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December 5, 2012

Rosemary Chiavetta
Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor North
P.O. Box 3265
Harrisburg, PA 17105-3265

RE: 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

Dear Secretary Chiavetta:

Enclosed for filing please find the Exceptions of PPL Electric Utilities Corporation to the Recommended Decision issued on November 15, 2012 for the above-referenced proceeding. Copies will be provided as indicated.

Respectfully Submitted,

Michael W. Hassell

MWH/skr
Enclosures
cc: Honorable Susan D. Colwell
Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been served upon the following persons, in the manner indicated, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

EXCEPTIONS OF
PPL ELECTRIC UTILITIES CORPORATION
TO THE RECOMMENDED DECISION OF
ADMINISTRATIVE LAW JUDGE SUSAN D. COLWELL

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Dated: December 5, 2012

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I. INTRODUCTION

PPL Electric Utilities Corporation ("PPL Electric" or the "Company") hereby files these limited Exceptions to the Recommended Decision ("R.D.") of Administrative Law Judge Susan D. Colwell (the "ALJ") with respect to the Company's request for approval of a Default Service Program and Procurement Plan for the period June 1, 2013 through May 31, 2015 ("DSP II Program"). In addition to establishing the terms and conditions under which PPL Electric will obtain generation supply and provide default service for the next two years, the DSP II Program filing also includes PPL Electric's proposals to comply with the Pennsylvania Public Utility Commission's ("Commission") final orders in its Retail Markets Investigation. *See Investigation of Pennsylvania's Retail Electricity Market: Recommendations Regarding Upcoming Default Service Plans*, Docket Number I-2011-2237952 (December 16, 2011) ("*December 16 RMI Order*") and the Commission's *Investigation of Pennsylvania's Retail Electricity Market: Intermediate Work Plan*, Docket No. I-2011-2237952, 2012 Pa. PUC LEXIS 324 (March 2, 2012) ("*RMI-IWP Final Order*").

The R.D. substantially adopts PPL Electric's proposals for default service procurement and rates, as well as PPL Electric's proposals to further enhance the success of shopping to date in its service territory. In reaching her recommendations, the ALJ recognizes the leading role that PPL Electric has played in encouraging shopping. Shopping within each of PPL Electric's customer classes is the highest, or among the highest, of any of the major electric distribution companies ("EDCs") in Pennsylvania. (PPL Electric St. 1-R, p. 4; OSBA Ex. 1Ec-S1). In particular, residential and commercial customer shopping, measured both as a percentage of customer count and a percentage of customer load, exceeds, and in most cases far exceeds, that of all other major Pennsylvania EDCs. (OSBA Ex. 1Ec-S1). Over 40% of residential customer accounts, and 46% of residential customer load, are served by EGSs, while over 51% of commercial accounts and 89.6% of commercial customer load are served by EGSs. These statistics demonstrate PPL Electric's commitment to educating and encouraging customers to shop.

PPL Electric recognizes that the Commission has issued certain rulings in its recent decisions in *Joint Petition of Metropolitan Edison, et al. for Approval of Their Default Service Plans*, Docket No. P-2011-2273650, 2012 Pa. PUC LEXIS 1348 (August 16, 2012) ("*FirstEnergy Order*") and in *Petition of PECO Energy Company for Approval of Its Default Service Program*, Docket No. P-2012-2283641 (October 12, 2012) ("*PECO DSP II Order*") that are different in some respects from PPL Electric's proposals. However, the Commission's decisions in those cases should not be viewed as binding precedent on issues of design of appropriate default service and retail enhancement plans for PPL Electric. As noted by the ALJ, adoption of different proposals in this case could provide invaluable guidance for any future initiatives. (R.D. 118). "One size fits all" should not be viewed as the governing standard, particularly where individual EDCs have very different levels of current shopping.

