

COMMONWEALTH OF PENNSYLVANIA



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December 5, 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 Exceptions to the Recommended Decision of Administrative Law Judge Susan D. Colwell 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 "Erin L. Gannon".

Erin L. Gannon
Assistant Consumer Advocate
PA Attorney I.D. # 83487

Enclosures

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

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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 :

EXCEPTIONS
OF THE OFFICE OF CONSUMER ADVOCATE

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DATED: December 5, 2012

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I. INTRODUCTION

On November 15, 2012, the Office of Administrative Law Judge issued the Recommended Decision of Administrative Law Judge (ALJ) Susan D. Colwell in PPL Electric Utilities Corporation's (PPL or Company) 2012 Default Service Proceeding (DSP II). PPL filed DSP II for service beginning on June 1, 2013 and ending May 31, 2015. The Office of Consumer Advocate (OCA) files these Exceptions to the Recommended Decision to ensure that customers continue to receive default service consistent with Pennsylvania law while opening up new opportunities for customers to receive additional benefits in the retail market.

The Pennsylvania Public Utility Commission (Commission) has been investigating the retail electricity market (RMI) as this proceeding has unfolded. The Commission has issued two orders providing recommendations and guidance for the default service plans and for certain competitive enhancement programs.¹ The OCA submits that the primary task in this proceeding is to ensure that default service is provided in a reasonable manner consistent with Pennsylvania law, while at the same time providing cost effective improvements to the retail market that will encourage customers to take advantage of competitive retail offers if they so choose.

The provision of default service and the enhancements that have been proposed by the Company and other parties in this proceeding are closely interrelated. The OCA commends ALJ Colwell on her detailed examination of the many interrelated and complicated issues in this case. The OCA recognizes that the Commission has given certain guidance in the IWP Order and has provided a decision for the FirstEnergy Companies and PECO Energy Company in the context of those companies' proposals. See Joint Petition of Metropolitan Edison Co., Pennsylvania

¹ Investigation of Pennsylvania's Retail Electricity Market: Recommendations Regarding Upcoming Default Service Plans, Docket No. I-2011-2237952, Order (Dec. 16, 2011); Investigation of Pennsylvania's Retail Electricity Market: Intermediate Work Plan, Docket No. I-2011-2237952, Order (Mar. 2, 2012) (IWP Order).

Electric Co., and West Penn Power Co. for Approval of Their Default Service Programs, Docket Nos. P-2011-2273650 *et al.*, Order (Aug. 16, 2012) (FirstEnergy DSP II); Petition of PECO Energy Co. for Approval of its Default Service Program II, Docket No. P-2012-2283641, Order (Oct. 12, 2012) (PECO DSP II). In light of the Commission's determinations and given the two-year time frame for this default service plan, the OCA has determined that it will limit its Exceptions to ALJ Colwell's Recommended Decision.

In her Recommended Decision, ALJ Colwell recommended the adoption of PPL's proposed procurement plan for residential customers. OCA witness Hahn proposed certain modifications to improve upon the procurement plan and better meet the goals of Act 129. See gen'ly OCA St. 1; OCA St. 1-R; OCA St. 1-S. The ALJ did not accept the OCA's proposed modifications to PPL's plan in order to diversify the product mix through the inclusion of block and spot products and to adjust the timing of certain procurements. While the OCA continues to support the use of block and spot products for residential default service and believes that the added diversity will better achieve the least cost supply for residential customers over time, the OCA will not except to the ALJ's recommendation in this case given the particular circumstances presented here.

The OCA also recognizes that the Commission did not adopt the use of block and spot products in the FirstEnergy DSP II or PECO DSP II Orders given the potential for reduced default service load resulting from the competitive enhancement programs that will be part of the current default service plans. In the FirstEnergy DSP II proceeding, the Commission specifically stated that "it is not our intention to establish a precedent in this proceeding regarding the utilization of block procurements for default service" FirstEnergy DSP II Order at 26. The OCA agrees with the Commission that no precedent should be established regarding the use of

procurement methods adopted in this round of default service proceedings, particularly in light of the upcoming competitive enhancement programs. Given the unique nature of this default service plan period, the OCA will not except to the ALJ's recommendation and asks that the Commission also indicate that it is not establishing precedent in this case regarding the use of block and spot supply in the future.

