explained the need to adjust the company's premium and discount, as follows:

Q. Does the Company's proposal result in appropriate price signals to change load?

A. No, it does not, since it neither reflects the differences between peak load periods in the different seasons nor reflects the large differences between energy price differentials in the different seasons. The premium should be more directly related to the energy cost differentials from the high cost to low cost periods. The Company's proposed TOU rate charges 20% more than the default rate for use during the peak period and 5% less during the off-peak period. For instance, if the peak period price in the summer months in PPL territory is 70% higher and the off-peak price is 5% lower than the average day price, the proposed rate would not reflect the actual price differential in the summer season. It also provides much less incentive to reduce load during

the peak period than a differential that more closely reflected actual price differences for the particular peak/off peak period. The proposed rate will not meet the Company's fundamental criteria of incenting customers to shift load off peak times.

OCA St. 1 at 11.

Mr. Hahn then analyzed the wholesale price differentials using the Company's year round period, and his recommended on-peak and off-peak periods. See, OCA St. 1 at 11-13. Based on his analysis, OCA witness Hahn developed on-peak premiums and off peak discounts designed to reflect the market data. Mr. Hahn reviewed the on-peak and off-peak price differentials based on the Day Ahead Locational Marginal Prices (LMPs) for PPL's load zone in PJM. OCA St. 1 at 12-13. The data showed the ratios between the load weighted Residential average energy price (in mWh) for the various periods identified by the Company and OCA witness Hahn. OCA St. 1 at 11-12. The data showed price differentials as high as 70%. OCA St. 1 at 13 (Table 3).

After a review of this data, Mr. Hahn concluded as follows:

While prices suggest a summer cost-based premium from the default service rate could be 70%, there are real practical problems with these large differentials. Basing the differentials directly on the ratios between seasonal period prices and average prices results in rates which are revenue neutral only for average customers who remain on the rate for an entire year. Since average costs are higher in the summer than the non-summer, customers who did not shift load would pay more in the summer and less in the non-summer months. Customers may be very reluctant to go on to a TOU rate that will cost them more in the summer than the default rate. Moreover, some savvy customers may choose the TOU rate in the non-summer months but switch back to the default rate for the summer.

OCA St. 1 at 13.

To address these concerns, Mr. Hahn adjusted the results to ensure that each season's price differential results in a TOU program that would be fairly revenue neutral for the two different seasons. OCA St. 1 at 14. Mr. Hahn proposed the following premium and discount for each season:

Period	PPL Premium/(Discount)	OCA Premium/(Discount)
Summer peak *	+20%	+50%
Summer offpeak	-5%	-20%
Non-summer peak**	+20%	+25%
Non-summer offpeak	-5%	-4%

* OCA summer peak period 1 hour longer than PPL peak period

** OCA non-summer peak period 3 hours shorter than PPL peak period

OCA St. 1 at 14.

Additionally, Mr. Hahn's rate design was developed to minimize so-called "free riders." The Company expressed concern in its filing that some customers' existing load shapes could allow them to take TOU service and receive benefits without actually shifting usage. PPL St. 2 at 4. OCA witness Hahn addressed this concern when developing his recommendation, as follows:

I have calculated the differentials such that the average customer will pay almost the same on the TOU rate as on the flat default service rate (over the year and by season). Some customers may estimate that their load shape is such that they would benefit from the TOU rate even if they make no changes to their usage. Potential free riders, however, will have to research their load shape, be confident that it will remain "better", and go to the

trouble of enrolling on the TOU rate. It does not appear that there will be much savings from this effort.

OCA St. 1 at 14.

The OCA submits that the Company's proposed premium and discount are not reasonable given the change in the underlying market dynamics that occur throughout the year. Given the need to modify the program to two seasons, the OCA submits that the recommendations of OCA witness Hahn regarding the premiums and discounts for each season and for the on and off-peak periods should be accepted for this program.