Instead, the Commission should take into account that PPL Electric has substantial,[1] and successful, experience with default service procurement and retail shopping. That experience was used by PPL Electric to develop an integrated design for both default service and retail market enhancements. The default service products and procurement structure recognize, and adapt to, the high level of shopping by PPL Electric's customers. Additionally, the market enhancement initiatives are aligned with the default service terms, in order to enhance the retail

[1] PPL Electric's rate caps ended a year prior to the end of rate caps for most other EDCs, and thus PPL Electric has more experience with respect to competitive default procurements and shopping.

market enhancement programs. The following is a summary of these coordinated proposals, which have been recommended for approval by the ALJ:

- Residential and Small Commercial and Industrial ("Small C&I") Customer Class default service supplies will be separately acquired through a series of fixed-price, full-requirements, load-following contracts, obtained through semi-annual solicitations beginning in April 2013;

- PPL Electric will obtain fixed percentages of default service load through 12- and 9-month contracts, replacing expiring one-year and two-year contracts under the current DSP I Program, in order to position itself for procurements to be made under laddered yearly contracts procured every six months;

- The October 2014 procurement will procure 6- and 3-month contracts, so that no fixed-price load-following, full-requirements contracts extend beyond May 31, 2015, consistent with the Commission's *December 16 RMI Order*;

- The Company will cease procuring spot supply for the Residential and Small C&I Customer Classes;[2]

- The Company will not procure additional block supplies and will allow block supplies procured for the Residential Customer Class under the DSP I Program to expire as scheduled, with the result that the Company will have only 150 MW of block supply under contract at May 31, 2015, pursuant to existing 5- and 10-year contracts procured under the current DSP I Program;

- Default service rates will be revised on a semi-annual basis, to reduce procurement costs as more customers shop and to align with semi-annual procurements;

- Default service revenues and costs will be reconciled on a rolling 12-month basis, recomputed with each default service rate change, to moderate the wide swings in over/undercollections that have distorted default service rates over the past several years;

- The Company already has begun the New/Moving Customer Program, pursuant to Commission directives;

- A Customer Referral Mailing will be made prior to undertaking the Opt-In Auction Program;

- An Opt-In Auction Program is proposed, with a minimum 5% discount off the PTC, a $50 bonus, and a 6-month contract term that coincides with the semi-annual change in default service rates;

[2] Due to a legacy contract issue, PPL Electric will procure a small amount of spot supply for a six-month period of time from June through November, 2013. (PPL Electric St. 1, pp. 11-12).

- The Opt-In Program is scheduled to be undertaken in December 2013, to allow certain legacy contracts under DSP I to expire and to align with the December 1, 2013 PTC price change;

- A Standard Offer Referral Program is proposed, with a 7% discount off the PTC and a 6-month contract term that is long enough for customers to understand the benefits and processes of shopping, but at most will overlap one PTC price change;

- The Standard Offer Referral Program is scheduled to begin in mid-2014, to provide the Company time to implement programming changes that would allow "Day 1 Switch" capability and that would give customer service representatives increased access to information that would allow them to better inform customers about shopping through a referral program;

- PPL Electric's proposed Opt-In Auction and Referral Program rules and procedures are consistent with the Commission's directives in the *RMI-IWP Final Order*; and

- PPL Electric proposes to require EGSs to pay the cost of the Opt-In and Referral Programs, except for the cost of incremental customer service representative time and the cost of customer information programming changes that would be recovered in base rates.

PPL Electric has demonstrated a commitment to ensuring success of shopping in the Company's service territory. The Company believes its coordinated proposals will build upon this commitment to success by avoiding customer confusion that could hinder further development of a robust retail competitive market. As the R.D. summarized:

> [A]s more and more Residential and Small C&I customers move to EGSs, a semi-annual procurement and price change mechanism will simplify the default service process, giving further encouragement to shopping. As will be seen in the discussion to follow, semi-annual changes in default service prices align with the Company's proposals for six month contract terms for the Opt-In and Standard Offer Referral Programs. Limiting the frequency of PTC changes to twice per year will give Residential default service customers greater assurance that the offers that they consider under these Opt-In and Standard Offer Referral Programs will result in real savings off of the PTC rates. This should encourage more of the remaining default service customers to try shopping and provide them with a positive experience to continue shopping after their initial contract terms end. In other words, the proposal is suited to the needs of all parties – the Company's, the customers', and the EGSs'.

(R.D. 57).

For reasons explained in greater detail in the Company's Main and Reply Briefs, the Commission should adopt the ALJ's Recommended Decision, as modified by the Exceptions contained herein.

II. EXCEPTIONS

A. EXCEPTION NO. 1: THE R.D. SHOULD HAVE ADOPTED PPL ELECTRIC'S PROPOSAL TO REDUCE UNSECURED CREDIT AMOUNTS PROVIDED TO WHOLESALE SUPPLIERS (R.D. 101-03).

The R.D. concludes that PPL Electric did not provide sufficient justification for changing its current unsecured credit amounts. (R.D. 101-103). PPL Electric respectfully disagrees.