ALJ Colwell did not accept the OCA's proposal that PPL procure some supply contracts for residential customers that extend beyond May 31, 2015 to avoid exposing residential customers to the potential for dramatic price increases if all supply has to be replaced at one time in 2015. The OCA excepts to the ALJ's decision. The OCA's proposal to procure some contracts that extend beyond May 31, 2015 mitigates the potential for abrupt price changes and smoothes the transition between default service periods.

ALJ Colwell also did not accept the OCA's proposal to hold back some of the Fixed Price Full Requirements (FPFR) tranches until after the enrollment period for the Opt-In Auction Program is completed. R.D. at 34-39. The OCA recommended that one of its two hold back proposals be adopted in order to mitigate the impact on the FPFR suppliers of a large segment of default service customers moving to Electric Generation Supplier (EGS) service at one time through PPL's Opt-In Auction Program. OCA witness Hahn testified that FPFR suppliers may increase their prices in order to mitigate this volumetric risk. See OCA St. 1 at 18-19. The OCA recommended incorporating a hold back of default service supply until the amount of customers participating in PPL's Opt-In Auction Program are known as a consumer protection that will assure that the Opt-In Auction Program does not inadvertently increase the price of default service. Id. at 18-20.

The ALJ did not accept this proposal, relying on the Commission's determination in the IWP Order. R.D. at 119. The OCA will not except to this determination in this case. The OCA would note, though, that the hold back proposal was only one of two mechanisms proposed by the OCA to mitigate the price impacts of the Opt-In Auction Program on the FPFR default service supply contracts. The OCA also proposed a second mechanism – that the customer participation cap for the Opt-In Auction Program be set at 20% of eligible residential customers. See OCA M.B. at 44-47. In the absence of the OCA's proposed hold back of supply, a 20% customer participation cap is an essential consumer protection that should be adopted, especially since the Opt-In Auction Program is a brand new, untested program. The OCA, therefore, will except to the ALJ's recommended rejection of this proposal.

The design of the retail competitive enhancement programs has been the subject of much testimony in this case. The ALJ did not accept certain key consumer protections that the OCA submits are critical to any competitive enhancement program that will be deployed. The OCA provides its Exceptions below to demonstrate the need for these critical consumer protections in the competitive enhancement programs.

II. EXCEPTIONS

A. Default Service Plan

Exception 1: The ALJ Erred In Adopting PPL's Proposal To Limit Its Default Service Procurements To Contracts That Expire By May 31, 2015. (R.D. at 48-51; OCA M.B. at 22-23; OCA Reply Brief at 11-13).

In her R.D., the ALJ adopted PPL's proposal to end all supply contracts on May 31, 2015, *i.e.*, a "hard stop" of all contracts. PPL St. 1 at 6-7. The ALJ found persuasive PPL's argument that if it continues as the default service provider, it can submit a new default service plan and extend some its later purchases to have expiration dates beyond May 31, 2015. See

PPL M.B. at 37-38. The ALJ found that this approach provided “a modicum of protection for default service customers against possible price spikes.” R.D. at 51. The OCA submits, however, that PPL’s proposal exposes residential customers to potential dramatic price changes on June 1, 2015 and should not be approved.

OCA witness Hahn explained in his direct testimony the risk introduced by PPL’s proposal to end all of its contracts on May 31, 2015. Specifically, Mr. Hahn testified that:

If all DSP-II contracts do terminate by May 31, 2015, then some entity, either the Company or the replacement default service provider, would need to procure 100% default service power supplies for delivery commencing on June 1, 2015. The default service provider for DSP-III could then be faced with two choices. One would be to purchase a large amount of default service power supply on a given date, such as buying 100% of DSP-II power supplies on March 15, 2015 for delivery commencing on June 1, 2015. If market prices are high at that particular time, default service rates could be extremely high. The second option would be to commence buying tranches as much as a year in advance.

