



COMMONWEALTH OF PENNSYLVANIA  
OFFICE OF SMALL BUSINESS ADVOCATE

May 4, 2012

**Hand Delivery**

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

**Re: William R. Lloyd, Jr., Small Business Advocate v. PPL Electric Utilities Corporation  
Docket No. C-2011-2245906**

**PPL Electric Utilities Corporation Calculation of Generation Supply Charge-1  
Docket No. M-2011-2243137**

Dear Secretary Chiavetta:

Enclosed for filing are the original and ten (10) copies of the Reply Exceptions, on behalf of the Office of Small Business Advocate, in the above-docketed proceedings. As evidenced by the enclosed certificate of service, two copies have been served on all active parties in this case.

If you have any questions, please contact me.

Sincerely,

Elizabeth Rose Triscari  
Assistant Small Business Advocate  
Attorney ID #306921

Enclosures

cc: Parties of Record  
  
Robert D. Knecht

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BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

William R. Lloyd, Jr., Small Business Advocate :  
v. : DOCKET NO. C-2011-2245906  
PPL Electric Utilities Corporation :  
PPL Electric Utilities Corporation :  
Calculation of Generation Supply : DOCKET NO. M-2011-2243137  
Charge-1 :

REPLY EXCEPTIONS  
ON BEHALF OF THE  
OFFICE OF SMALL BUSINESS ADVOCATE

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PA PUBLIC UTILITY COMMISSION  
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Dated: May 4, 2012

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## I. INTRODUCTION AND BACKGROUND

### A. Statement of the Case

On May 20, 2011, PPL Electric Utilities Corporation (“PPL” or “Company”) filed its proposed Generation Supply Cost-1 rate for the period of June 1, 2011, through August 31, 2011 (“GSC-1”) with the Pennsylvania Public Utility Commission (“Commission”). The summer rate proposed for small commercial and industrial (“SC&I”) customers increased by a staggering 31% from 9.276 cents per kWh to 12.171 cents per kWh, despite the fact that the actual cost of generation had decreased. Of the 12.171 cents, 4.15 cents was designed to recoup from SC&I customers (over only three months) the remaining \$18.6 million reported undercollection of costs from previous periods.

Prior to the rate going into effect, the Office of Small Business Advocate (“OSBA”) filed a complaint on May 31, 2011, commencing the instant proceeding and challenging the reasonableness of the proposed GSC-1. The OSBA argued that from June 1 through August 31, 2011, PPL imposed a generation rate on its SC&I default service customers that was not just and reasonable. Specifically, the GSC-1 was 31% higher than the rate for the prior 5 months. The 31% increase was not caused by any increase in generation costs incurred by PPL, but rather was caused by a hefty reconciliation charge designed to recoup the balance of a substantial reported undercollection of generation costs for 2010 of more than \$29 million. The OSBA has never disputed that PPL is entitled to recover its *actual* costs for providing default service generation supply. However, the *reported* undercollection recouped by PPL through the GSC-1 was not a true undercollection. Rather, it was the result of a flawed reconciliation accounting method and PPL’s apparent under-reporting of revenues.

## **B. Competitive Bridge Plan and Default Service Plan**

On May 17, 2007, the Commission entered an Order at Docket No. P-00062227 approving PPL's Competitive Bridge Plan ("CBP") to provide default service for calendar year 2010. The CBP Order provided for recovery and quarterly reconciliation of default service generation supply costs pursuant to a Generation Supply Charge ("GSC"). The Company anticipated that the effect of reconciliation would be minor because all of the electricity for default service customers would be procured through full-requirements contracts entered into in 2008, 2009, and 2010. Therefore, the cost of the electricity would be known in advance and the wholesale suppliers (rather than PPL) would bear the risk of changes in load caused by shopping, weather, the economy, and other factors.<sup>1</sup>

The CBP was followed by PPL's default service plan to provide default service for January 1, 2011, through May 31, 2013 ("DSP"). The DSP was approved by Commission Order entered on June 30, 2009, at Docket No. P-2008-2060309. The DSP continued to provide for recovery and quarterly reconciliation of default service generation supply costs, but it did so through the GSC-1 for residential and SC&I customers and a Generation Supply Charge-2 ("GSC-2") for large commercial and industrial customers.<sup>2</sup> Under the DSP, GSC variances for each default service rate class at year-end 2010 were to be carried forward to the GSC-1 and GSC-2 as appropriate.