To understand PPL Electric's position on the issue of unsecured credit, it is necessary to provide a brief description of the security provisions under PPL Electric's Supply Master Agreement ("SMA"). PPL Electric computes, as frequently as daily, PPL Electric's Aggregate Exposure under all of a wholesale supplier's contracts with PPL Electric in the event of default by the supplier. (PPL Electric Ex. 1, Attachment A, SMA Section 14.6). The general requirement is that the wholesale supplier must post security, in the form of a Letter of Credit or other acceptable security, equal to the Aggregate Exposure. (PPL Electric Ex. 1, Attachment A, SMA Sections 14.1, 14.3). Through these provisions, PPL Electric and, by extension, its default service customers are financially protected in the event of a supplier default from increases in market prices above the contract price. Depending upon a supplier's credit rating, the Company will extend to the supplier unsecured credit, i.e., credit for which the supplier does not have to post security. Providing limited unsecured credit to wholesale suppliers with acceptable credit profiles is a normal industry practice. However, the unsecured credit amount represents a risk to default service customers. In the event of a default, and up to the level of unsecured credit, PPL Electric would have to sue a wholesale supplier for increases in costs above what would have been paid under the contract. If the supplier were insolvent, filed for bankruptcy or was otherwise judgment proof, PPL Electric might not be able to recover the increase in costs up to the level of unsecured credit, and the increased costs would be passed through to default service customers. (PPL Electric St.. 1-R, p. 21). Although Constellation alleged in testimony that lower unsecured credit levels "may" result in higher bids for default supply, Constellation offered no quantification of the claimed higher costs, or offer any balancing of those supposed costs against the risks to default service customers in the event of default. (PPL Electric St. 1, p. 21).

For the foregoing reasons, it is in the interest of PPL Electric's default service customers that unsecured credit amounts are kept to a moderate level. In this case, PPL Electric proposed to reduce its unsecured credit amounts from the levels in its currently-effective SMA, across all credit ratings, as shown in the following chart:

	PPL Electric's 2011-13 SMA	**PPL Electric's Proposed SMA**
Credit Rating of Supplier/Guarantor	**Unsecured Credit Limit**	**Unsecured Credit Limit**
A-/A3/A- and above[3]	$75 M	$50 M
BBB+/Baa1/BBB+	$50 M	$35 M
BBB/Baa2/BBB	$35 M	$25 M
BBB-/Baa3/BBB-	$20 M	$15 M
Below BBB-/Baa3/BBB-	$0 M	$0 M

[3] Credit ratings as provided by S&P, Fitch, and Moody's. (Petition of PPL Electric, Appendix A, p. 39).

PPL Electric provided evidence that other EDCs have lower unsecured credit amounts than PPL Electric's current amounts. (PPL Electric Ex. RGY-1R). The following table shows that PPL Electric's proposed unsecured credit amounts are reasonable compared to the unsecured credit offered by several other representative EDCs:

Unsecured Credit Limit	**PPL Electric Proposal**	**PECO**	**NSTAR**	**Duke Ohio**	**NJ BGS**
Highest Allowed Credit[4]	$50 M	$60 M	$40 M	$60 M	$60 M
Lowest Allowed Credit[5]	$15 M	$15 M	$5 M	$2.5 M	$15 M

Although PPL Electric has not experienced an event of default with any suppliers under its current DSP I Program, wholesale supplier defaults under default service programs have occasionally occurred. (RESA St. 1-SR, p. 18; Tr. 216). It is important that PPL Electric be proactive in the interest of customers, and reduce the unsecured credit offered to wholesale suppliers. For reasons explained at pages 94-95 of PPL Electric's Main Brief and 55-57 of PPL Electric's Reply Brief, PPL Electric's Exception should be granted.

B. EXCEPTION 2: THE R.D. SHOULD BE REVISED TO PROPERLY REFLECT THE ISSUES RAISED BY CONSTELLATION (R.D. 98).

The R.D. identifies four issues that are said to have been raised by Constellation/Joint Suppliers (R.D. 98):[6]

> Constellation argues for these changes in order to encourage the most robust participation in the DSP's RFPs:
>
> (1) inclusion of other EDCs' more appropriate credit thresholds or, at a minimum, the thresholds used in the

[4] For suppliers rated A-/A3/A- and above for all companies except NSTAR (AA-/Aa3/BBB+).