OCA St. 1 at 13. Although market conditions are currently favorable, they may not be so favorable at the time of PPL’s next default service filing, and customers could be exposed to dramatic price increases if purchases for 100% of default supply must become effective at one time.

As to PPL’s assertion it could modify its default service plan or file a new plan if it remains the default service provider, the Company has failed to demonstrate that such a plan is feasible or would actually mitigate the potential for abrupt price changes. The Company would still be in the position of having to replace 100% of its supply over a relatively short period of time and only after the filing and approval of a new plan. In the recent PECO DSP proceeding, the Commission approved PECO’s plan to include some procurements that extended beyond

May 31, 2015 to allow for a smooth transition between default service periods. In its Order in the PECO case, the Commission stated:

We shall adopt PECO's procurement plan as recommended by the ALJ. We believe that PECO's use of laddered contracts of various durations creates a viable contingency plan that can be redesigned if changes in PECO's default service responsibility do arise. Further, with several of the procurements scheduled for 2014, we believe there is adequate time to address the continued use of contract terms longer than twelve or twenty-four months for default service.

PECO Order at 31.

The OCA submits that its recommendation to include a limited number of contracts that overhang May 31, 2015 should be adopted to provide the proper layering and laddering of supply and to avoid the potential for price spikes and volatility between default service periods.

B. Retail Market Enhancements

1. Retail Opt-In Program

Exception 2: The ALJ Erred By Not Limiting Participation In The Retail Opt-In Program To 20%. (R.D. at 118-20; OCA M.B. at 44-47; OCA R.B. at 20-22)

The ALJ recommended limiting customer participation in the Retail Opt-In Program to 50% of non-shopping customers. R.D. at 118-19. The ALJ relied, in part, on the IWP Order in making this recommendation. R.D. at 119. The OCA respectfully submits that a 20% customer participation cap should be adopted for PPL's Opt-In Program in order to mitigate the increased volumetric risk in providing default service and to better ensure a successful program. See OCA M.B. at 44-47.

With regard to the number of customers eligible for participation, the OCA submits that a larger pool of potential Opt-In Program enrollees will directly contribute to uncertainty for FPFR suppliers bidding into PPL's residential default service auctions that will take place prior to

commencement of the program. Such uncertainty will increase the level of risk premiums that such FPCR suppliers will include in their default service bids, thereby increasing the price of default service. OCA St. 1 at 18-19; see gen'ly OCA M.B. at 44-46.

As OCA witness Hahn testified:

I am concerned about the high potential participation of up to 50% of default service customers. The Retail Opt-in Auction program as proposed by PPL will introduce an additional volumetric risk, over and above the existing volumetric risk, in providing residential default service, which will increase the cost of default service. Competitive suppliers that bid to supply default service will need to assess the risk that up to half of the default service load that they win the right to supply will be taken away from them after they have finalized their prices. Accounting for this risk will require these suppliers to raise their prices through additional risk premiums.

OCA St. 1 at 18-19. Mr. Hahn stated that suppliers' fixed percentage shares of the default service load will decrease by the percentage of load that is instead provided by the Retail Opt-in supplier via the Retail Opt-in Program. He testified:

The risk of a decrease would have to be embedded in higher default service pricing, which can manifest itself in several ways. The default service suppliers could increase their expected profit margin to lessen the possibility of a loss on this transaction. The default service suppliers could also increase their ability to hedge those obligations through financial instruments such as options or swaps, or physically through other purchases, the cost of which would be included in their bids.

OCA St. 4 at 19.

Additionally, there are policy reasons why OCA's proposed 20% cap should be adopted.

OCA witness Alexander testified:

This program should limit enrollment to 20% of residential default service customers. My position is not a reflection of any objection to customer choice and the development of a retail market. Rather, opening up this program that has little or no precedent or experience to rely upon to predict results carries significant risks that may adversely impact customer opinion about the retail market. If 50% of the default service customers can enroll and far less agree to enroll, the Retail Opt-In Auction may be publicly viewed as a failure. If 20% can participate and far more seek to enroll and participate, this would be excellent

indication of customer interest in the retail market and EGSs would have the option to offer the same terms to additional customers outside the auction process itself.

