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October 19, 2012

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

**VIA ELECTRONIC FILING**

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

Dear Secretary Chiavetta:

Enclosed for filing with the Pennsylvania Public Utility Commission ("PUC" or "Commission") is the Reply Brief of the PP&L Industrial Customer Alliance ("PPLICA") concerning the above-referenced proceeding.

As shown by the attached Certificate of Service, all parties to this proceeding are being duly served. Thank you.

Very truly yours,

McNEES WALLACE & NURICK LLC

By 

Adeolu A. Bakare

Counsel to PP&L Industrial Customer Alliance

Enclosures

c: Administrative Law Judge Susan D. Colwell (via E-mail and First Class Mail)  
Certificate of Service

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## CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing document upon the participants listed below in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

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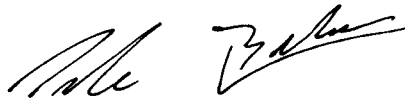
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Dated this 19<sup>th</sup> day of October, 2012, at Harrisburg, Pennsylvania.

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

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**REPLY BRIEF OF THE  
PP&L INDUSTRIAL CUSTOMER ALLIANCE**

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Dated: October 19, 2012

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## **I. INTRODUCTION**

### **A. Summary and Statement of Position**

See Section II, *infra*.

### **B. Background Information and Procedural History**

On May 1, 2012, PPL Electric Utilities Corporation ("PPL" or "Company") filed with the Pennsylvania Public Utility Commission ("PUC" or "Commission") a Petition for Approval of a Default Service Program and Procurement Plan for the Period June 1, 2013, through May 31, 2015. *Petition of PPL Electric Utilities Corporation for Approval of a Default Service Program and Procurement Plan for the Period June 1, 2013 Through May 31, 2015*; Docket No. P-2012-2302074 (May 1, 2012) (hereinafter, "Petition").

On June 4, 2012, the PP&L Industrial Customer Alliance ("PPLICA") filed a Petition to Intervene and Answer to the Company's Petition. The Office of Consumer Advocate ("OCA") also filed an Answer to the Petition. The Office of Small Business Advocate ("OSBA") and the Bureau of Investigation and Enforcement ("I&E") assumed active roles in this proceeding. A Prehearing Conference was held on June 6, 2012, before Administrative Law Judge ("ALJ") Susan D. Colwell.

PPLICA received the Company's Direct Testimony on May 15, 2012. Pursuant to the procedural schedule, on July 20, 2012, PPLICA received Direct Testimony from the following parties: OCA; OSBA; Constellation NewEnergy, Inc. and Exelon Generation Company, LLC ("Constellation"); the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania ("CAUSE-PA"); FirstEnergy Solutions Corp. ("FES"); Dominion Retail, Inc. and Interstate Gas Supply, Inc. ("Dominion"); the Retail Energy Supply Association ("RESA"); and Sustainable Energy Fund ("SEF"). On August 17, 2012, PPLICA received Rebuttal Testimony from the following parties: the Company; OCA; OSBA; Constellation; FES; Dominion; and

RESA. On August 31, 2012, PPLICA received Surrebuttal Testimony from the Company; OCA; OSBA; Constellation; CAUSE-PA; FES; Dominion; RESA; and SEF.

Evidentiary hearings were held in this proceeding on September 7, 10 and 11, 2012, for the purposes of presenting testimony and performing cross-examination. During the hearings, PPLICA entered two Cross-Examination Exhibits into the record, and the parties confirmed the process for submitting Briefs.

Pursuant to the procedural schedule, PPLICA submitted a Main Brief on October 5, 2012. PPLICA received Main Briefs from PPL, OCA, OSBA, RESA, Constellation, Dominion, FES, SEF, and CAUSE-PA.

Consistent with the procedural schedule, PPLICA now submits this Reply Brief in response to the issues raised in the Main Briefs submitted by RESA, Constellation, OSBA, PPL, FES, and Dominion.