3. The Proposed TOU Program Design Should Ensure That Participating Customers Can Reduce Their Bills.

In developing his proposed modifications to the PPL proposed TOU premium and discount, OCA witness Hahn calculated the differentials such that the "average" TOU customer would pay approximately the same total bill whether or not they shifted usage. OCA St. 1 at 14. To garner savings on the total bill, the average customer would need to shift usage to a lower price period.

In contrast, the Company's proposal would result in the "average" customer paying more for generation if the customer elected TOU service but did not shift usage or did not shift enough usage to the off peak period. Mr. Hahn explained the impact of this design choice, as follows:

I note that the Company has designed its proposed rates so that a residential customer with a typical load shape would pay 0.4% more under TOU rates than under the default rate.

OCA St. 1 at 14.

The Company has argued that the TOU program should be designed so that if an average customer selects TOU service and then does not shift usage, they would pay higher rates than had they stayed on the flat default service rate. PPL St. 2-R at 12-13. The OCA submits that it is not reasonable to design the TOU rates in this manner. In response to this argument, OCA witness Hahn testified:

I disagree that TOU rates should be designed such that if shifting does not occur, then higher rates should be paid. If no load shifting occurs, the cost to serve that load will not change from the cost to serve non-TOU rates, so there is no reason to charge higher revenues. TOU rates should provide an incentive to shift usage to the off-peak hours, not penalize customers for not shifting usage. A penalty feature such as this would make TOU rates unattractive to customers.

OCA St. 1-S at 3.

The OCA submits that customers should not be required to pay more for generation service based on non-cost based considerations. The TOU program should reflect actual cost savings where they exist. It is not intended to introduce costs where they are absent. For these reasons, the OCA submits that the TOU rate design should be revenue neutral, as detailed by OCA witness Hahn.

E. Cost Recovery.

1. The Company's Proposed Cost Recovery Mechanism Going-Forward Is Reasonable.

The TOU customers will be charged the applicable TOU rates, but for reconciliation purposes, the Company has proposed to treat TOU customers as if they are charged the standard rates associated with default service. PPL St. 1 at 7. As a result, future TOU revenues may be higher or lower than the amount of revenue recovered by the Company.

OCA St. 1 at 17. Company witness Kleha has explained that the proposed reconciliation methodology, “is reasonable because all customers will benefit from TOU rates over time.” PPL St. 1 at 10. The OCA submits that, if the TOU rates are properly designed as modified by OCA witness Hahn to achieve benefits, the Company’s approach is reasonable at this time for the program duration.

2. The Company’s Request For Recovery Of Its Current TOU Under Collection In This Proceeding Is Premature.

In this proceeding, the Company seeks Commission approval to recover the current under recovery of TOU related costs that has accrued in its existing program. PPL St. 1 at 8-10. This amount is estimated to be \$1.8 million. PPL St. 1 at 8. The Company acknowledges that it has requested recovery of these same costs through a reconciliation rider proposal that is currently pending before the Commission at Docket No. P-2011-2256365 where PPL has proposed to implement a Competitive Transition Rider (CTR) that would collect TOU costs from all customers. The Company argues that, if the Commission does not approve its request for the continuing TOU under collection in that docket, it should be allowed to collect it through the existing GSC-1 cost recovery mechanism here. PPL St. 1 at 9.

OCA witness Hahn described the TOU under collection at issue, as follows:

The Company has an existing under-collection of costs associated with its prior residential TOU program of \$1,889,460, as of October 31, 2011. If this was charged to remaining TOU customers only, it would add 13.15 cents/kWh to the residential TOU rates. This would probably cause almost all customers to leave the TOU rate. The Company has therefore proposed in a separate docket to collect this shortfall from all residential customers through a Competitive Transition Rider (“CTR”). If the Commission does not approve the CTR in Docket No.P2011-2256365, the Company requests in this proceeding approval to

collect the under-collection through the GSC-1 reconciliation mechanism.