OCA St. 2 at 10-11.

The OCA's proposal is designed to curb the risk of increased default service prices, while ensuring a successful Opt-In Program for all stakeholders. A 20% customer participation cap would provide a better level of load certainty for FPFRR suppliers. OCA St. 1 at 19-20. If the cap is reached and additional customers exhibit interest in the program, EGSs could make similar offers to the additional customers directly, outside of the program. OCA St. 2 at 11.

The ALJ also noted PPL's argument that it is unfair to require the Company to tell a customer they made their choice too late and that the program is closed. PPL St. 4R at 28-29. The OCA submits that the same concern could exist with a 50% cap. More important, however, a program that allows participation by 50% of remaining Default Service customers is not necessary to "jump start" a market in a service territory that already has a relatively high level of residential shopping. OCA St. 1 at 20; OCA St. 2 at 11. The OCA submits that the combination of current migration levels along with a 20% participation level should result in very robust overall retail competition, while still mitigating unnecessary premiums for default service.

The OCA understands and appreciates that there are a variety of opinions on this topic amongst the various parties in this proceeding. The OCA submits, however, that the OCA's 20% cap provides a reasonable accommodation for all of these interests and provides protection for consumers. As such, the OCA respectfully requests the Commission to review the substantial evidence provided by the OCA on this issue and adopt the OCA's recommendation of a 20% participation cap for PPL's Opt-In Program.

Exception 3: The ALJ's Rejection Of The OCA's Position Regarding Customer Savings Should Not Be Adopted. (R.D. at 122-23; OCA M.B. at 41-43; OCA R.B. at 18-20)

The ALJ recommends that PPL's proposal for a 6-month, fixed price program term at 5% off the December 1, 2013 PTC be adopted. R.D. at 122-23. The OCA accepted this proposal given the structure of PPL's semi-annual PTC changes. OCA St. 2 at 12; OCA M.B. at 40-41. Under PPL's proposal it is possible to guarantee robust customer savings during the entire 6-month program term. If the PTC semi-annual adjustment and the Opt-In Program term are aligned as PPL proposes, the savings can be guaranteed for six months. *Id.* This is the OCA's preferred approach in this proceeding.

In adopting the Company's proposal for an Opt-In program with a 6-month, fixed price product however, the ALJ noted that she was rejecting the OCA's position. R.D. at 121-23. The OCA's position was addressing a longer term program proposal of 12 months, as some parties' recommended. The OCA submits that there should continue to be a guarantee of savings if a longer-term program is adopted. *Id.*

The OCA submits that if a longer program is adopted than under PPL's proposal, the Commission should ensure that customers have a positive experience and that actual savings that appear to be promised to engage the customer to enroll in the program are, in fact, delivered for the entire program. OCA St. 2 at 11-12; OCA M.B. at 42. In the OCA's view, the program should lead to the type of outcome or customer experience that the Commission is looking for by guaranteeing savings for the program term. This position was echoed by PPL witness Krall, who stated that "the overarching purpose of the retail market enhancements is to introduce default service customers to shopping in a positive way." PPL St. 4-R at 15. In discussing a longer term program that would encompass a PTC change, OCA witness Alexander explained:

While customers would have the theoretical option to leave the auction contract without penalty, I am concerned that customers may learn about this pricing impact long after the differential has been in effect and I anticipate that these customers will have a negative opinion about the competitive market as a result.

OCA St. 2-SR at 5.

The OCA respectfully requests that if the Commission finds that a 12-month program should be implemented rather than PPL's proposed 6-month program, that the Commission adopt the OCA's recommendation to guarantee customer savings during the entire term of the contract. OCA St. 2 at 5.