## **II. SUMMARY OF ARGUMENT**

PPLICA's Reply Brief responds to parts of the Main Briefs submitted by RESA, Constellation, FES, OSBA, PPL, FES, and Dominion. Specifically, PPLICA files this Reply Brief in order to set forth its opposition to: (1) OSBA's proposal to modify the eligibility criteria for the Small Commercial and Industrial ("C&I") customer class applied for purposes of recovering transmission service costs; (2) Constellation, OSBA, and RESA's positions regarding cost recovery of certain supply-related costs from all customers on a non-bypassable basis; (3) RESA's proposal to implement a \$0.005/kWh surcharge for default service supply; and (4) PPL, RESA, FES, and Dominion's proposals to recover retail market enhancement ("RME") costs from customers rather than electric generation suppliers ("EGS").<sup>1</sup>

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<sup>1</sup> PPL proposes limited recovery of RME costs from customers while RESA, FES, and Dominion support full recovery of RME costs from customers.

As noted in PPLICA's Main Brief, most of these issues were addressed by the Commission in the recent *Joint Petition of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company for Approval of Their Default Service Programs*, Order, Docket Nos. P-2011-2273650, P-2011-2273668, P-2011-2273669, and P-2011-2273670 (Aug. 16, 2012) ("FirstEnergy Order")<sup>2</sup>. Following the submission of PPLICA's Main Brief, the Commission entered the *Petition of PECO Energy Company for Approval of its Default Service Program II*, Order, Docket No. P-2012-2283641 (October 12, 2012) ("PECO Order"), again denying several proposals analogous to those set forth by parties in this proceeding.

The only issue addressed by PPLICA beyond the scope of issues raised in the FirstEnergy and PECO Orders is OSBA's proposal to modify the Small C&I class eligibility standards for purposes of recovering default service transmission costs. OSBA recommends that PPL apply the same 500 MW benchmark currently utilized to delineate Large C&I from Small C&I for purposes of recovering procurement costs through PPL's Generation Supply Charge Riders ("GSCs"), to PPL's Transmission Service Charge Rider ("TSC"). PPLICA agrees with PPL that this proposal would create unreasonable cost shifting between customer classes and must be denied.

Consistent with the FirstEnergy and PECO Orders denying recovery of certain supply-related charges on a non-bypassable basis, Constellation, OSBA, and RESA have declined to further pursue analogous non-bypassable mechanisms in this proceeding. To the extent that any other party offers support for non-bypassable recovery of supply-related costs, PPLICA

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<sup>2</sup> Following the FirstEnergy Order, the Commission subsequently issued an Order on Reconsideration. *Joint Petition of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company for Approval of Their Default Service Programs*, Order, Docket Nos. P-2011-2273650, P-2011-2273668, P-2011-2273669, and P-2011-2273670 (Sept. 27, 2012) ("FirstEnergy Reconsideration Order").

recommends that the Commission deny such proposals for the reasons articulated in PPLICA's Main Brief.

RESA's proposal to implement a \$0.005/kWh surcharge for default service supply was also considered and rejected in the FirstEnergy and PECO Orders. Regardless, RESA persists in advocating for the surcharge with unsupported arguments. As demonstrated in PPLICA's Main Brief and recognized in the FirstEnergy and PECO Orders, RESA's proposed surcharge violates numerous statutes, Commission regulations, and cost causation principles. Clearly, the Commission should again reject RESA's proposal to implement a \$0.005/kWh surcharge for default service supply.

Finally, the FirstEnergy and PECO Orders also clarified that RME program costs should be recovered from EGSs. Consistent with the Commission's record on this issue, the cost recovery proposals of PPL, RESA, FES, and Dominion should be rejected or modified to ensure that all RME program costs are recovered from EGSs. Alternatively, the Commission should clarify that RME program costs may be assessed only upon customers eligible to participate in such programs. Accordingly, any proposal to assign responsibility for RME program costs to Large C&I customers must be rejected.

### **III. ARGUMENT**

#### **A. Legal Standards**

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

#### **B. The Proposed Default Service Program**

##### **1. Class Procurements**

##### **2. Rate Design**

*a) Residential and Small C&I Customer Classes - Fixed Rate Option*

*b) Residential and Small C&I - Reconciliation*

- c) *Large C&I Customer Class - Rates*
- d) *Large C&I Customer Class - Reconciliation*
- e) *The Green Power Program*
- f) *Optional Monthly Pricing Service*
- g) *Price to Compare Calculation Date*
- h) *Recovery of Transmission and Other Related Charges***

OSBA's proposal to modify the eligibility criteria for designation as a Small C&I customer under PPL's TSC improperly shifts cost between the Small C&I and Large C&I – Primary customer classes and should be rejected by the Commission. OSBA argues that PPL should apply a uniform definition of Small C&I for all components of its price-to-compare ("PTC"), including the TSC and small commercial GSC ("GSC-1"). OSBA M.B., p. 20. PPLICA agrees with PPL that uniform application class designations for the TSC and GSC-1 would improperly shift costs between customer classes. Therefore, PPL recommends that the Commission deny OSBA's recommendation. PPL M.B., p. 63.