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<sup>1</sup> OSBA Statement No. 1 at 4, fn. 4, quoting PPL witness Joseph M. Kleha's testimony.

<sup>2</sup> The GSC-1 provides for an SC&I "Fixed" rate, as well as on-peak and off-peak Time of Use ("TOU") rates. Because the vast majority of SC&I customers take "Fixed" rate service, references hereafter to the GSC-1 for SC&I customers are to the GSC-1 SC&I Fixed rate.

On December 11, 2009, at Docket No. M-2009-2145482, PPL submitted a final calculation of the proposed GSC for the first quarter of 2010 in the amount of 10.125 cents per kWh (including Gross Receipts Tax or “GRT”) for SC&I customers.<sup>3</sup>

**C. No Reconciliation During 2010**

On March 1, 2010, PPL submitted its proposed GSC for the second quarter of 2010, which included a reconciliation of actual and estimated costs for January 2010. This filing reported a \$33 million undercollection from SC&I customers for January 2010.<sup>4</sup>

On March 8, 2010, PPL submitted a letter to the Commission regarding the proposed GSC for the second quarter of 2010.<sup>5</sup> In that letter, PPL concluded that the significant undercollection “is not representative of a true over/undercollection.”<sup>6</sup> The letter acknowledged that the reported undercollection was due to its reconciliation accounting method of prorating billed revenue in January 2010. The letter also stated that the January 2010 undercollection was expected to be balanced out as a result of a similar proration adjustment in January 2011.<sup>7</sup> PPL further admitted in the March 8 letter that it was experiencing billing problems for a variety of reasons.<sup>8</sup>

Because of the proration undercollection and the other billing problems, PPL requested to withdraw the proposed change to the GSC for the second quarter of 2010 and continue the first quarter GSC until July 1, 2010. PPL also requested to defer quarterly reconciliation until the

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<sup>3</sup> OSBA Statement No. 1 at 4-5; *see also* PPL Electric Hearing Exhibit No. 1.

<sup>4</sup> OSBA Statement No. 1 at 5.

<sup>5</sup> Exhibit IEC-2, attached to OSBA Statement No. 1.

<sup>6</sup> *Id.* at 1.

<sup>7</sup> *Id.* at 1-2.

<sup>8</sup> *Id.* at 2.

third quarter of 2010. Finally, PPL proposed to defer recovery of the January 2010 proration undercollection until January 2011.<sup>9</sup>

When PPL made its subsequent GSC filings for the third and fourth quarters of 2010, PPL again requested Commission approval to defer reconciliation and recovery of reported undercollections and to continue the first quarter GSC rate of 10.125 cents per kWh.

The Commission approved each of these requests, resulting in no reconciliation charges to ratepayers and no change to the GSC in 2010.<sup>10</sup>

After a hearing on PPL's Final 2010 GSC Reconciliation Report at Docket No. M-2010-2213731, a Recommended Decision was issued on February 28, 2011 that recommended acceptance of the reconciliation insofar as it was undisputed.<sup>11</sup> The Commission, by Order entered April 14, 2011, adopted that Recommended Decision.

#### **D. Calculation of GSC-1 for January – May 2011 Period**

On December 14, 2010, PPL submitted a calculation of the proposed GSC-1 for January through May of 2011 at Docket No. M-2010-2213310.<sup>12</sup> For the SC&I class, the GSC-1 was set at 9.276 cents per kWh (including GRT).<sup>13</sup> This rate was intended to recoup PPL's estimated electricity purchase costs (8.293 cents per kWh) as well as the reported year-end 2010 undercollection of \$22.35 million by the end of May 2011 (0.983 cents per kWh). The reported year-end undercollection included the effects of the difference between billed revenues and

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<sup>9</sup> *Id.*

<sup>10</sup> OSBA Statement No. 1 at 5-6.

<sup>11</sup> *PPL Electric Utilities Corporation Final 2010 Generation Supply Charge Reconciliation Report*, Docket No. M-2011-2240273, Order entered April 14, 2011.