Exception 4: The ALJ Erred In Failing To Recommend That Customers Receive Notice Prior To The End Of The Program Period. (R.D. at 125-27; OCA M.B. at 49-50; OCA R.B. at 22-23)

The OCA recommended that PPL be required to provide a notice to advise participating customers that the program is coming to an end. This notice would be in addition to the notices EGSs are required to provide by Commission regulation. OCA St. 1 at 12-13; OCA M.B. at 49-50. The ALJ did not adopt the OCA's proposal, stating that "participating customers actively chose to participate in the program with full knowledge of the terms of the program." R.D. at 127.

The OCA's proposal is intended to ensure that customers understand that this Commission-approved program is coming to an end. Given that most customers who will participate in the Retail Opt-in Program will not have any previous experience participating in the retail market, this additional notice will assist them in understanding the next steps. OCA witness Alexander testified:

In my opinion, most customers will assume that when the auction term ends they will be returned to default service since they will not be familiar with the "rules" of the retail market as a result of the unique nature of this Opt-in Auction program.

OCA St. 2 at 13.

The ALJ notes PPL's argument that customers in the Opt-In Program should not be given additional protections just because this program might be their first experience with shopping. PPL M.B. at 119. The OCA submits that there is an important distinction between this program and customers responding to a typical direct mail solicitation for the first time. This is a program that is being implemented by PPL and approved by the Commission. OCA St. 2 at 13. It will be presented to customers with these representations to encourage their participation. Therefore, it is appropriate and necessary that there be additional safeguards at the conclusion of the Program beyond those afforded to other shopping customers.

Due to the special nature of this Opt-In Program, customers should be clearly informed that the program is coming to an end. OCA St. 2 at 13. PPL should be involved in the end-of-program notice because it is the sponsor of the program.

Exception 5: The ALJ Erred In Failing To Recommend That Customers Be Placed On A Fixed Price Contract If They Have Not Made An Affirmative Choice At The End Of The Retail Opt-In Program Period. (R.D. at 125-27; OCA M.B. at 82-84; OCA R.B. at 50-51)

The ALJ did not specifically address the OCA's proposed requirement that EGSs place customers on a fixed price, month-to-month contract at the end of the program term, if the customer has not made an affirmative choice. OCA St. 2 at 13-14; OCA M.B. at 48. The ALJ does reference PPL's argument that first-time shoppers should not receive added protections. R.D. at 127 quoting PPL M.B. at 118-19.

PPL's argument ignores the nature of this program and the importance of customer satisfaction with this experience. OCA St. 2 at 13. It is appropriate and necessary that, at the conclusion of the Program, Retail Opt-In customers not be placed on a variable priced rate or other rate that is wholly inconsistent with the program in which they participated. The purpose

of the Opt-In Program is to create a positive experience for customers who otherwise have chosen not to shop, and a fixed price month-to-month product after the end of the program will help to maintain customers' comfort level with continuing to receive supply from an EGS.

The OCA submits that this important customer safeguard should be directed by the Commission.

Exception 6: If An Auction Is Held, The ALJ Erred In Recommending That Pre-Auction Costs Should Be Paid By Customers. (R.D. at 147-52; OCA M.B. at 61-63; OCA R.B. at 28-31)

The ALJ adopted PPL's cost recovery proposal for the Opt-In program. Specifically, she approved splitting the auction costs so that participating EGSs share the pre-auction costs or, if there are no participants, customers pay the pre-auction costs. R.D. at 152, 147-52. EGSs who secure load through the auction would share post-auction costs on a pro-rata basis. R.D. at 147.

If the Commission approves an auction format for the Opt-In program, the OCA submits that all pre- and post-auction costs should be paid by the EGSs. OCA M.B. at 61-63; OCA R.B. at 28-31. OCA witness Alexander testified as to why it is not appropriate for customers to pay for pre-auction costs:

As with the post-Auction costs, these pre-Auction costs are being undertaken by the regulated distribution utility to support market enhancements that benefit EGSs and that allow EGSs to avoid marketing costs. Such costs should all be borne by the EGSs that participate in the program and that stand to gain customers from the program.

OCA St. 2 at 14. This is consistent with the Commission's finding in the IWP Order. The Commission stated:

The participating suppliers will be receiving customers via this program in a manner that negates almost all of the usual customer acquisition costs. As such, it is only fair that the suppliers, as the prime beneficiaries of the program, should pick up the associated costs.