OSBA's argument is not supported by record evidence. For procurement purposes, PPL currently assigns customers with a peak demand of 500 kW or greater to the Large C&I class, under its GSC-2, while commercial customers with a peak demand of less than 500 kW are assigned to the Small C&I class, under the GSC-1. PPL M.B., p. 64. For transmission costs, customers are assigned to the Large C&I-Primary and Large C&I-Transmission customer classes if they take service at 12 kV primary voltage or 69 kV transmission voltage, respectively. PPL M.B., p. 63. OSBA recommends that PPL apply a consistent definition for Small C&I customers across both transmission and generation components of the PTC, specifically proposing that PPL modify the TSC eligibility criteria to mirror the kW standard applied to assign Small C&I customers to GSC-1 and Large C&I customers to GSC-2. PPL, however, explained that the

current eligibility criteria for TSC class designations indicate whether the customer takes service at secondary, primary and transmission voltage levels. PPL, M.B., p. 63. More importantly, PPL demonstrates that OSBA's recommendation would result in cost shifting between customer classes. *Id.* at 64. Importantly, OSBA's witness directly acknowledged cost shifting concerns, testifying that "if PPL Electric presents credible evidence that a material amount of cost shifting would occur under my proposal in its rejoinder testimony, I will recommend to the OSBA that it not argue in support of this recommendation in its briefs in this proceeding." PPL M.B., p. 20 *citing* OSBA Stmt. No. 3, p. 4.

Contrary to the testimony offered by its own witness, OSBA continues to support standardized class eligibility, despite PPL having provided the requested documentation of cost shifting. PPL's rejoinder testimony provided detailed cost shifting information. PPL Stmt. No. 5-RJ, pp. 1-2. The Company clarified that OSBA's proposal to apply the current procurement-related class designations to transmission charges would move 104 current Large C&I-Primary customers to the Small C&I customer class for TSC purposes, at a total additional cost of \$226,000, or approximately \$2,000 per customer. PPL, M.B., p. 64. Conversely, 6 current Small C&I customers would pay approximately \$121,000. *Id.* In addition to the customers that would actually switch customer classes under OSBA's proposal, remaining customers in each class would also experience cost shifts, with remaining Small C&I customers paying \$152,000 less and remaining Large C&I-Primary customers paying \$47,000 more. PPL M.B., pp. 64-65. This cost shifting occurs because the current TSC for LP-4 customers is billed based on monthly peak demand, while the TSC for the GS-3 customers is billed based on kWh usage. PPLICA Cross-Examination Exhibit No. 1, p. 3. Despite PPL furnishing evidence of material cost shifting, OSBA continues to recommend standardized class eligibility standards for the TSC and

GSC. Based on the record evidence, including testimony from OSBA's own witness, the Commission should reject OSBA's proposal and preserve PPL's existing class eligibility standards for the TSC.

More importantly, PPL's TSC allocation and, preferably, recovery for all customer classes should reflect the PJM billing structure. As PPLICA and other industrial groups argued in the recent Comments regarding default service reconciliation guidelines at Docket No. M-2012-2314313, the Public Utility Code's just and reasonable requirement and fundamental principles of cost causation support the electric distribution companies' ("EDC") use of the 1-Coincident Peak allocation methodology which PJM Interconnection, L.L.C. ("PJM") uses to assess transmission costs for EDC service territories, to determine their retail customers' share of such transmission costs.<sup>3</sup> Requiring EDCs to utilize the same allocation methodology as that used by PJM is the fairest and most reasonable way to ensure that retail customers pay their proportionate share of transmission costs. Although PPLICA has not affirmatively requested to change the LP-4 or GS-3 TSC rate structures in this proceeding, modifying the TSC for 104 LP-4 customers to a kWh charge moves away from the demand-based allocation and charge that is used by PJM. While OSBA's recommendation to modify class eligibility criteria for the TSC should be rejected, PPLICA also encourages the Company to examine charging all Commercial and Industrial Customers a TSC with billed costs based on the assigned Network Service Peak Load Contribution (or Transmission Obligation) in order to better reflect cost causation in the future.