<sup>12</sup> OSBA Statement No. 1 at 6.

<sup>13</sup> *Id.*

incurred costs, as estimated at December 31, 2010.<sup>14</sup> Following Commission approval, PPL's recovery of reported 2010 undercollections began on January 1, 2011.

On May 13, 2011, at Docket No. M-2011-2240273, PPL submitted its "Final 2011 Generation Supply Charge-1 Reconciliation Report, for the Period January 1, 2011 to May 31, 2011" ("Reconciliation Report").<sup>15</sup> The Reconciliation Report represented that the actual 2010 undercollection was approximately \$29.15 million, which was materially larger than the \$22.35 million PPL had previously estimated.<sup>16</sup>

**E. Calculation of GSC-1 for June – August 2011 Period**

On May 20, 2011, PPL filed its calculation of the proposed GSC-1 rates for the period of June 1, 2011, through August 31, 2011, at Docket No. M-2011-2243137, the rate at issue in the instant proceeding. The GSC-1 was designed to recoup an \$18.6 million reported undercollection from SC&I customers over three months by increasing the rate from 9.276 cents per kWh to 12.171 cents per kWh (including GRT).<sup>17</sup> The reconciliation portion of the GSC-1 calculation included recovery of a \$4.28 million reported undercollection from the January to May 2011 period (inclusive of the December 2010 "true-up"). The calculation also included \$14.27 million remaining from the reported year-end 2010 undercollection, which PPL had not

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<sup>14</sup> *Id.* The estimated year-end undercollection included actual undercollections through November 2010, plus an estimate for December 2010.

<sup>15</sup> OSBA Statement No. 1 at 6-7.

<sup>16</sup> On June 9, 2011, the OSBA intervened in the Reconciliation Report proceeding. A hearing was held with respect to the Reconciliation Report on June 13, 2011. At the hearing, PPL stipulated orally that the outcome of that proceeding was without prejudice to the OSBA's complaint in this proceeding. ALJ Colwell's Recommended Decision reflected the agreement between PPL and the OSBA that the OSBA has not waived raising any issues in the instant proceeding because they were not raised in the Reconciliation Report Proceeding. Recommended Decision (dated July 11, 2011) at 2, at Docket No, M-2011-2240273. The Recommended Decision was adopted by Commission Order entered September 12, 2011.

<sup>17</sup> OSBA Statement No. 1 at 7.

recovered in the first five months of 2011 as anticipated. Of the 12.171 cents per kWh, 4.15 cents per kWh was related to PPL's reported undercollection of costs in previous periods.<sup>18</sup>

On May 31, 2011, the OSBA filed a Complaint against the proposed GSC-1. The Company filed its Answer to the OSBA's Complaint on June 29, 2011. The Office of Administrative Law Judge assigned this proceeding to Administrative Law Judge ("ALJ") Susan D. Colwell.

The Office of Trial Staff, now part of the Bureau of Investigation and Enforcement ("I&E"), filed a notice of appearance on June 22, 2011. The Office of Consumer Advocate ("OCA") filed a Notice of Intervention on July 12, 2011.

The OSBA submitted OSBA Statement No. 1 (the Direct Testimony and Exhibits of Robert D. Knecht) and OSBA Statement No. 2 (the Surrebuttal Testimony of Robert D. Knecht) on July 29, 2011, and August 25, 2011, respectively. PPL submitted Direct Testimony, Rebuttal Testimony, and Rejoinder Testimony. Neither OCA nor I&E filed testimony.

The evidentiary hearing originally scheduled for August 29, 2011, was continued. It was subsequently held on October 5, 2011, at which time the parties moved their pre-filed testimony and exhibits as well as hearing exhibits into the record. Witnesses for both parties responded to questions from the ALJ as well as cross-examination by counsel.

PPL and the OSBA submitted Main Briefs and Reply Briefs on October 26, 2011 and November 9, 2011, respectively.

The Recommended Decision ("RD") was issued on April 4, 2012, wherein the ALJ concluded that the GSC-1 was an established rate and therefore the OSBA had the burden proving that it is unreasonable. The ALJ further concluded that the OSBA had met its burden.