[5] For suppliers rated BBB-/Baa3/BBB- for all companies except Duke Ohio (BB/Ba2/BB).

[6] Constellation NewEnergy, Inc. and Exelon Generation Company, LLC, who filed a joint brief with NextEra Energy Services Pennsylvania LLC and NextEra Energy Power Marketing, LLC.

> SMA previously approved for use by PPL Electric in its 2011-2013 Default Service Plan;
>
> (2) provision for weekly settlements in order to reflect and operate in concert with PJM Interconnection, LLC's weekly settlement process;
>
> (3) change from one month to two weeks as the settlement period in the SMA; and
>
> (4) allowance of three business days rather than two for a DS supplier to replace a letter of credit.

JT. Suppliers MB at 13.

However, Constellation/Joint Suppliers identified only three issues at the referenced section of their Main Brief:

> Joint Suppliers ask that the Commission order PPL Electric to revise the SMA to: (1) include other EDCs' more appropriate unsecured credit thresholds or, at a minimum, the thresholds used in the SMA previously approved for use by PPL Electric in its 2011-2013 Default Service Plan (the "2011-13 SMA"); (2) provide for weekly settlements in order to reflect and operate in concert with PJM Interconnection, L.L.C.'s ("PJM") weekly settlement process; and (3) as agreed to by PPL Electric, allow a DS Supplier three Business Days rather than only two Business Days to replace a Letter of Credit.

(See also Joint Suppliers R.B., p. 11).

Item 3 at page 98 of the R.D. – "Change from one month to two weeks as the settlement period in the SMA" – was never an identified issue in the proceeding, and was not something agreed to by the Company. What the Company did agree to, as noted in the quote above from Joint Suppliers Main Brief, was to allow a DS Supplier three Business Days to replace a Letter of Credit.

The R.D. should be revised to properly reflect the issues raised by Constellation.

C. EXCEPTION NO. 3: THE COMMISSION SHOULD DECIDE PPL ELECTRIC'S CASH WORKING CAPITAL CLAIM (R.D. 55).

The R.D., at page 55, does not rule on the Company's provisional claim for a Cash Working Capital ("CWC") allowance associated with the net lag between payments to wholesale suppliers of default service supplies and payments from default service customers, concluding that the requested ruling was premature. PPL Electric excepts.

There are two separate reasons why PPL Electric has included a CWC claim in this proceeding.[7] The first is because the Company's Generation Supply Charge ("GSC") reconciliation methodology may be revised as a result of the Commission's proceeding on *Default Service Reconciliation Interim Guidelines*, Docket No. M-2012-2314313. If the Commission changes PPL Electric's GSC reconciliation methodology, the Company will no longer recover any CWC allowance through the GSC reconciliation, and it should be entitled to CWC recovery in this proceeding. The Company has calculated its CWC claim related to this issue to be $7.5 million.

The second reason that PPL Electric has included a provisional claim for CWC in this case relates to Constellation/Joint Suppliers' proposal to change PPL Electric's procedures for payments to wholesale suppliers from a monthly payment schedule to a weekly payment schedule. This change would separately increase PPL Electric's CWC requirement by $9.2 million. (PPL Electric M.B., p. 42). The R.D. has recommended that the Commission reject the proposal to change from a monthly to a weekly payment schedule, and PPL Electric supports this recommendation. (R.D. 100-01). However, if the Commission revises the R.D. and directs PPL Electric to pay wholesale suppliers on a weekly basis, then it must grant PPL Electric's CWC Exception. It is undisputed that accelerating the date for payment to wholesale suppliers will

[7] It is undisputed that the Company has included no CWC claim related to purchases of default service supplies in its pending base rate case. (PPL Electric St. 5, pp. 9-10).

shift CWC responsibility from being borne by suppliers and included in their bid prices to being borne by PPL Electric and being charged as an additional cost of default service. (PPL Electric St. 5-R, pp. 15-16).

For reasons explained more fully at pages 42-48 of PPL Electric's Main Brief and pages 22-24 of PPL Electric's Reply Brief, the Commission should approve PPL Electric's provisional CWC claim.

D. EXCEPTION NO. 4: THE COMMISSION SHOULD CONFIRM AND CLARIFY ISSUES RELATED TO THE IMPLEMENTATION OF THE SUMMER TOU RATE OPTION (R.D. 77-95).