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<sup>3</sup> PPL applies a 1-Coincident Peak to determine each EDC's the Network Service Peak Load Contribution, which measures the transmission charges to be recovered from an EDC's service territory .

(1) Costs to be Included in the TSC or GSC

**(2) Non-Bypassable Structure**

As extensively addressed in PPLICA's Main Brief, Constellation, OSBA, and RESA each submitted testimony in this proceeding supporting implementation of a non-bypassable rider for recovery of supply-related charges, including Network Integration Transmission Service ("NITS"), Transmission Enhancement Costs, Expansion Cost Recovery Costs, Non-Firm Point-to-Point Transmission Service Credits, Regional Transmission Expansion Plan ("RTEP"), Generation Deactivation, and Economic Load Response ("ELR") Costs (collectively "PJM Charges" or "NMB Charges"). PPLICA M.B., p. 6. Following additional Commission guidance supporting recovery of PJM charges by the load-serving entity, *i.e.*, EGSs for shopping customers and PPL for non-shopping customers, all three parties declined to further pursue the issue in this proceeding. Specifically, Constellation and OSBA directly conceded that the Commission has rejected the proposed non-bypassable cost recovery mechanisms in two analogous proceedings. Constellation M.B., p. 12; OSBA M.B., pp. 18-19. Similarly, RESA declined to set forth a position on the recovery of PJM Charges. RESA M.B., p. 48. PPLICA submits that recovery of PJM Charges through a non-bypassable structure appears moot for purposes of this proceeding. However, to the extent that any other party supports a similar proposal for non-bypassable recovery of PJM Charges, PPLICA incorporates by reference the arguments presented in Main Brief and recommends that the Commission deny any such proposal.

(3) Reconciliation

1. Time of Use Rate Option

2. Other Default Service Program Issues

a) *Supply Master Agreement and RFP Process and Rules*

(1) Revisions to the Supply Master Agreement

C. Retail Market Enhancements and Customer Referral Programs.

1. New and Moving Customer Program
2. Customer Referral Mailing.
3. Opt-In Auction / Aggregation Program Design
4. Standard Offer Referral Program Design
5. Timing of the Retail Market Enhancements and Customer Referral Programs.
6. **Cost Recovery for the Retail Market Enhancements and Customer Referral Programs**
  - a) *As previously recognized by the Commission, RME program costs should be recovered from EGSs*

In its Main Brief, PPLICA demonstrated that the Commission has repeatedly determined that RME program costs should be recovered from EGSs. The Main Briefs submitted by PPL, RESA, and Dominion continue to support cost recovery proposals requiring customers to pay for some or all of PPL's projected RME program costs. No party has offered any evidence supporting a reversal of the Commission's previous findings. To the contrary, the Commission has since reaffirmed its original and ongoing support for assigning RME program costs to EGSs. Therefore, the Commission should deny all proposals to recover RME program costs, in whole or in part, from customers and order PPL to recover all RME programs costs from EGSs. Alternatively, the Commission should clarify that only customers eligible to participate in RME programs should pay the costs for such programs.

As noted in PPLICA's Main Brief, the Commission has previously supported recovery of RME program costs from EGSs. Both the Commission's *Investigation of Pennsylvania's Retail Electricity Market, Intermediate Work Plan – Final Order*, Docket No. I-2011-2237952 (Order Entered March 2, 2012) ("IWP Final Order") and the subsequent FirstEnergy Order

recommended that EGSs should be responsible for paying RME program costs. IWP Final Order, , pp. 32, 78; FirstEnergy Order, p. 136.

Despite the Commission's prior determinations, PPL, RESA, and Dominion continue to support recovering all or part of PPL's RME program costs from customers. PPL, with the support of Dominion, proposes to recover capital costs associated with its Standard Offer Referral Program from customers based on claims that the billing system modifications necessary to implement the program may benefit customers through additional applications. PPL M.B., p. 136; Dominion M.B., p. 21. Considering that the overall purpose of the RME programs is to increase EGS penetration, tangential customer benefits do not justify allocating RME program costs to customers where such customer benefits cannot be specifically identified or separated from the primary purpose of increasing EGS sales.