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<sup>18</sup> *Id.*

The RD recommended that the OSBA's complaint is "granted insofar it seeks a determination that the accounting method used by [PPL] which did not include two weeks of revenue in January 2010 but did include the entire month's expenses was inappropriate for the purposes of Section 1307(3)." <sup>19</sup> The ALJ also recommended that the Commission direct its Bureau of Audits to conduct an audit of PPL's GSC-1 expenses and revenues beginning January 1, 2010 to the present day. <sup>20</sup> Finally, the ALJ recommended that PPL reconcile the GSC-1 annually with quarterly updates, and include in its report for the purposes of comparison what the rates would be if the reconciliation were done quarterly.

The OSBA did not file Exceptions to the RD and respectfully requests that the Commission adopt the RD without revision. In support thereof, the OSBA submits the following Reply Exceptions.

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<sup>19</sup> RD at 34.

<sup>20</sup> RD at 35.

## **II. REPLY EXCEPTIONS**

### **A. Reply to PPL Exception No. 1:**

#### **1. Burden of Proof**

PPL reminds the Commission that the OSBA bears a heavy burden of proof and argues that it has not met that burden. The OSBA concedes that it is challenging a rate implemented by a Commission-approved reconciliation mechanism, namely the GSC-1. However, throughout this proceeding, the OSBA has been clear that it does not challenge the reasonableness of PPL's Commission-approved GSC-1 reconciliation mechanism, but rather only the accounting methodology used by PPL to implement that mechanism. PPL's tariff is silent on the reconciliation accounting methodology used to calculate the E-factor, one of the variables in the Commission-approved procedure to calculate the GSC-1 rates. In fact, if PPL were to change its reconciliation accounting methodology, no changes to its tariff would be necessary, except perhaps the addition of a provision to clarify the reconciliation accounting methodology to be used when implementing the reconciliation mechanism, on which methodology the tariff is now silent. Regardless, the OSBA, as found by the ALJ in the RD, has met its burden.

#### **2. RD Does Not Recommend Inclusion of 2009 Revenues in 2010 GSC Reconciliation**

The OSBA has never suggested including revenues billed in January 2010 for service rendered in 2009 in the reconciliation of its GSC. As PPL thoroughly explains in pp. 9-12 of its Exceptions, that would be contrary to law. Those revenues were properly excluded and the RD does not suggest otherwise. When the RD found that excluding two weeks of revenue from the January 2010 reconciliation was unreasonable, it was not referring to the exclusion of those two weeks of revenue billed for service in 2009. Rather, the RD was referring to the exclusion of two weeks of revenue "realized" (earned) in January 2010 that was not billed until February

2010.<sup>21</sup> Similarly, the RD found it unreasonable that PPL's accounting method would "pro-rate" revenues billed in January 2010 to December 2009, but would not similarly "pro-rate" revenues billed in January 2011 to December 2010. The RD therefore correctly found that PPL's accounting is unreasonable because it applies different accounting principles to different time periods.

### **3. Including Earned But Unbilled Revenue In Reconciliation Is Consistent With Section 1307(e)**

PPL argues that its methodology of reconciling expenses incurred in a given period with revenues billed in that period is consistent with the plain language of Section 1307(e) of the Public Utility Code. PPL equates "billed revenues" with "revenue received." Accordingly, PPL argues, it excludes revenue that has been earned or realized, but has not yet been billed. However, the language of the statute is not "plain," in that "revenue received" can be reasonably interpreted in a number of different ways. One literal interpretation of "revenue received" would not be billed revenue, but revenue actually collected from default service customers. However, no party to this proceeding has indicated that revenues for reconciliation basis should be based on collections, nor has any party identified any Pennsylvania utilities who use such a practice.<sup>22</sup>

The RD's recommended use of earned revenue in reconciliation of the GSC and GSC-1 is certainly no more inconsistent with Section 1307(e)'s requirement of using "revenue received" than is PPL's use of billed revenue, and is arguably more consistent with that requirement. Neither billed nor earned revenue is literally "revenue received." Both are a relatively reliable estimation of that revenue which will ultimately be collected. Earned revenue, consistent with

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<sup>21</sup> RD at 27.