IWP Order at 84-85. RESA's witness, acknowledged that the retail market enhancements also provide benefits to EGSs. RESA St. 2-SR at 25.

[o]ne important justification for the opt-in auction is to allow a certain number of EGSs to increase their scale in the PPL market.

RESA St. 2 at 30.

The EGSs will be the primary beneficiaries through substantially reduced acquisition and transaction costs, and as such, should be responsible for the costs. The OCA respectfully submits that all costs of an Opt-In Program auction should be recovered from participating EGSs (or from all EGSs).

Exception 7: The ALJ Erred In Recommending That, Until The Issue Is Decided In The RMI Group, CAP Customers May Be Enrolled In The Retail Market Enhancement Programs. (R.D. at 128-34; OCA M.B. at 65-68; OCA R.B. at 33-36)

In its filing, PPL did not take a position on whether Customer Assistance Program (CAP) customers should be allowed to enroll in the Retail Enhancement initiatives. PPL St. 4-R at 5. After further consideration of the data showing that 73% of its currently shopping CAP customers were being charged a higher price than the PTC, PPL witness Krall stated:

The Company is concerned that the large numbers of "ineffective shoppers" may result in a net increase in program costs and burden to other non-CAP ratepayers that could otherwise be avoided. . . . As a practical matter, the Company does not, at this time, have enough understanding of the problem, its implications, and potential solutions to propose a course of action.

PPL St. 4S at 14-15. Ultimately, PPL recommended allowing CAP customers to continue participating in the Opt-In and Standard Offer programs but not marketing the programs to them until there has been further examination – either in the CAP working group in the RMI investigation proceeding or PPL's next universal services program review – of whether shopping by CAP customers produces net benefits for CAP and non-CAP customers. PPL M.B. at 140;

PPL St. 4-RJ at 2. The ALJ recommended that the CAP customers be treated like other customers until the RMI group investigates whether additional protections should be implemented for this group of customers. R.D. at 134. The OCA excepts to this recommendation.

While the OCA agrees that the issue of CAP customer participation should be referred to the RMI universal service subgroup for further analysis and consideration, given the concerns raised in the record regarding the potential increased costs of allowing CAP customers to participate in the retail enhancement programs, the OCA submits that in the interim, CAP customers should not be permitted to enroll in the Opt-In or Standard Offer Programs. OCA M.B. at 64-67; OCA R.B. at 35-36. It is particularly troubling that 73% of PPL's CAP customers are now paying higher bills as a result of switching to an alternative supplier. CAUSE St. 1 at 16, App. B. These customers are already payment-troubled and increased bills can only serve to make it more difficult for them to meet their CAP obligations. Additionally, under PPL's program, these higher prices will also increase the cost of the program to other non-CAP residential customers who pay a portion of these higher costs through the CAP credit. OCA M.B. at 65-66. Until the issues are investigated, the OCA submits it would not be reasonable to expand the size of CAP shopping through these programs. OCA witness Alexander testified:

I realize that PPL's CAP customers can currently select an EGS. However, expanding that relatively small and manually-intensive program to the larger scale Opt-In Auction and Customer Referral programs is premature. Mr. Krall's suggestion in his Rebuttal that PPL would undertake additional educational outreach to CAP customers is not well defined and not a sufficient response to the potential that these customers will pay more for essential electric service than under their current PPL universal service programs.

OCA St. 2S at 9; see also OCA St. 2 at 14-15.

The OCA submits that too many issues and questions remain outstanding regarding the participation of CAP customers in these programs and in retail markets generally. CAP customers should not be permitted to participate in these programs until these issues are resolved. As such, the ALJ's recommendation should not be accepted.