Dominion further argues that customers should share costs with EGSs if the Commission modifies PPL's proposed Retail Opt-In program and orders PPL to implement an assignment program. *Id.* In support of this recommendation, Dominion suggests that the Commission has reconsidered its stance on RME program cost recovery since directing EGSs to bear the cost burden in the FirstEnergy Order. *Id.* This representation is based on a Statement issued by a single Commissioner before the full Commission entered the PECO Order. *Id.* As further discussed below, the Commission has since reaffirmed its position that RME program costs should be recovered from EGSs. PECO Order, p. 148.

RESA continues to support full recovery of RME program costs from default service customers through its proposed Adder.<sup>4</sup> As an alternative, RESA joins FES in proposing that PPL recover RME program costs from all customers through a non-bypassable rider. RESA

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<sup>4</sup> RESA's proposed Adder is comprehensively addressed in PPLICA's Main Brief and Section III.D.1.(a) of this Reply Brief. PPLICA M.B., pp. 22-24, Section III.D.1.(a) *infra*.

attempts to support recovery of RME program costs from default service customers through the Adder by asserting that shopping customers should not bear the burden of paying for RME programs designed to attract current default service customers. RESA M.B., p. 87. This is a misguided argument. As stated in PPLICA's Main Brief, RME programs subsidize EGS marketing efforts and should be accorded the same treatment as any other EGS business expense. PPLICA M.B., p. 20; *see also* OCA M.B., p. 62. However, if the Commission determines that any RME costs should be recovered from customers, the Commission should adopt the recommendations of PPLICA, PPL, and FES and restrict cost responsibility to customers eligible to participate in RME programs, *i.e.*, Residential and Small C&I customers. PPLICA M.B., p. 21.

Finally, following distribution of the Main Briefs in this proceeding, the Commission again reiterated its consistent directive that EDCs should recover RME program costs from EGSs. The Commission restated its recommendation for RME program cost recovery in the PECO Order, confirming that "our position articulated in the IWPF Order was and continues to be that EGSs should be responsible for these costs." PECO Order, p. 148. Consistent with prior Commission precedent, PPL should be required to modify its proposed DSP to ensure that RME program costs are recovered from EGSs. Alternatively, for the reasons set forth in PPLICA's Main Brief, the Commission should find that only customer classes eligible to participate in the RME programs pay such costs.

7. CAP Customer Participation in the Retail Market Enhancements

**D. Additional Issues**

1. Issues for CAP Customers Currently Served by EGSs

2. **Proposed 5 mils/kWh Charge Added to Default Service Rates**

a) *RESA has failed to offer any credible support for the proposed \$0.005 surcharge for default service supply.*

RESA's Main Brief continues to support implementation of a \$0.005/kWh surcharge to default service costs ("Adder") to recover variable costs incurred by PPL in the provision of default service and the costs of providing RME programs pursuant to the Commission's IWP Final Order. The substantive arguments concerning the Adder's violation of cost causation principles and inherent cross-subsidization issues were fully addressed in PPLICA's Main Brief. PPLICA M.B., 22-24. RESA's Main Brief includes additional arguments regarding a Commissioner Statement and unfounded claims that PPL has failed to fully unbundle generation, transmission, and distribution costs are required under the Competition Act. RESA M.B., pp. 97-98. Finally, in addition to the prior rejection of RESA's proposed Adder in the FirstEnergy Order, the Commission once more denied approval of the Adder in the PECO Order. PECO Order, p. 76. The Commission should recognize that RESA's arguments in this proceeding remain unsupported and again deny approval of the proposed Adder.

RESA's arguments that the Adder should be approved completely contradict the referenced Statement issued by Commissioner Pamela Witmer and ignore RESA's failure to identify the unbundled default service costs to be recovered through the Adder. In attempting to support the Adder, RESA relies upon a Statement issued by Commissioner Witmer in conjunction with the FirstEnergy Order. RESA M.B., pp. 97-98. Commissioner Witmer saw potential merit in RESA's proposal, but recommended further review in a statewide proceeding.

