

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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IRWINA. POPOWSKY
Consumer Advocate

June 4, 2012

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 of Default Service
Program and Procurement Plan for the
Period June 1, 2013 through May 31, 2015
Docket No. P-2012-2302074

Dear Secretary Chiavetta:

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

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

Respectfully Submitted,

A handwritten signature in cursive script that reads "James A. Mullins".

James A. Mullins
Assistant Consumer Advocate
PA Attorney I.D. # 77066

Enclosures

cc: Honorable Susan D. Colwell, ALJ
Certificate of Service

156348

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of PPL Electric Utilities Corporation :
for Approval of a Default Service Program : Docket No. P-2012-2302074
and Procurement Plan for the Period June 1, :
2013 through May 31, 2015 :

PREHEARING MEMORANDUM
OF THE
OFFICE OF CONSUMER ADVOCATE

Pursuant to Section 333 of the Public Utility Code, 66 Pa.C.S. § 333, and in response to the May 9, 2012 Prehearing Order issued in the above-captioned matter, the Office of Consumer Advocate (OCA) provides the following information:

I. INTRODUCTION

On May 1, 2012, PPL Electric Utilities Corporation (PPL or Company) filed a Petition with the Pennsylvania Public Utility Commission (PUC or Commission) requesting approval of the Company's second Default Service Program and Procurement Plan (DSP II Program) to establish the terms and conditions under which PPL will acquire and supply Default Service commencing on June 1, 2013 and ending on May 31, 2015. The proposed DSP II Program consists of: 1) an approach to obtain competitive procurement of Default Service supply and related Alternative Energy Credits (AECs), 2) a proposed rate design, including a Time-of-Use (TOU) rate for Default Service customers, 3) an explanation of compliance and consistency with applicable Regional Transmission Organization (RTO) provisions and 4) a contingency

plan for the DSP II Program. Additionally, the Company's Petition contains several proposals designed to enhance retail competition in the Company's service territory. PPL requests that the Commission enter a final order approving the DSP II Program no later than February 1, 2013. The Company submitted testimony in support of its filing on May 15, 2012.

The Petition was assigned to the Office of Administrative Law Judge and was further assigned to Administrative Law Judge Susan D. Colwell for investigation and the scheduling of hearings. On May 9, 2012, ALJ Colwell issued a Prehearing Conference Order indicating that an Initial Prehearing Conference was scheduled for June 6, 2012. This Order also detailed the parties' obligations with respect to the Prehearing Conference.

The OCA filed an Answer to the Company's Petition and a Notice of Intervention and Public Statement on May 21, 2012. The OCA submits this Prehearing Memorandum in anticipation of the scheduled June 6th conference.

II. ISSUES AND SUB-ISSUES

Based upon a preliminary analysis of the Company's Petition, the OCA has compiled a list of issues that it anticipates will be included in its investigation of the DSP. It is anticipated that other issues will arise and may be pursued as discovery proceeds.

The OCA has identified several issues that may require further review as follows:

- Procurement Methodology: The OCA will examine whether the type of load following products that PPL proposes to solicit represent a prudent mix of contracts that will provide least cost service for residential customers over times as required by the statute. PPL's procurement methodology should be thoroughly analyzed to determine if it meets all of the requirements of Act 129 of 2008 and the Commission's regulations, and will result in least cost service to customers over time.
- Contingency Plans: The OCA will review the Company's contingency plan to ensure that it is well-defined so that, in the event it is needed, customers are protected by a reasonable "back up" plan that will provide stable rates.

- Rate Design: PPL proposes to charge flat Default Service rates which will be calculated separately for the Residential and Small C&I Customer Classes under the Generation Supply Charge-1 (GSC-1) rate fixed-rate option. This rate will be recalculated, reconciled and adjusted every six months to reflect the then-current Default Service supply contracts for the upcoming six-month period. The OCA will examine each cost component as well as the operation of the adjustment and reconciliation mechanism. In addition, the OCA will analyze the impact of reconciliation on both shopping and non-shopping customers.
- AEPS: PPL proposes to procure certain AEPS Act credits to meet its obligation under the AEPS Act as a component of the Company's fixed-price and spot-market Default Service supply contracts. The seller will be required to provide its proportional share of AEPS credits to fulfill PPL's AEPS obligation. The Company proposes to solicit at least three pricing offers from AEC brokers in both June of 2013 and June of 2014 for Tier I non-solar and Tier II credits. The Company will accept the least-cost offer, document the entire process and recover the costs of these AECs through the GSC-1. The OCA will review PPL's proposal to ensure that it meets the requirements of the AEPS Act and results in the least cost service to customers.
- Retail Opt-in Auction: As part of its DSP II, PPL proposes to implement an Opt-In Auction in 2013 that will provide for participating Electric Generation Suppliers (EGSs) to offer Residential customers a 6-month, fixed price product, at a minimum 5% discount off the then-current PTC at the time of the auction. Also, customers participating in the auction will receive a \$50 cash payment from the EGS who acquires the customer in the auction. The OCA will thoroughly analyze this opt-in auction program to ensure that the program benefits consumers and does not harm the procurement process for remaining default service customers.
- Customer Referral Mailing: As part of its DSP II Program, PPL proposes to conduct a one-time customer referral mailing to all Residential Default Service customers. Any EGS licensed to provide service in the PPL Electric service territory will be able to participate in the mailing by providing a standard 5" x 8" size offering to Residential customers. The Company will include, (along with the EGS offers) a letter describing the contents of the mailing. The total cost per mailing will be determined in advance and shared among the participating EGSs. The OCA will review the proposed Customer Referral Program.
- Standard Offer Program: As part of its DSP II Program, PPL proposes to implement a Standard Offer Program which would be available to residential customers with a standard 7% discount off the then-current PTC for a term of six months. The Program is intended to run on a monthly basis until May 31, 2015, and interested EGSs would actively elect to continue to participate on a monthly basis. The OCA will carefully examine all facets of the Company's Standard Offer Program.