2. Standard Offer Program

Exception 8: The ALJ Erred By Not Adopting The OCA's Proposal That The Standard Offer Referral Program Guarantee Savings To Customers During The Introductory Period. (R.D. at 136-38; OCA M.B. at 53-54; OCA R.B. at 24-25)

The ALJ adopted PPL's proposal that the Standard Offer Referral Program provide a six-month contract with a fixed 7% off the PTC at the time of customer enrollment. R.D. at 138. This price term could result in the potential for customers to pay a higher price than PPL's default service price during the program. OCA St. 2 at 17; PPL Exh. 1 at 29. As OCA witness Alexander explained:

With monthly enrollments coupled with PPL's proposal for a six-month PTC, a customer could enroll during the 5th month of the current PTC and pay a higher price for the Referral program contract if the PTC is lower in the next month, thus eliminating all or some of the 7% discount for the remaining term.

OCA St. 2 at 17; OCA M.B. at 53. This is particularly problematic in PPL's situation where the PTC has experienced significant volatility. PPL Exh. 1 at 29.

The non-Company parties proposed shorter and longer term lengths for the Standard Offer program – ranging from four months to twelve months. R.D. at 136-37; Dominion Retail, Inc. d/b/a Dominion Energy Solutions (Dominion)/ Interstate Gas Supply (IGS) M.B. at 9; FirstEnergy Solutions (FES) M.B. at 54; OCA M.B. at 53-54; Retail Energy Supply Association (RESA) M.B. at 74. The ALJ accepted PPL's proposal, as representing a compromise between the parties while complying with the IWP Order. R.D. at 138.

The OCA does not object here to the 6-month term of PPL's introductory offer, but participating EGSs should guarantee the discount off the PTC during the entire program term. The OCA submits that this is the point of the Standard Offer program: to allow customers to experience the competitive retail market, but to enable that experience to be positive by producing savings. PPL's witness agreed that "the overarching purpose of the retail market enhancements is to introduce default service customers to shopping in a positive way." PPL St. 4-R at 15. In contrast, if savings are not guaranteed, there is risk that the goal of the program will not be achieved.

The OCA respectfully requests that the Commission adopt the OCA's recommendation to require a guarantee of customer savings during the entire introductory period of the Standard Offer program term. OCA M.B. at 53-54; OCA R.B. at 24-25.

Exception 9: The ALJ Erred In Recommending That Customers Calling With High Bill Complaints Be Among The Group Solicited For The Customer Referral Program. (R.D. at 141-43; OCA M.B. at 56-57; OCA R.B. at 26-27)

Beginning on page 142 of the Recommended Decision, the ALJ discusses PPL's proposed Standard Offer Program, which included the provision that customers calling for emergencies and terminations would not be solicited for the program. PPL stated generally that the Standard Offer Referral program would only be presented in those circumstances that are relevant to the caller's concerns, for example, if the caller seeks alternatives to reduce their bill or complains generally about the price of electricity. PPL Electric St. 4R at 40; PPL M.B. at 127. Moreover, PPL stated that the Company would not present the program to a customer who is calling regarding a high bill complaint until it identified the source of the customer's concern and attempted to resolve it. PPL M.B. at 127.

The ALJ adopted the Company's proposal as being consistent with the requirements of the IWP Order. The OCA provided specific support for limiting solicitation for the program to new or moving customers and customers who request information about shopping. OCA M.B. at 56-57. Foremost, calls where customers seek information or resolution of issues concerning high bills, credit and collection, or reliability of service should not be included in the obligation to present the program. OCA St. 2 at 17; OCA M.B. at 56. As OCA witness Alexander explained:

An approach that would require PPL to market the Customer Referral program to customers who call relating to their bills, credit and collection issues, reliability of service, or other calls unrelated to customer choice may result in a degradation of essential consumer protections, as well as increase PPL's costs. Customers should be assured that the service and concern that they initiated relating to their PPL bill or PPL's customer service will be handled with a high priority and without delays.

OCA St. 2 at 17. PPL's proposal to resolve customers' concerns, first, before offering the Standard Offer Program does not eliminate the problem.

