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March 21, 2012

Via Electronic Filing and Hand Delivery

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

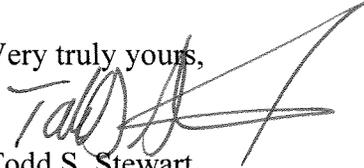
RE: Pennsylvania Public Utility Commission v. PPL Electric Utilities Corporation Docket
Nos. R-2011-2264771, C-2011-2267808; **MAIN BRIEF OF DOMINION RETAIL,
INC.**

Dear Secretary Chiavetta:

Enclosed for filing with the Commission are the original and nine (9) copies of the Main Brief of Dominion Retail, Inc. d/b/a Dominion Energy Solutions in the above-captioned docket. Copies of this Brief 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/alh
Enclosures

cc: The Honorable Administrative Law Judge Susan D. Colwell (via hand delivery)

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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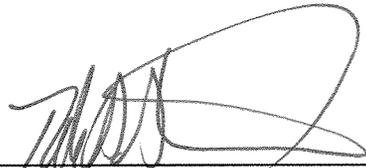
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Todd S. Stewart

Dated this 21st day of March 2012

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

TO THE HONORABLE ADMINISTRATIVE LAW JUDGE SUSAN D. COLWELL:

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket Nos. R-2011-2264771
	:	C-2011-2267808
PPL Electric Utilities Corporation	:	

**MAIN BRIEF
OF DOMINION RETAIL, INC.**

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Counsel for Dominion Retail, Inc.

Dated: March 21, 2012

I. INTRODUCTION AND STATEMENT OF THE CASE

On or about September 26, 2011, PPL Electric Utilities Corporation (“PPL” or the “Company”) filed Supplement No. 110 to its Tariff Electric PA P.U.C. No. 201 with a proposed effective date of March 1, 2012. The purpose of the Supplement is to propose changes in PPL’s rates and regulations which would create a new Time-of-Use Rate (“TOU”) Program for its residential and small commercial/industrial customers. The proposed TOU Program would replace the existing program, which is a market estimate program, with a percentage charge or premium that is applied to the fixed price default service rate for on-peak periods and which would provide a percentage discount off of the fixed price for off-peak periods.

The currently effective program has resulted in significant market anomalous pricing and is not workable. The proposed program provides customers with an appropriate incentive to modify their usage patterns and to defer the bulk of their usage to off-peak periods. What PPL has proposed is a time-of-use program, not a real time pricing program, and in that capacity Dominion Retail believes that it is a rational step.

II. PROCEDURAL HISTORY

PPL filed its Tariff Supplement proposing the TOU Program on September 26, 2011. On October 5, 2011 Dominion Retail, Inc. d/b/a Dominion Energy Solutions, Inc. (“DES”) filed a Petition to Intervene.

By a Hearing Notice issued November 28, 2011, the Commission assigned this matter to Presiding Administrative Law Judge Susan D. Colwell for adjudication. A Prehearing Conference was held on December 9, 2011 and a single day of hearings was held on February 26, 2012.

DES submitted the Direct Testimony of Thomas J. Butler but did not submit any additional testimony in this matter. At the hearing the testimony of the other parties was admitted and several witnesses were cross-examined on their testimony. Mr. Butler's testimony was admitted without any cross examination by agreement of the parties. A transcript of the hearing was produced containing 139 pages.

III. STATEMENT OF THE QUESTIONS INVOLVED

1. Does PPL's Tariff Supplement No. 110 comply with the requirements of Act 129?

Suggested Answer: Yes.

2. Is PPL's Tariff Supplement No. 110 otherwise just and reasonable and in the public interest?

Suggested Answer: Yes.

3. Should PPL be permitted to recover prior period TOU rate balances in this proceeding?

Suggested Answer: No.

IV. SUMMARY OF THE ARGUMENT

PPL's proposed Supplement No. 110 establishes consistent on- and off-peak time periods -- on-peak periods from 12PM until 7PM on the weekdays and off-peak for all other hours -- that will not change throughout the year. During the on-peak periods, the TOU rate will be a fixed percentage premium above the then effective default service rate and during off-peak periods the TOU rate will be a discount off of the then effective default service rate for that customer class. For residential customers the premium for on-peak hours will be 20% above the default service rate and the discount for off-peak will be 5%. For small C&I customers the premium will be 12% and the discount 8%.

The impetus for PPL filing a TOU rate that tracks with the default service rate appears to be the fact that its existing market price program has proven to be seriously deficient in capturing the actual market price, with the consequence that the prior program produced serious rate anomalies. Mr. Butler was clear, and not contradicted, on the point that the rates for January through May of 2011 were at least 27% below market for both on- and off-peak periods. DES Statement No. 1, pg. 3. The questions to be resolved in this manner are whether the rate methodology proposed by PPL is just and reasonable and does it comply with the requirements of Act 129. DES suggests on both counts that the answer is yes.