*Id.* Like the FirstEnergy docket, this is a limited proceeding and not a comprehensive statewide investigation. Accordingly, Commissioner Witmer's observations in no way support approval of RESA's proposed Adder in this proceeding. Additionally, RESA's claims that PPL has not fully unbundled generation, transmission, and distribution expenses remain entirely unfounded because RESA fails to identify the allegedly unbundled expenses. RESA M.B., p. 98.

The Commission should continue its established course of rejecting RESA's Adder proposal. As noted in PPLICA's Main Brief, the Commission first denied RESA's proposal in the FirstEnergy Order. PPLICA, M.B., p. 24. Shortly after the parties submitted Main Briefs in this proceeding, the Commission dismissed the same Adder proposal in the PECO Order, noting that the Adder "lacks record support, would improperly cause cross subsidization, would not convey a public benefit and would unlawfully create a profit through the recovery of hypothetical costs." PECO Order, p. 76. The proposed Adder remains substantively identical to the mechanisms rejected in the FirstEnergy Order and the PECO Order. Accordingly, RESA's recommendation to implement a \$0.005/kWh surcharge on PPL's default service rates must be denied.

1. Requested Ruling Pursuant to 66 PA. C.S. § 2102
2. Requested Waivers

#### **IV. CONCLUSION**

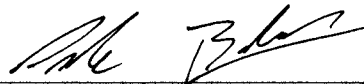
**WHEREFORE**, the PP&L Industrial Customer Alliance respectfully requests that the Pennsylvania Public Utility Commission:

- (1) Deny OSBA's proposal to apply uniform eligibility criteria for the Small C&I customer class across both PPL's Transmission Service Charge and Generation Supply Charge Riders;

- (2) Deny any proposal for PPL to modify its Transmission Service Charge or implement an NMB Rider to recover NITS, Transmission Enhancement Costs, Expansion Cost Recovery Costs, Non-Firm Point-to-Point Transmission Service Credits, RTEP, Generation Deactivation, or ELR costs on a non-bypassable basis from all customers;
- (3) Deny RESA's proposal for PPL to collect a \$0.005/kWh Adder from all default service customers;
- (4) Order PPL to collect all RME program costs, including capital costs arising from the proposed Standard Offer Referral Program, from EGSs, or alternatively, deny any proposal to collect RME program costs from customer classes ineligible to participate or unable to benefit from RME programs; and
- (5) Grant any additional relief deemed appropriate and consistent with the above recommendations.

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Dated: October 19, 2012

**APPENDIX A**

**FINDINGS OF FACT**

## PROPOSED FINDINGS OF FACT

1. OSBA's proposal to standardize eligibility criteria for the Small Commercial and Industrial ("C&I") customer class designation under PPL's Generation Supply Charge – 1 ("GSC-1") and Transmission Service Charge ("TSC") Riders would shift costs of \$226,000 onto 104 customers current Large C&I – Primary customers that would become Small C&I customers for TSC purposes. PPL Stmt. No. 5-RJ, pp. 1-2.
2. OSBA's proposal to standardize eligibility criteria for the Small C&I customer class designation under PPL's GSC– 1 and TSC Riders would shift cost savings of \$121,000 onto 6 current Small C&I customers that would become Large C&I – Primary customers for TSC purposes. PPL Stmt. No. 5-RJ, pp. 1-2.
3. OSBA's proposal to standardize eligibility criteria for the Small C&I customer class designation under PPL's GSC– 1 and TSC Riders would shift cost savings of \$152,000 onto the remaining Small C&I customers that do not switch customer classes as a result of the modified TSC eligibility criteria. PPL Stmt. No. 5-RJ, pp. 1-2.
4. OSBA's proposal to standardize eligibility criteria for the Small C&I customer class designation under PPL's GSC– 1 and TSC Riders would shift costs of \$47,000 onto the remaining Large C&I customers that do not switch customer classes as a result of the modified TSC eligibility criteria. PPL Stmt. No. 5-RJ, pp. 1-2.
5. Constellation, OSBA, and RESA submitted testimony proposing to collect some or all of the following costs through non-bypassable structures: Network Integration Transmission Service ("NITS"), Transmission Enhancement Costs, Expansion Cost Recovery Costs, Non-Firm Point-to-Point Transmission Service Credits, Regional Transmission Expansion Plan ("RTEP"), Generation Deactivation, and Economic Load Response ("ELR") Costs. *See*, Constellation Stmt. No. 1, pp. 23; RESA Stmt No. 1-R; OSBA Stmt. No. 1, p. 8.
6. Large C&I customers derive benefits from being able to negotiate for transmission service on terms and conditions that serve their business objectives. *See* Constellation Stmt. No. 1, pp. 14-15.
7. Pass-through transmission provisions within shopping contracts permit shopping customers to be charged for their individual transmission obligation. *See* Constellation Stmt. No. 1-SR, p. 6.
8. Fixed-price shopping contracts permit shopping customers to allocate the risk associated with transmission costs to their EGSs. *See* Constellation Stmt. No. 1-SR, p. 6; PPL Stmt. No. 1-R, p. 29.
9. The proposals of Constellation, RESA, and OSBA to recover transmission costs from all customers through a non-bypassable structure would re-bundle supply-related costs with