1. Background Regarding the Time-of-Use Rate Option

a. The Statutory Requirement to Offer a Time-of-Use Program

As the default service provider, PPL Electric is required to offer a Time-of-Use ("TOU") program:

> . . . a default service provider shall submit to the commission one or more proposed time-of-use rates and real-time price plans. . . . The default service provider shall offer the time-of-use rates and real-time price plan to all customers that have been provided with smart meter technology

(66 Pa. C.S. § 2807(f)(5); *see* R.D. Conclusion of Law No. 19). Pursuant to this statutory provision, PPL Electric has offered Act 129 TOU programs to default service customers since 2010. This is fully consistent with the Commission's recent decision in *Pa. P.U.C. v. PPL Electric Utilities Corporation,* Docket No. R-2011-2264771 at p. 23, 2012 Pa. P.U.C. LEXIS 1383 (August 30, 2012) where the Commission stated that:

> The statute clearly states that, unless a customer switches to an EGS for its generation supply, the default service provider is required to provide service to that customer, as a default service customer. The nature of default service is not limited by the statute. Further, the statute requires a default service provider, such as PPL, to offer to its non-shopping, or default service customers, a TOU program. Thus, based upon the language in the

> statute, we agree with PPL's position that the TOU program is a form of default service.

Therefore, pursuant to 66 Pa. C.S. § 2807(f)(5), as the default service provider, PPL Electric is required by Act 129 to offer a TOU rate option to its default service customers and the Commission has explicitly stated that the TOU program is a form of default service. (*See* R.D. Conclusion of Law No. 20 ("A TOU program is a form of default service.")).

b. PPL Electric's TOU Proposals

In its May 1, 2012 Petition in this proceeding, PPL Electric proposed a TOU rate option program that would have established a separate default service rate option for Residential and Small C&I customers. Under the "as filed" TOU rate option, the Company selected on-peak and off-peak periods that remain constant throughout the year and prices that are based on the underlying fixed-price default service rate, *i.e.*, customers will pay a premium above the fixed rate during on-peak periods and will pay a discount below the fixed rate during off-peak periods. (*See* R.D. 83-85).

The as-filed TOU rate option was similar to the 2012 TOU program being reviewed by the Commission in Docket No. R-2011-2264771, *et al.* at the time the Petition was filed. (*See* R.D. 81). On August 30, 2012, after rebuttal testimony was submitted in this proceeding, and only shortly before the start of hearings, the Commission affirmed the Recommended Decision in Docket No. R-2011-2264771, *et al.*, which rejected PPL Electric's 2012 TOU program. (*Pa. P.U.C. v. PPL Electric Utilities Corporation*, Docket No. R-2011-2264771, *et al.*, 2012 Pa. P.U.C. LEXIS 1383 (August 30, 2012); *see also*, PPL Electric M.B., p. 71).

Because the Commission's Order, in Docket No. R-2011-2264771, *et al.*, was only entered shortly after testimony was filed and shortly before hearings began in this proceeding, PPL Electric did not have the opportunity to fully react and respond to the Commission's Order until the briefing phase of this proceeding. (PPL Electric M.B., p. 75). In its Main Brief, PPL Electric, in response to the Commission's Order on the 2012 TOU program, and based on the record in this proceeding proposed an alternative summer only TOU rate option ("Summer TOU"). (PPL Electric M.B. at pp. 88-91). As summarized by the R.D. the Summer TOU proposal has the following characteristics:

- An on-peak period of June, July and August from 3:00 p.m. to 6:00 p.m., excluding weekends and PJM holidays.
- During the remainder of the year, Summer TOU customers would receive the same rates as the standard default service customers, and would be included in load to be met by fixed rate default service suppliers.
- The same on-peak and off-peak periods would apply to Residential and Small C&I customers.
- The default service Summer TOU load would be bid out separately from fixed-price supply, but at the same time as the fixed-price default service load.
- The Company would issue an RFP requesting bidders to provide both an on-peak price and off-peak price at the same time it seeks bids for the fixed-price load-following contracts. The TOU RFP would seek to procure products to meet the default service load of TOU customers for the summer period only.
- The Company would evaluate the bids based on the prices that would result in the greatest economic benefit, *i.e.*, the least overall cost to the TOU customer using the existing rate class profiles. The Company would enter into a supply agreement with the winning bidder(s).
- The rates for the on-peak and off-peak periods would be those directly resulting from the winning suppliers' bids, plus the Customer Classes' respective portions of Company administrative costs and the E-Factor. Winning suppliers for the Summer TOU period would be paid their bid price.
- Any over/under collections will be recovered as per the Company's as filed proposal.
- A collaborative should be implemented so that details of the Summer TOU could be worked out and to ensure that implementation issues are addressed.

