



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

IN REPLY PLEASE
REFER TO OUR FILE

June 2, 2012

Secretary Rosemary Chiavetta
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

Re: PPL Electric Utilities Corporation Petition
for Default Service Program and Procurement Plan

Docket No. P-2012-2302074

Dear Secretary Chiavetta:

Enclosed please find an original copy of the Bureau of Investigation and Enforcement's (I&E) **Prehearing Memorandum** in the above-captioned proceeding.

Copies are being served on all active parties of record. If you have any questions, please contact me at (717) 783-6155.

Sincerely,

Regina L. Matz
Prosecutor
Bureau of Investigation and Enforcement
PA Attorney I.D. #42498

Enclosure
RLM/mkp

cc: Parties of Record

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Petition of PPL Electric Utilities :
Corporation for Approval of a Default :
Service Program and Procurement Plan : Docket No. P-2012-2283641
for the Period June 1, 2013 through :
May 31, 2015 :

**PREHEARING MEMORANDUM
OF THE
BUREAU OF INVESTIGATION AND ENFORCEMENT**

TO ADMINISTRATIVE LAW JUDGE SUSAN D. COLWELL:

The Bureau of Investigation and Enforcement (I&E) of the Pennsylvania Public Utility Commission, ("Commission") respectfully submits the following Prehearing Memorandum in the above-captioned proceeding pursuant to the notice of the Office of Administrative Law Judge (OALJ) and Your Honor's Prehearing conference Order issued May 9, 2012. A Prehearing Conference is scheduled for June 6, 2012 at 10:00 a.m.

The I&E Prosecutor in this proceeding is Regina L. Matz. Contact information is as follows:

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I. INTRODUCTION

On May 1, 2012, PPL Electric Utilities Corporation (PPL or “Company”) filed a Petition for Approval of a Default Service Program and Procurement Plan for the Period June 1, 2013 through May 31, 2015 (“Petition”). On May 14, 2012, I&E entered its Notice of Appearance. On May 15, 2012, the Company filed five statements of direct testimony in support of its Petition.

According to the Company, the “DSP II Program” is designed to competitively procure and implement default service supply and related alternative energy credits (AECs), propose rate design changes, propose a revised Time-of-Use (TOU) rate, explain its Regional Transmission Organization (RTO) compliance, and provide a contingency plan and “end state” structures for default service in the event of supplier default or if PPL remains a default provider. The Company purports to build on the successes of its predecessor default service programs while improving on less successful areas.

One area specifically pursued by the Company DSP proceeding is the Company’s claim for a cash working capital (CWC) allowance as part of the administrative costs to be recovered in this case. The Company’s presentation of a CWC component as a part of its 2011 Section 1307(e) reconciliation filing was disallowed by Your Honor and remains pending final resolution by the Commission. In the event the recommended disallowance of that claim is adopted by the Commission, the Company has presented a “provisional claim” in this proceeding.

II. ISSUES

The following list represents I&E's initial determination of the potential issues in this case. This preliminary identification of areas of inquiry represents the potential issues in this proceeding at this time only. I&E specifically reserves the right to modify this list or address other issues as necessary:

