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December 17, 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**

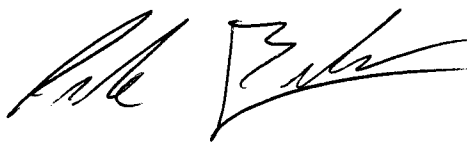
Dear Secretary Chiavetta:

Please find enclosed for filing with the Pennsylvania Public Utility Commission ("PUC" or "Commission") the Reply Exceptions of the PP&L Industrial Customer Alliance ("PPLICA") in the above-referenced proceeding.

As evidenced by the attached Certificate of Service, all parties to the proceeding are being served with a copy of this document. 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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Counsel to PP&L Industrial Customer Alliance

Dated this 17<sup>th</sup> day of December, 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	:	P-2012-2302074
Plan for the Period June 1, 2013	:	
Through May 31, 2015	:	

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

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Dated: December 17, 2012

## I. INTRODUCTION

On November 9, 2012, Administrative Law Judge Susan D. Colwell issued a Recommended Decision ("R.D.") recommending that the Pennsylvania Public Utility Commission ("PUC" or "Commission") approve the Default Service Program ("DSP") filed the PPL Electric Utilities Corporation ("PPL") as modified therein. The R.D. generally adopts the positions supported by the PP&L Industrial Customer Alliance ("PPLICA") throughout this litigated proceeding.<sup>1</sup> Accordingly, PPLICA did not file Exceptions to the R.D.

On December 5, 2012, PPLICA received Exceptions to the R.D. filed by PPL, the Office of Consumer Advocate ("OCA"), the Retail Energy Supply Association ("RESA"), Dominion Retail, Inc. d/b/a Dominion Energy Solutions and Interstate Gas Supply, Inc. ("DES/IGS"), FirstEnergy Solutions Corp. ("FES"), and the Coalition for Affordable Utility Services and Energy Efficiency ("CAUSE-PA").

In response to the Exceptions of RESA and DES/IGS regarding cost recovery for PPL's Retail Market Enhancement ("RME") programs and, in the case of RESA, allegedly unbundled default service costs, PPLICA hereby files these Reply Exceptions. Specifically, PPLICA requests that the Commission: (1) deny the Exceptions of RESA and DES/IGS; (2) adopt the R.D.'s appropriate recommendation to recover RME costs entirely from Electric Generation Suppliers ("EGS"); and (3) reject RESA's unjust and unreasonable proposal to implement a \$0.005/kWh "add-on" onto default service rates.

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<sup>1</sup> PPLICA is an *ad hoc* association of energy-intensive commercial and industrial customers receiving electric service in PPL's service territory. PPLICA members purchase service from PPL primarily under Rate Schedules LP-4, LP-5, LP-6, IS-P and IS-T, as well as available riders. These Rate Schedules make up the Large Commercial and Industrial ("Large C&I") Class. In addition, some PPLICA members also have accounts on Rate Schedules GS-1 and GS-3.

## II. REPLIES TO EXCEPTIONS

- A. **Reply to DES/IGS Exception No. 4 and RESA Exception No. 14: The Commission should adopt the R.D.'s recommendation to recover PPL's RME program costs from EGSs and deny the Exceptions of DES/IGS and RESA requesting that customers pay some or all of such costs.**

Throughout this proceeding, parties set forth various proposals for recovery of costs associated with PPL's proposed RME programs. PPL originally proposed to generally recover costs for its Retail Opt-In ("Opt-In") and Standard Offer Referral ("Standard Offer") program from participating EGSs, except that approximately \$3 million in capital costs incurred in implementing the Standard Offer program would be recovered from customers in a subsequent base rate case. DES/IGS generally supported PPL's proposal to recover a portion of RME costs from customers, while RESA proposed various alternatives designed to recover all RME costs from customers, including a wholly unsupported \$0.005/kWh charge to default service rates. R.D., pp. 153, 156. PPLICA opposed the recovery of any RME costs from customers as the programs inure primarily to the benefit of EGSs. R.D., p. 154. Alternatively, PPLICA argued that the terms of PPL's RME programs expressly limit participation to residential and small commercial customers, and therefore, any cost recovery mechanism must similarly exempt Large Commercial & Industrial ("C&I") customers from any allocation of such costs. *Id.*