With a high bill problem, customer satisfaction can be ambiguous. OCA St. 2S at 7; OCA M.B. at 56. Unlike a call requesting the transfer of service or a new service request call, high bill complaint calls may not be resolved in a single customer contact. These calls may be escalated through supervisors or result in field work, such as meter testing, or even to the point of an informal complaint with the Commission's Bureau of Consumer Services or a Formal Complaint. At what point during the customer calls would the customer "be satisfied" and provided information regarding the Standard Offer Program, after each customer contact or once the succession of calls and/or field work has been completed? Is the information provided if the customer call results in an informal or Formal Complaint? The OCA submits that these issues have not been addressed by either the Company's proposal or the ALJ's R.D.

Consistent with Ms. Alexander's testimony, the OCA submits that the Standard Offer Program should be affirmatively offered to new customers, those customers moving within the EDC service territory, and those who specifically inquire about customer choice or the Standard Offer Program. Other customer calls to the EDC should not trigger a requirement to offer the Standard Offer Program. Accordingly, the OCA requests that the Commission not accept the ALJ's recommendation on this point.

Exception 10: Ordering Paragraph No. 14 Is Not Consistent With The ALJ's Recommendation That Unrecovered Costs For The Standard Offer Referral Program Should Be Assessed To The EGSs. (R.D. at 152-54; OCA M.B. at 63-64; OCA R.B. at 32-33)

PPL proposed that capital costs for its Standard Offer Referral Program – costs of CSR call time and modifying the customer information and billing system – would be recovered from its customers in a future base rate case. PPL St. 4 at 29-30. PPL estimates that these capital costs will be \$3 million. OCA St. 2 at 16. The ALJ rejected this proposal. She stated:

The Commission has been clear that the costs of these programs should be borne by the EGSs, and the recommendation here is that unrecovered costs be assessed accordingly to the EGSs.

R.D. at 154. The related ordering paragraph, number 14, however, does not appear to be consistent with the ALJ's recommendation. Ordering Paragraph No. 14 states: "That the Default Service Program Plan II proposal for costs assessment and recovery for the Retail Enhancement Programs is approved as filed." R.D. at 168. As filed, PPL's plan would recover the capital costs for the referral program (\$3 million) from customers.

If it was the intent of the ALJ to assign any costs to customers, the OCA excepts. In its IWP Order, the Commission stated:

As to [Standard Offer] program costs, we agree with the assertions of OCA and UGIES that the bulk of the costs, including the costs of maintaining the referral programs once they are put into place, should be the responsibility of the

participating EGSs. We also find that PECO's proposal to recover program costs through the discount on the POR appears to be acceptable.

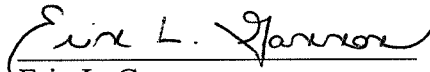
IWP Order at 32. The Commission reaffirmed this position in FirstEnergy Order and recent PECO Order that EGSs should be responsible for retail enhancement program costs. Consistent with those decisions, the OCA opposes PPL's proposal to recover any referral program costs from customers. OCA M.B. at 63-64; CAUSE-PA M.B. at 15. The costs at issue are neither necessary nor mandated to implement the basic requirements for a retail competitive market. By definition, they are intended to expand the market share of EGSs. OCA St. 2R at 14-15; OCA M.B. at 64. Moreover, customers have *already paid* the significant costs of setting up a competitive market. It is not reasonable to require them to pay for programs that are intended to increase the marketers' scale in the existing retail market.

The OCA requests that the Commission (1) adopt the ALJ's recommendation and (2) modify Ordering Paragraph No. 14 to state that all Standard Offer Referral Program costs will be recovered from the EGSs.

III. CONCLUSION

For all the foregoing reasons, the Office of Consumer Advocate respectfully Excepts to the Recommended Decision of Administrative Law Judge Susan D. Colwell, and requests the Commission to review the evidence on the issues pertaining to these Exceptions and to adopt the positions advanced herein.

Respectfully Submitted,



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Dated: December 5, 2012
163194

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 Exceptions to the Recommended Decision of Administrative Law Judge Susan D. Colwell, 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 5th day of December 2012.

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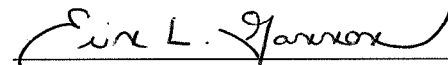
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