III. WITNESSES

The OCA intends to present the direct, rebuttal, and surrebuttal testimony, as may be necessary, of Richard Hahn and Barbara Alexander. Mr. Hahn and Ms. Alexander will present testimony in written form and will also attach various exhibits, documents, and explanatory information which will assist in the presentation of the OCA's case. In order to expedite the resolution of this proceeding, the OCA requests that copies of all interrogatories, testimony, and answers to interrogatories be mailed directly to the OCA's witnesses at the below address, as well as mailing a copy to counsel for the OCA.

Richard Hahn
La Capra Associates, Inc.
One Washington Mall, 9th floor
Boston, MA 02108
Voice: 617-778-2467
E-mail: rhahn@lacapra.com

Barbara Alexander
Consumer Affairs Consultant
83 Wedgewood Drive
Winthrop, ME 04364
E-mail: barbalex@ctel.net

The OCA specifically reserves the right to call additional witnesses, as necessary. As soon as the OCA has determined whether an additional witness or witnesses will be necessary for any portion of its case, the OCA will notify Administrative Law Judge Colwell and all parties of record.

IV. DISCOVERY

Because the time period for discovery and preparation of testimony is limited, the OCA supports a shortened discovery response time in this proceeding. The OCA, therefore, requests the following modifications to the discovery regulations:

- A. Answers to written interrogatories be served in-hand within seven (7) calendar days of service of the interrogatories.
- B. Objections to interrogatories be communicated orally within three (3) days of service; unresolved objections be served to the ALJ in writing within five (5) days of service of interrogatories.
- C. Motions to dismiss objections and/or direct the answering of interrogatories be filed within three (3) days of service of written objections.
- D. Answers to motions to dismiss objections and/or direct the answering of interrogatories be filed within three (3) days of service of such motions.
- E. Responses to requests for document production, entry for inspection, or other purposes be served in-hand within ten (10) calendar days.
- F. Requests for admission be deemed admitted unless answered within ten (10) days or objected to within five (5) days of service
- G. Answers to on-the-record data requests be served in-hand within seven (7) calendar days of the request.

V. PROPOSED SCHEDULE

The OCA will work with the parties to develop a mutually acceptable litigation schedule which comports with the parameters set forth in the Prehearing Order.

VI. SERVICE ON OCA

The OCA will be represented in this case by Erin L. Gannon, James A. Mullins and Tanya J. McCloskey. Two copies of all documents should be served on the OCA as follows:

James A. Mullins
Assistant Consumer Advocate
Office of Consumer Advocate
555 Walnut St., 5th Floor, Forum Place
Harrisburg, PA 17101-1923
Telephone: (717) 783-5048
Fax: (717) 783-7152
Email: jmullins@paoca.org

As a courtesy, the OCA requests that all electronic correspondence be copied to Erin L. Gannon (egannon@paoca.org) and Cammie A. Shoen (CShoen@paoca.org).

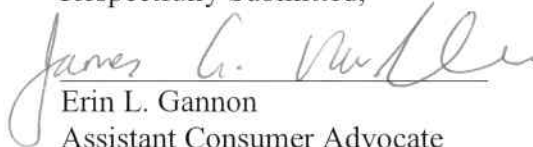
VII. SETTLEMENT

The OCA is willing to participate in settlement discussions.

VIII. PUBLIC INPUT HEARINGS

At present, the OCA is unaware of any significant interest for a public input hearing. The OCA will make prompt notification and request a public input hearing should circumstances warrant.

Respectfully Submitted,



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Dated: June 4, 2012
0157059

CERTIFICATE OF SERVICE

Petition of PPL Electric Utilities :
Corporation for Approval of a Default : Docket No. P-2012-2302074
Service Program and Procurement Plan for :
the Period June 1, 2013 through May 31, :
2015 :

I hereby certify that I have this day served a true copy of the foregoing document, the Office of Consumer Advocate's Prehearing Memorandum, 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 4th day of June 2012.

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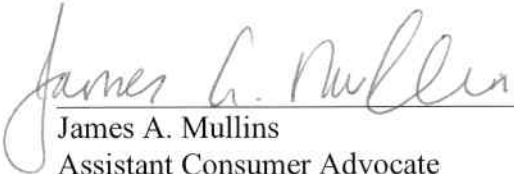
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