The R.D. reasonably adopted PPLICA's primary argument, finding that "the Commission has been clear that the costs of these programs should be borne by the EGS, and the recommendation here is that unrecovered costs be assessed accordingly to the EGSs." R.D., p. 154. Further, the R.D. appropriately disposed of RESA's \$0.005/kWh Adder, stating that "[t]his proposal simply defies logic and is unequivocally denied." However, RESA and DES filed Exceptions to the R.D., generally relying on a recent Commission Order indicating that the Commission's review of RME cost recovery proposals "may include consideration of the

possibility that customers as well as EGSs may be responsible for some program costs." *Petition of PECO Energy Company for Approval of its Default Service Program*, Docket No. P-2012-2283641, Opinion and Order (on reconsideration) entered November 21, 2012 at 16 ("Reconsideration Order"). DES/IGS relies upon the Reconsideration Order to support PPL's original proposal to recover capital components of the Standard Offer program from customers. DES/IGS Exceptions, p. 6. RESA takes a more radical and unbalanced approach, completely ignoring the Commission's additional statement that "*most* RME Program costs should be the responsibility of the EGSs" and requesting that the Commission recover all RME costs through a non-bypassable surcharge applicable to all customers, an unspecified mechanism allocating RME costs evenly between customers and EGSs, or a separate charge to default service customers to recover both RME costs and allegedly unbundled default service costs. RESA Exceptions, p. 34.

The arguments supporting recovery of RME costs from customers are misguided and overly reliant on the Commission's conjecture that customers "may" pay some RME program costs while largely ignoring the Commission's actual holding that recovering RME program costs solely from EGSs is prudent because they are the primary beneficiaries of the programs. *See* Reconsideration Order, p. 16; *but see Investigation of Pennsylvania's Retail Electricity Market: Intermediate Work Plan – Final Order*, Docket No. I-2011-2237952 (Order Entered March 2, 2012) at 78 ("IWP Final Order"). Nothing in the Reconsideration Order precludes adoption of the R.D. in this proceeding. The mere fact that the Commission would consider some possibility of allocating RME costs to customers does not indicate stalwart support for such proposals as suggested by DES/IGS and RESA.

As stated in the Main and Reply Briefs filed by PPLICA, RME programs are essentially EGS marketing programs and should be recovered solely from the EGS entities standing to gain market share from the programs. PPLICA R.B., p. 11; PPLICA M.B., p. 20. However, if the Commission determines that any RME program costs should be recovered from customers, PPLICA alternatively requests that the Commission exempt Large C&I customers from any allocation of RME program costs. As further stated in PPLICA's Main Brief, PPL's RME programs exclude Large C&I customers from participation. PPLICA M.B., p. 21. Because Large C&I customers are ineligible for participation in PPL's proposed RME programs, Large C&I customers should not be assessed RME program costs under any circumstances. PPLICA M.B., p. 21.

Notwithstanding PPLICA's general opposition to recovery of RME costs from customers, RESA's surreptitious proposal to collect RME costs from default service customers is particularly unreasonable. RESA recommends that the Commission approve a separate charge that RESA believes is necessary to ensure that all direct and contingent costs of providing default service, including administration of RME programs, are recovered from default service customers. RESA Exceptions, p. 35. Although not explicitly stated in RESA's Exceptions, a review of RESA's citations shows that this proposed "charge" is the same \$0.005/kWh "Adder" that was rejected in two recent Commission Orders for violating cost of service and general ratemaking principles.<sup>2</sup> As extensively addressed in the R.D. and PPLICA's Main Brief, RESA's proposed Adder would: (1) artificially increase default service rates by arbitrarily raising default service costs with no correlation to PPL's actual expenses, and (2) further distort markets by

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<sup>2</sup> See *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-2011-2273668, P-2011-2273669, and P-2011-2273670 (Aug. 16, 2012), at 62-63 ("FirstEnergy Order"); see also *Petition of PECO Energy Company for Approval of its Default Service Program II*, Order, Docket No. P-2012-2283641 (October 12, 2012), at 76 ("PECO Order").

refunding to all customers, shopping or otherwise, costs originally collected only from default service customers. See R.D., p. 156; PPLICA M.B., pp. 22-23. Although any proposal to recover RME costs from customers should be denied, RESA's proposed Adder presents additional cost causation concerns and must be conclusively rejected.

For the above reasons, the Commission should deny DES/IGS's Exception No. 4 and RESA's Exception No. 14.


### **III. CONCLUSION**

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

- (a) Adopt the Recommended Decision's finding that PPL should 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 large commercial and industrial customers ineligible to participate or unable to benefit from RME programs; and
- (b) Adopt the Recommended Decision's denial of RESA's proposal for PPL to collect a \$0.005/kWh Adder from all default service customers; and
- (c) Take any other actions as deemed necessary and appropriate.

Respectfully submitted,

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