distribution costs. *See*, Constellation Stmt. No. 1, pp. 23; RESA Stmt No. 1-R; OSBA Stmt. No. 1, p. 8.

10. Because transmission costs are embedded within the single price of fixed price shopping contracts, transmission costs may be difficult, or even impossible, to remove from fixed price contracts. *See* PPLICA Cross-Examination Ex. No. 2.
11. No party has provided a transition plan to ensure that customers are safeguarded against being over-charged for transmission costs. *See* PPL Stmt. No. 1-R, p. 29.
12. RESA's proposed surcharge for default service supply is a \$0.005/kWh surcharge that would be imposed on Residential, Small C&I and Large C&I default service customers. RESA Stmt. No. 2, p. 40.
13. RESA has not quantified any costs that would be recovered by the \$0.005/kWh surcharge. PPL Stmt. No. 1-R, pp. 14-15.
14. RESA's proposed \$0.005 surcharge for default service supply is "arbitrary and not related to any cost for implementing default service or the retail market enhancements." OCA Stmt. No. 2-R, p. 8.
15. RME program costs should not be recovered from customers ineligible to participate in such programs, including Large C&I customers. *See* Tr. 109.

# **APPENDIX B**

## **CONCLUSIONS OF LAW**

## PROPOSED CONCLUSIONS OF LAW

1. OSBA's proposal to standardize eligibility criteria for the Small Commercial and Industrial ("C&I") customer class designation under PPL's Generation Supply Charge – 1 ("GSC-1") and Transmission Service Charge ("TSC") Riders would unjustly and unreasonably shift costs between customer classes. 66 Pa. C.S. §§ 1301, 1304.
2. The collection of PJM Transmission Charges through non-bypassable structures would re-bundle transmission and distribution, and eliminate options for the pricing of transmission service, in contravention of the Competition Act. 66 Pa. C.S. § 2802(13); *see also* 66 Pa. C.S. § 2804(3).
3. Because Large C&I customers are ineligible to participate in PPL's proposed RME programs, any recovery of RME program costs from Large C&I customers would constitute unjust and unreasonable rates. 66 Pa. C.S. § 1301.
4. RESA's proposed \$0.005/kWh surcharge for default service supply, which would impose a charge on customers for costs that are not quantified and would artificially inflate prices in the competitive market, is unjust, unreasonable, and inconsistent with a "least cost over time" procurement methodology. 66 Pa. C.S. § 2807(e).

# **APPENDIX C**

## **ORDERING PARAGRAPHS**

## PROPOSED ORDERING PARAGRAPHS

### IT IS ORDERED:

1. That the Default Service Program presented by PPL Electric Utilities Corporation ("PPL") is adopted and approved as modified by this Order.
2. That the proposal of the Office of Small Business Advocate to standardize the eligibility criteria for the Small Commercial and Industrial ("C&I") customer class designation under both PPL's Generation Supply Charge – 1 and Transmission Service Charge Riders is denied.
2. That any proposal to modify PPL's Transmission Service Charge to collect PJM Transmission Charges for all customers or otherwise collect PJM Transmission Charges through a non-bypassable structure is denied.
3. That RESA's proposal for PPL to collect a \$0.005/kWh surcharge from all default service customers is denied.
4. That PPL is ordered to collect all RME program costs, including capital costs arising from the proposed Standard Offer Referral Program, from EGSs; or
5. That PPL is ordered to collect RME program costs only from customer classes eligible to participate in the RME programs.