<sup>22</sup> In fact, using collections as a measure of revenue in a reconciliation mechanism would likely be inconsistent with Pennsylvania law, in that it would implicitly allow PPL to reconcile uncollectibles costs. Reconciling uncollectibles costs is banned by 66 Pa. C.S. § 1408.

GAAP, is the more reasonable interpretation of “revenue received” for use in a reconciliation calculation, because it properly matches costs and revenues and does not result in the phantom undercollection that results from PPL’s accounting method.

Moreover, Section 1307(e)(4) actually recognizes the Commission’s authority to direct PPL to change its reconciliation accounting method and include earned revenue in the reconciliation of the GSC and GSC-1. It states in pertinent part:

...nor shall anything in this section prevent the commission from amending at any time any method used by any utility in automatically adjusting its rates, so as to provide the commission more adequate supervision of the administration by a utility of such method and to decrease the likelihood of collection by a utility, in subsequent periods, of amounts greater or less than that to which it is entitled, or, in the event that such deficiency or surplus in collected amounts is found, more prompt readjustment thereof.<sup>23</sup>

Thus, in addition to being consistent from month to month, and consistent with GAAP, the RD’s recommended accounting method is consistent with Section 1307(e). Moreover, changing the existing methodology to achieve this consistency is provided for in the statute.

**4. PPL’s Reconciliation Accounting Methodology Was Established 30 Years Ago And Has Not Been Updated to Reflect Today’s Competitive World**

PPL has acknowledged that its reconciliation accounting method results in a mismatch between revenues and expenses for each reconciliation period, but argues that there are good reasons for the Commission to support it. One of those reasons is that this method has been used by PPL and other electric distribution companies (“EDCs”) for 30 years.

However, there was no competition 30 years ago. It was not a time of major rate increases as rate caps expired. Thirty years ago, PPL’s default service customers were not

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<sup>23</sup> 66 Pa. C.S. §1307(e)(4).

experiencing wild swings in their default service rates. It was not a time when it was important to establish a cost-based utility rate against which electric generation suppliers (“EGSs”) could compete. There was no Price To Compare (“PTC”) requiring an accurate price signal of market rates for shopping and potential shopping customers. It was not a time when competitive EGSs were arguing for quarterly or even more frequent reconciliation, and it was not a time when the Commission saw merit in reconciling variances over shorter time periods. The fact that this method has been in place for thirty years may be an indicator of its irrelevance, rather than an being an indicator that the method is reasonable for today’s circumstances. There are clearly reasons for PPL’s method to be updated.

The OSBA agrees that policy objectives should not trump statutory provisions. But, as concluded in the RD and explained above, the accounting method proposed by the OSBA is consistent with the statute.

#### **5. Cash Working Capital Allowance Never Properly Claimed**

In an apparent after-the-fact justification of its accounting mismatch, PPL argues that the “reserve” created by its reconciliation accounting method provides PPL with a cash working capital (“CWC”) allowance for default service costs. Specifically, PPL claims this reserve provides for a return on the investment made to cover the lag between payment of default service expenses and receipt of default service revenue from customers.

The OSBA argued, and the ALJ agreed, that to the extent that PPL believed that it had a legitimate CWC cost claim, PPL should have made a transparent claim for a CWC allowance in its base rates or default service rates proceedings. Instead, PPL silently slipped this into its GSC calculation without making an affirmative request to the Commission for approval. No parties were able to evaluate or challenge either the method or the amount of this CWC allowance, and

the Commission was never afforded the opportunity to approve a legitimate claim for working capital costs. PPL had every opportunity to openly make a claim for working capital. It is disingenuous to now use a CWC benefit that it has unfairly obtained as a justification for a flawed accounting method.

#### **6. Unnecessary To Apply Accounting Change to All EDCs**

PPL is concerned that changes to its reconciliation accounting method would have far reaching effects on other EDCs. PPL witness, Mr. Kleha stated that other EDCs use the same methodology, but notably he did not testify that all EDCs do. Apparently, there is more than one acceptable methodology. The OSBA therefore has not argued in this proceeding, and the RD does not recommend, that changes to PPL's accounting method be instituted by all EDCs.<sup>24</sup> However, if the Commission agrees with the OSBA and the ALJ that a change in accounting methodology is appropriate for PPL, it may wish to investigate whether such a change would be appropriate for the other EDCs that use the same methodology.