V. ARGUMENT

The question of whether PPL's TOU rates should be approved hinges on the requirements of Act 129, 66 Pa. C.S. § 2897(f)(5), which provides:

[B]y January 1, 2010 or at the end of the applicable generation rate cap period, whichever is later, a default service provider shall submit to the Commission one or more proposed Time-of-Use Rates and Real-Time Price Plans. The Commission shall approve or modify the Time-of-Use Rates and Real-Time Price Plan within six (6) months of submittal. The default service provider shall offer the Time-of-Use Rates and Real-Time Price Plan to all customers that have been provided with smart meter technology under Paragraph (2)(III). Residential or commercial customers may elect to participate in TOU Rates or Real-Time Pricing. The default service provider shall submit an annual report to the Price Programs and the efficacy of the programs in affecting energy demand and consumption and effect on the wholesale market prices.

What PPL proposed complies with the requirements in that it proposes a rate structure that is differentiated based upon the time of day that the energy is consumed. The statute provides no basis for requiring differentiation in any manner that is different from what PPL has proposed. That is, PPL has two rate periods, which charge a higher or a lower rate depending on the on- or off-peak nature of those rates. Clearly these are not Real-Time rates, but they are

adequate for the purposes of the TOU, are predictable and rationale in the sense that they track the default service rate, which is set by a competitive wholesale auction and thus is market based. The discount/premium in relation to that market established rate, according to Mr. Butler, DES St. No. 1, pg. 4, will eliminate the types of market price anomalies that were present in PPL's Supplement No. 94 TOU rates which caused the significant market anomalies in 2011.

Accordingly, DES suggests that the proposed TOU rates be approved. PPL's TOU rates are a rational response to the requirements of Act 129 and should be approved as proposed. The statute provided fairly broad latitude for electric distribution companies ("EDC") such as PPL to propose TOU rates. The statute defines a TOU rate as "a rate that reflects costs of serving customers during different time periods, including off-peak and on-peak periods, but not as frequently as each hour." 66 Pa C.S. § 2806.1(m). This definition makes it clear that the TOU Rates do not have to actually track the market prices but rather simply need to "reflect" the costs of serving during time periods. Moreover, the rates in question are not permitted to be hourly rates but rather are to be more general and based upon "on- and off-peak periods".

As Mr. Butler stated "while it is not a perfect puritan's perspective, it certainly will provide customers with the upfront, known pricing signals to conserve during peak hours and to use the majority of their energy during off-peak hours." As Mr. Butler goes on to state, "from the everyday residential customer perspective, I doubt residential consumers have the time or the desire to watch real time electricity prices and modify their usage patterns in real time -- which makes PPL's TOU proposal quite elegant." Dominion Retail Statement No. 1 Page 4.

It is clear from DES' perspective, that the proposal will provide the appropriate price signals and incentives for customers to shift their usage, which is the intent of a TOU program. Accordingly, DES suggests that the rates be approved as proposed.

With regard to PPL's proposal to recover so far unrecovered balances from its prior period TOU program, which according to Mr. Kleha's testimony could be substantial, DES maintains its position that there is no basis in the record of this case to permit PPL to recover those prior period balances. Rather, PPL has sought recovery of those dollars in a separate, fully litigated proceeding, at Docket No. P-2011-2256365, and DES suggests that the recovery of those balances should be addressed in that proceeding. That is, PPL should not be permitted to litigate the same issue in two proceedings with the hope of achieving a better result in one if the other proceeding proves to go against its desires. The issue of recovery of the prior balances was fully litigated in the other proceeding and should not be considered in this proceeding as a result.

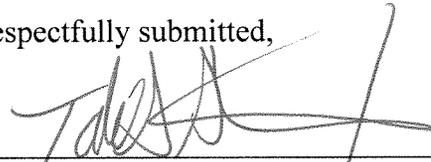
Moreover, as Mr. Butler states, it is completely inappropriate to recover previously unrecovered TOU rates from present-day shopping customers. Customers who continue to take TOU service should be the first group to ask to pay for that balance. Mr. Butler states that if it is not possible to recover the balance simply from the TOU customers who take TOU service, PPL should simply include customers who now receive default service. Mr. Butler does not believe that shopping customers who presently shop should not be made to pay for those prior balances. Those customers have separated themselves from PPL's default service and should bear no rate responsibility for PPL's failed prior attempts at a TOU rate.

III. CONCLUSION

PPL should be permitted to implement its new TOU rates because they are rational and because they comply with requirements of Act 129. PPL should not be permitted to recover the prior period unrecovered TOU balances in this case because they were fully litigated in another

case. Nonetheless, it is inappropriate to require shopping customers to subsidize default service customers by forcing them to pay for a failed default service rate that is the TOU offering.

Respectfully submitted,



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Dated this 21st day of March 2012