(R.D. 91-92; quoting PPL Electric M.B., p. 75 (footnote omitted)).

This alternative proposal is modeled after the Easy TOU rate proposal presented by SEF in this proceeding with two changes. (SEF St. 1, p. 14-15; PPL Electric M.B., p. 90; R.D. 92). First, the on-peak period of June, July and August from 3:00 p.m. to 6:00 p.m., excluding week-ends and PJM holidays, is intended to target the highest peak periods during the summer months. (PPL Electric M.B., p. 90; R.D. 92; *see* SEF St. 1, p. 15; SEF St. 1-R, p. 9).[8] SEF's original Easy TOU proposal provided for a 3:30 p.m. to 6:30 a.m. on-peak period; however, SEF later accepted the 3:00 p.m. to 6:00 p.m. period proposed by the Company. (R.D. 92 and 95). Second, TOU customers will be billed on their normal billing cycles and not on a calendar month basis as proposed by SEF. As with the peak period, SEF has explained on the record in this proceeding that the billing cycle change is acceptable. (R.D. 95).

The Company acknowledged that certain details would need to be worked out in order to finalize this alternative proposal and, therefore, recommended that if the ALJ decided to adopt this alternative proposal, a collaborative should be implemented so that details of the Summer TOU can be worked out to ensure that all implementation issues are fully addressed. (R.D. 92; PPL Electric M.B., p. 90).

2. The R.D.'s Acceptance of the Summer TOU/Easy TOU Rate Option

The R.D. did not accept PPL Electric's as-filed TOU proposal. (R.D. 92 and 95). PPL Electric is not challenging the R.D.'s determination with regard to the Company's as-filed TOU proposal; however, PPL Electric, as discussed below seeks confirmation and clarification regarding the implementation of the alternative TOU proposal.

Specifically the R.D. recommends that:

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[8] The R.D. notes (at n.36) that although SEF's Easy TOU proposal provided for a 3:30 p.m. to 6:30 a.m. on-peak period, PPL Electric witness Woodruff explained the difficulty of operating a TOU program in half-hour increments on PJM. (PPL Electric St. 1-R, p.10). Furthermore, SEF explained that "the Easy TOU "on-peak" period could be modified to start at 3:00 PM and at 6:00 PM or as suggested by Mr. Woodruff." (SEF St. 1-SR, p. 9).

> … Company should be directed to implement the Easy TOU program in time for the 2013 summer season. As it seeks a collaborative to aid in this implementation, the Company should be directed to convene the collaborative within a week of the Commission's final order in this matter, and to provide a complete plan for staff review under the present docket no later than one month prior to the first effective date of the program.

(R.D. 95). The R.D. also directs PPL Electric to:

> a. Initiate a collaborative including the interested parties from this docket within one week of the final Order in this matter;
>
> b. Convene the collaborative within one month of the final Order in this matter;
>
> c. Notify the Commission's Bureau of Technical Utility Services of the compliance with subparagraphs (a) and (b);
>
> d. File a proposed time-of-use program consistent with the Easy TOU plan discussed in the body of this Recommended Decision on or before April 1, 2013, in order to allow Commission review and approval of the proposed time-of-use plan and implementation before the 2013 summer season.

(R.D. Ordering Paragraph No. 6).

3. Request for Confirmation and Clarifications.

PPL Electric files an exception to the R.D.'s recommendation regarding the TOU program as a protective measure and to ensure that certain confirmations and clarifications are issued by the Commission. The confirmations and clarifications requested herein will assist PPL Electric to offer, pursuant to its statutory obligation, a TOU rate option for its default service customers.

a. The Commission should confirm that PPL Electric is to implement the Summer TOU Rate option proposed by the Company

PPL Electric requests that the Commission confirm that PPL Electric should implement the Summer TOU rate option proposed by the Company and not the Easy TOU rate option proposed by SEF. The terms "Summer TOU" and "Easy TOU" have been used interchangeably;

however, the rate options are not exactly the same. While the Summer TOU rate option is based on the Easy TOU program, there are certain material differences, each accepted by SEF and discussed in the R.D. First, in the Summer TOU rate option the on-peak period of June, July and August from 3:00 p.m. to 6:00 p.m., excluding week-ends and PJM holidays, is intended to target the highest peak periods during the summer months. Second, in the Summer TOU rate option TOU customers will be billed on their normal billing cycles and not on a calendar month basis. (R.D. 92 and 95). The Easy TOU program originally proposed by SEF contained a different peak period and different billing parameters. Notably, SEF has explained that it does not oppose the modification to its Easy TOU program which transforms it into the Summer TOU rate option proposed by PPL Electric.