#### **7. Applying Change Prospectively Only Is Inadequate**

If the Commission adopts the RD and finds that PPL's accounting methodology resulted in unreasonable rates, then appropriate refunds should be made to the SC&I customers who paid those unreasonable rates in the summer of 2011.

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<sup>24</sup> In the current default service proceeding involving the four First Energy companies at Docket No. P-2011-2273650, OSBA Witness Mr. Robert Knecht does propose that the three First Energy companies who do not use a reconciliation accounting method that properly matches revenues with costs adopt the methodology of the West Penn Power Company, which does use a consistent accounting method. See OSBA Statement No. 1 at 19-26.

These rates are not Commission-made as they have not yet been adjudicated by the Commission, If a rate is not “Commission-made,” a public utility cannot validly expect the charge to be insulated from retroactive modification by the Commission.<sup>25</sup>

Moreover, the Commission Order accepting PPL’s Final GCR 2010 reconciliation clearly states that “acceptance of the undisputed [reconciliation] is expressly subject to such further review *and revision* as may be found necessary as a result of a subsequent Commission audit, or of some other proceeding” and that “acceptance of the undisputed [reconciliation] shall not constitute approval of either the accuracy of the reported figures or the *reasonableness* of the underlying transactions.”<sup>26</sup> It was the 2010 GSC reconciliation that reported the \$29 million undercollection that was later recovered in the excessive GSC-1 rates in the first five months of 2011, and in the June to August 2011 time period.

Furthermore, refunds may ultimately be appropriate for reasons other than PPL’s accounting mismatch. As the OSBA has explained, the accounting issue only explains a portion of PPL’s reported undercollection.<sup>27</sup> There also appears to be an under-reporting revenues.

## **8. Quarterly Reconciliation Did Not Cause Rate Increase**

PPL’s 2010 undercollection was not caused by quarterly reconciliation of default service costs. Quarterly reconciliation merely made the impact of that undercollection more extreme, because it required the undercollection to be recovered over only 3 months (or 5 months, in the case of the first “quarter” of 2011) instead of a year. The OSBA agrees that annual reconciliation would have smoothed out the effects of the reported undercollection by spreading

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<sup>25</sup> *Metropolitan Edison Co., v. Pa. Public Utility Commission*, 437 A.2d 76, 79-80 (Pa. Cmwlth. 1981) (finding concept of “Commission-made rate” did not apply where no prior Commission proceeding or action giving antecedent approval of fuel adjustment surcharge collected).

<sup>26</sup> *PPL Electric Utilities Corporation Final 2010 Generation Supply Charge Reconciliation Report*, Docket No. M-2011-2240273, Order entered April 14, 2011 (emphasis added).

<sup>27</sup> OSBA Main Brief at 25-28; OSBA Reply Brief at 15-17.

recovery over a longer period of time and supported PPL's proposal to modify the GSC-1 to permit annual reconciliation in a related proceeding.

However, PPL's complaint fails for two reasons. First, PPL's attempt to blame the Commission for this problem is misguided. Quarterly reconciliation was explicitly approved by the Commission for the CBP, despite the fact that PPL had originally proposed a 12-month reconciliation period.<sup>28</sup> The Commission presumably did so in order to reflect the circumstances which face electric market participants *today*, rather than the circumstances of 30 years ago which gave rise to the methodology that PPL prefers. It is therefore inappropriate for PPL to doggedly cling to an outdated methodology that quite obviously is ineffective in accomplishing the Commission's objectives for today's marketplace.

Second, annual reconciliation only hides the problem, but would not have prevented the reported undercollection in the first place. In contrast, a change to PPL's accounting reconciliation method would have greatly reduced the reported undercollection and the rates paid by SC&I customers.

## **9. Reconciliation Problems Not Resolved**

Although admitting the 2010 reported undercollection was a problem, PPL contends that it was a one-time occurrence that has been largely resolved. Thus, PPL argues there is no reason to make any changes to the accounting methodology that caused the problem. While PPL's GSC-1 rates have leveled out to some extent, its reconciliation accounting method continues to impact rate stability. Moreover, PPL ignores the damage done to SC&I default service customers, particularly those who took default service in the summer of 2011. The OSBA respectfully disagrees that ignoring both the continuing effects and the past injuries represents good regulatory or legal practice. For example, applying PPL's logic to the BP Deepwater

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<sup>28</sup> RD at 5.