1. PPL's proposal to include PPL's administrative costs related to this proceeding, as well as costs incurred prior to June 1, 2013 related to procurement of supply, and other costs related to the DSP II program, in the GSC-1 and the GSC-2.
2. PPL's provisional claim for cash working capital, pending resolution of an outstanding complaint at Docket Nos. C-2011-2245906 and M-2011-2243137, for a cash working capital allowance through the GSC-1 reconciliation methodology as part of the administrative costs to be recovered in this case.
3. PPL's proposal to implement a "new" Time-of-Use Program as part of this Default Service filing wherein the TOU customers will pay a percentage charge or premium over the fixed price Default Service rate in on-peak periods and will receive a percentage discount off of the fixed price Default Service rate in off-peak periods.
4. PPL's proposal that on-peak hours for the TOU rate option run from Noon to 7 p.m. Monday through Friday, excluding Saturday, Sunday and PJM holidays for Residential TOU customers; and from 7 a.m. to 7 p.m. Monday through Friday, excluding Saturday, Sunday and PJM holidays for Small C&I TOU customers.
5. PPL's proposal that the TOU adder to the on-peak rates and the discount for the off-peak rates will be determined using the ratio of the historic (3 years) load weighted average hourly on- or off-peak PJM PPL Zonal energy prices to the historic (3 years) load weighted average hourly PJM PPL Zonal energy prices.
6. PPL's rate design proposal to reset the reconciliation component of the GSC-1 every six months, based upon a rolling reconciliation of over/under collections calculated over a 12 month period.
7. PPL's continuing proposal to seek a one-time Competitive Transition Rider (CTR) to provide a non-bypassable, reconciliation Section 1307(e) cost recovery mechanism that will provide a "fresh start" by refunding or recovering any

remaining net historic over or under collection balances that were incurred prior to the effective date of the currently proposed Reconciliation Rider.

8. PPL's proposed Customer Referral Mailing as a non-recommended retail market enhancement tool and the proposed associated cost recovery mechanism.
9. PPL's proposed Opt-In Auction Program retail market enhancement tool and the proposed associated cost recovery mechanism.
10. PPL's proposed Standard Offer (Customer Referral) Program retail market enhancement tool and the proposed associated cost recovery mechanism.
11. PPL's request that "appropriate provision" be made for PPL to recover costs associated with 5-year and 10-year block contracts that extend beyond May 31, 2015 in the event PPL does not continue in the role of default service provider.

III. WITNESSES

It is currently expected that I&E may call the following expert witnesses without being limited thereto:

Scott Granger	Executive Policy Analyst
Debra Backer	Fixed Utility Financial Analyst

The witness list is provided without the benefit of complete discovery or analysis of the positions of potential other parties to this proceeding. Accordingly, I&E reserves the right to call additional witnesses or withdraw the name of any witness listed above.

IV. EVIDENCE

I&E expects to present all written direct, rebuttal and surrebuttal testimony and accompanying exhibits at the evidentiary hearing. Moreover, I&E intends to rely on the Company's filing, answers to data requests and interrogatories, annual reports and other documents submitted to the Commission, other relevant Commission filings, any other

relevant Commonwealth agency letters or reports, general financial market information sources and other public documents and reports.

V. SCHEDULE

I&E is working with the parties to develop a schedule in this proceeding.

VI. SERVICE OF DOCUMENTS

For purposes of satisfying in-hand requirements, I&E will accept electronic delivery of documents with a follow-up hard copy provided by regular first class mail.

VII. SETTLEMENT

I&E is willing to make good faith efforts to successfully resolve this matter through settlement. In the event settlement discussions fail to result in a full and complete resolution of the matter, I&E is prepared to fully or partially litigate this proceeding.

Respectfully Submitted,



Regina L. Matz

Prosecutor

PA Attorney I.D. # 42498

Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission
Post Office Box 3265
Harrisburg, Pennsylvania 17105-3265

Dated: June 4, 2012

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PPL Electric Utilities Corporation :
Petition for Default Service Program and : Docket No. P-2012-2302074
Procurement Plan :

CERTIFICATE OF SERVICE

I hereby certify that I am serving the foregoing **Bureau of Investigation and Enforcement (I&E) Prehearing Memorandum** dated June 4, 2012, either personally, by first class mail, electronic mail, express mail and/or by fax upon the persons listed below, in accordance with the requirements of § 1.54 (relating to service by a party):

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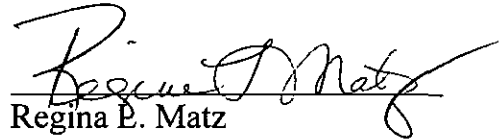
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