The Company's interpretation of the R.D. is that its recommendation is to implement the Summer TOU rate option, as it is discussed at length in the body of the R.D., inclusive of the changes to the original Easy TOU proposal accepted by SEF.[9] PPL Electric requests that the Commission confirm this interpretation and permit the Company to implement the Summer TOU rate option.

b. The Summer TOU collaborative should be limited to implementation issues.

As quoted above, the R.D. recommended that PPL Electric convene the collaborative and provide a complete plan for staff review under the present docket to implement the Summer TOU rate option. (R.D. 95). PPL Electric requests that the Commission affirmatively state that the collaborative to be convened to discuss only the implementation of the Summer TOU rate option recommend by the R.D. PPL Electric anticipates the implementation issues to be minor

[9] As discussed in detail above, the R.D. states that the "Company should be directed to implement the Easy TOU program." (R.D. 95). At the same time the R.D. states that PPL Electric should file a "time-of-use program consistent with the Easy TOU plan discussed in the body of this Recommended Decision." (R.D. Ordering Paragraph No. 6).

and administrative in nature and the Company seeks to implement the Summer TOU rate option as soon as possible.

Consistent with the R.D.'s recommendation, PPL Electric plans to schedule and hold a collaborative regarding implementation issues of the Summer TOU rate option within one week of entry of the final Order in this proceeding. At the collaborative, PPL Electric will present the RFP and tariff sheets that encompass the Summer TOU rate option, and resolve any implementation issues that may be identified. Thereafter, PPL Electric anticipates that the filing of the Summer TOU rate option would be considered a compliance filing in this docket and not a matter to be addressed in a separate proceeding (or hearing). The Company further anticipates filing the required documents shortly after the collaborative is held for expedited review and approval by the Commission in order to obtain the supply for the Summer TOU rate option in April 2013. In order for the Company to implement the Summer TOU option in June 2013, the program would need to be approved by the Commission before April 2013, in order for procurements to be undertaken.

E. EXCEPTION NO. 5: THE COMMISSION SHOULD CONFIRM THAT PPL ELECTRIC'S PROPOSAL FOR A CUSTOMER REFERRAL MAILING WILL BE UNDERTAKEN ONLY IF THE COMPANY'S PROPOSED TIMING FOR THE OPT-IN AND STANDARD OFFER PROGRAMS IS ADOPTED (R.D. 107-08).

The R.D. appropriately recommends that the Commission adopt PPL Electric's proposed schedule to implement retail market enhancement programs, as follows:

- Implement New/Moving Customer program scripts and New Customer Welcome Package in late 2012, as directed by the Commission
- Undertake an added Customer Referral Mailing in the second or third quarter of 2013
- Undertake the Opt-In Program in Late November/early December 2013
- Initiate the ongoing Standard Offer Referral Program in mid-2014

(R.D. 143-47). The R.D. properly recognizes that PPL Electric has set forth a well thought-out proposal to maximize further shopping in the Company's service territory through a series of consecutive, but not overlapping, programs. (R.D. 147). PPL Electric believes that this schedule will further increase the already high level of shopping that exists on PPL Electric's system.

As explained in PPL Electric's Briefs, there are important reasons, relating to the expiration of existing contracts and the need to make computer system modifications to successfully implement a Standard Offer Referral Program, that necessitate the proposed start dates for the Opt-In and Standard Offer Referral Programs. (PPL Electric M.B., pp. 128-31; PPL Electric R.B., pp. 70-75). However, in order to continue the momentum from customer education mailings and the New/Moving Customer Program in late 2012-early 2013, PPL Electric proposed an additional Customer Referral Mailing in mid-2013. There is no disagreement among the parties regarding the format of the Customer Referral Mailing. (R.D. 107). However, there is an issue regarding whether the Mailing should be undertaken if the Company's proposed market enhancement schedule is revised.