Horizon incident would imply that, since the oil has stopped flowing, there is no need to fix the problems that caused the spill, nor is there any need to compensate any injured parties. In contrast to PPL's position, the RD correctly recognizes that a problem exists, and that injured parties should be properly compensated.

**B. Reply to PPL Exception No. 2:**

As recommended by the ALJ, a detailed and directed audit by the Commission's Bureau of Audits is necessary and appropriate. The OSBA has presented substantial evidence demonstrating that PPL's revenues for the SC&I class in 2010 as reported in this proceeding are not consistent with the billed kWh reported in this proceeding and the SC&I GSC.<sup>29</sup> An audit is required to determine whether PPL provided erroneous revenue and billed kWh data to the parties in this proceeding, and whether PPL correctly calculated revenues for reconciliation purposes in 2010. It is unclear whether the audit already completed addressed the specific issues and inconsistencies raised by the OSBA in this proceeding and is therefore inadequate.<sup>30</sup>

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<sup>29</sup> OSBA Statement No. 1 at 20-24.

<sup>30</sup> RD at 32.

**III. Conclusion**

For the reasons set forth above, the OSBA respectfully requests that the Commission adopt the Recommended Decision without revision.

Respectfully submitted,



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Dated: May 4, 2012

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**William R. Lloyd, Jr., Small Business Advocate** :  
: **DOCKET NO. C-2011-2245906**  
: **v.** :  
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:  
**PPL Electric Utilities Corporation** :  
**Calculation of Generation Supply** : **DOCKET NO. M-2011-2243137**  
**Charge-1** :

**CERTIFICATE OF SERVICE**

I certify that I am serving two copies of the Reply Exceptions, 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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[rkanaskie@pa.gov](mailto:rkanaskie@pa.gov)  
**(E-mail and Hand Delivery)**

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David B. MacGregor, Esquire  
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Date: May 4, 2012

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

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COMMONWEALTH OF PENNSYLVANIA  
OFFICE OF SMALL BUSINESS ADVOCATE

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PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

**Hand Delivery**

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

**Re: William R. Lloyd, Jr., Small Business Advocate v. PPL Electric Utilities Corporation  
Docket No. C-2011-2245906**

**PPL Electric Utilities Corporation Calculation of Generation Supply Charge-1  
Docket No. M-2011-2243137**

Dear Secretary Chiavetta:

Enclosed for filing are the original and ten (10) copies of the Reply Exceptions, on behalf of the Office of Small Business Advocate, in the above-docketed proceedings. As evidenced by the enclosed certificate of service, two copies have been served on all active parties in this case.

If you have any questions, please contact me.

Sincerely,

Elizabeth Rose Triscari  
Assistant Small Business Advocate  
Attorney ID #306921

Enclosures

cc: Parties of Record

Robert D. Knecht

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**William R. Lloyd, Jr., Small Business Advocate** :  
: **DOCKET NO. C-2011-2245906**  
v. :  
**PPL Electric Utilities Corporation** :  
:  
**PPL Electric Utilities Corporation** :  
**Calculation of Generation Supply** : **DOCKET NO. M-2011-2243137**  
**Charge-1** :

**CERTIFICATE OF SERVICE**

I certify that I am serving two copies of the Reply Exceptions, on behalf of the Office of Small Business Advocate, by e-mail and first-class mail (unless otherwise noted) upon the persons addressed below:

Hon. Susan D. Colwell  
Administrative Law Judge  
Pa. Public Utility Commission  
P.O. Box 3265  
Harrisburg, PA 17105  
(717) 787-1191  
(717) 787-0481 (fax)  
[scolwell@pa.gov](mailto:scolwell@pa.gov)  
**(E-mail and Hand Delivery)**

Paul E. Russell, Esquire  
PPL Electric Utilities Corporation  
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Date: May 4, 2012

  
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Assistant Small Business Advocate  
Attorney ID No. 306921