OCA St. 1 at 17-18. Recognizing the impact that the decision in the CTR proceeding would have on this issue, OCA witness Hahn recommended that the Company's request should not be addressed here. Mr. Hahn testified:

The Commission has been asked to address this issue in a different proceeding. Until the Commission rules on the request for a CTR, it does not seem appropriate to comment on the possible secondary collection mechanism. If the Commission rejects the proposed CTR, parties can view its reasoning and consider whether some other mechanism might be appropriate.

OCA St. 1 at 18.

The OCA submits that the Company's CTR proposal is before the Commission and should be resolved prior to consideration of its request in this proceeding. There is no need to address a back-up proposal prior to a Commission Order in that proceeding and a full understanding of that Order.

F. Consumer Education.

In his Direct Testimony, OCA witness Hahn indicated that the Company did not provide any educational material as part of its filing. OCA St. 1 at 18. Mr. Hahn further detailed the Company's plans, as follows:

The Company further states that it will issue a press release and provide bill inserts to customers describing the program and particularly how it will differ from the current program. It also indicates that it will update its TOU website. If these materials are clear and concise they should allow customers to understand the new rates and exactly what they must do in order to benefit from them. The Commission should direct the Company to develop and file this material as soon as possible, and to work collaboratively with the OCA and other interested parties in finalizing this material to ensure that it achieves the desired objectives. I also recommend

that the Company be required to provide bill inserts alerting customers to the change in seasonal time periods and seasonal premia and discounts on a regular basis.

OCA St. 1 at 18.

In Rebuttal testimony, the Company witness Kleha testified that the Company has worked with the OCA in the past when developing TOU education materials and that PPL is open to additional input from the OCA when the program parameters are approved by the Commission. PPL St. 1-R at 10. In addition, Mr. Kleha explained that the bill insert process is under review PPL St. 1-R at 11. The OCA submits that the Company's proposals are reasonable and encourages continued consultation with the OCA and other interested parties with regard to TOU education efforts.

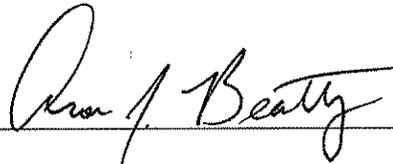
G. Conclusion.

The OCA submits that the Company's proposed filing should be modified to bring greater participation, and benefits, to residential customers. While the OCA supports the Company's premium/discount methodology, the program does not produce adequate savings to incent robust shifting of usage that is the underlying purpose of a TOU program. The modifications detailed in OCA witness Hahn's testimony are designed to bring the program closer to market conditions. In the process, the OCA submits, customers will be better positioned to benefit from the program if they choose to participate.

III. CONCLUSION

The Company's proposed premium/discount methodology, tied to the default service rate, reasonably addresses past concerns with PPL's TOU program design. This methodology provides a viable alternative for this TOU program which will be in effect until May 31, 2013. For the foregoing reasons, however, the OCA submits that the Company's proposal should be modified to better achieve the goals of the TOU rate plan. The OCA's proposed modifications provide the necessary price signals needed to attract participation and achieve the intended goals.

Respectfully Submitted,



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March 21, 2012
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CERTIFICATE OF SERVICE

Pennsylvania Public Utility Commission :
 :
 v. : Docket Nos. R-2011-2264771
 : C-2011-2267808
 PPL Electric Utilities Corporation : C-2011-2268983
 2012 Time-of-Use Rates :

I hereby certify that I have this day served a true copy of the foregoing document, the Office of Consumer Advocate's Main Brief, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code Section 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 21st day of March 2012.

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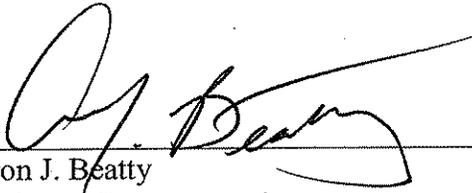
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