PPL Electric emphasized in its filing that this Customer Referral Mailing, which is not directed by the Commission's *RMI-IWP Final Order*, was offered by the Company subject to acceptance of PPL Electric's proposed retail market enhancements proposal. (PPL Electric M.B., p. 110). If the timing of either the Opt-In Program or the Standard Offer Referral Program is accelerated, there is no reason for this optional program to be undertaken. Overlapping programs will result in customer confusion, which will hinder rather than advance further customer shopping. (R.D. 147). Such a program has not been required for other EDCs under the *RMI-IWP Final Order*, and it should not be required if the Commission decides, contrary to the

R.D., to direct that either the Opt-In Program or the Standard Offer Referral Program is to begin in the summer of 2013.

Because the R.D. accepts the Company's proposed timing of retail market enhancement programs, it does not address whether the Customer Referral Mailing should be undertaken if there is a change to the timing of other retail market enhancements. (R.D. 107). If the Commission modifies the timing of either the Opt-In Program or Standard Offer Referral Program, then the Commission should conclude that the optional customer referral mailing is not required. (PPL Electric M.B., pp. 108-11; PPL Electric R.B., pp. 61-62).

F. EXCEPTION NO. 6: THE COMMISSION SHOULD IMPLEMENT AN OPT-IN AUCTION PROGRAM RATHER THAN AN OPT-IN AGGREGATION PROGRAM (R.D. 111-12)

As explained in the Introduction to these Exceptions, the R.D. appropriately recognizes that PPL Electric has presented coordinated proposals for its default service program and for its retail market enhancements, and recommends approval of the vast majority of those proposals as being in the public interest. Included among those recommendations is general approval of the Company's proposal for an Opt-In Program, either as an Auction Program or an Aggregation Program. (R.D. 111-134; 167-68).

PPL Electric recognizes that in the *FirstEnergy Order* and the *PECO DSP II Order*, the Commission decided to implement an Aggregation approach for those companies' Opt-In Programs. However, with all due respect to the Commission, it is unknown whether that approach, or an Auction approach, will maximize the number of default service customers who participate in the Opt-In Program. If the Auction results in discounts substantially greater than the fixed 5% discount under an Aggregation approach, more default service customers may be encouraged to switch to an EGS.

PPL Electric encourages the Commission to try different approaches for the Opt-In Program, and in PPL Electric's case use an Auction process for the Opt-In Program.

G. EXCEPTION NO. 7: THE R.D. ERRS IN ADOPTING RESA'S PROPOSAL THAT THE OPT-IN PROGRAM HAVE A MINIMUM OF FOUR EGS PARTICIPANTS (R.D. 124-25).

The R.D. recommends adoption of RESA's proposal that there be a minimum of four EGS participants in order for the Opt-In Program to proceed. The R.D. adopts this proposal based on the conclusion that it is "consistent with the goals of the Retail Market Enhancement programs." (R.D. 128). PPL Electric excepts to this recommendation.

PPL Electric considers the goal of the Retail Market Enhancement programs to be to encourage more residential default service customers to shop, by presenting transparent, simple savings proposals for relatively short contract time frames. RESA's proposal for a mandated minimum of four EGS participants does not further the goal of encouraging shopping. Instead, adding a requirement of a minimum of four winning bidders complicates the process of selecting winning bidders through an auction process, and may result in a lesser percentage discount being provided to customers. (PPL Electric St. 4-R, p. 31; PPL Electric Ex. DAK-1R). This could occur if the tranches in an Auction program would have been filled by three bidders, but because of RESA's proposal a higher percentage discount was discarded to accept a fourth bidder with a lower percentage discount. A lower percentage discount may reduce the number of default service customers interested in shopping. In addition, a requirement of four EGS participants increases the possibility that no Opt-In Program will be undertaken if an insufficient number of EGSs elects to participate.[10]

[10] RESA asserts that the Commission could waive the four EGS participant requirement if only two or three EGSs participate. (RESA M.B., p. 72). However, if the requirement will be subject to waiver, there is little reason to adopt the requirement.

PPL Electric desires a successful Opt-In Program that builds upon the substantial success to date of shopping in PPL Electric's service territory. RESA's proposal will hinder, not advance, that success. RESA's proposal that the Opt-In Program proceed only if a minimum of four EGSs participate should be rejected.

III. CONCLUSION

The Commission should modify the Recommended Decision consistent with PPL Electric's Exceptions. In all other respects, the Recommended Decision should be adopted.

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Dated: December 5, 2012

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