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December 17, 2012

Via Electronic Filing

Rosemary Chiavetta, Secretary
PA Public Utility Commission
PO 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:

On behalf of the Retail Energy Supply Association ("RESA") enclosed please find its Reply
Exceptions which have been electronically filed today with the Public Utility Commission with
regard to the above-referenced matter. Copies have been served in accordance with the attached
Certificate of Service.

Sincerely,



Deanne M. O'Dell

DMO/lww
Enclosure

cc: Hon. Susan Colwell, w/enc.
Office of Special Assistants w/enc. (via email only)
Cert. of Service w/enc.

CERTIFICATE OF SERVICE

I hereby certify that this day I served a copy of RESA's Reply Exceptions upon the persons listed below in the manner indicated in accordance with the requirements of 52 Pa. Code Section 1.54.

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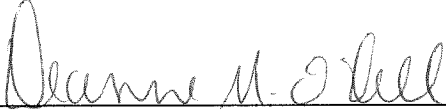
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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of PPL Electric Utilities Corporation :
for Approval of a Default Service Program and : Docket Nos. P-2012-2302074
Procurement Plan for the Period June 1, 2013 :
Through May 31, 2015 :
:

**REPLY EXCEPTIONS OF
RETAIL ENERGY SUPPLY ASSOCIATION**

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I. INTRODUCTION

The Retail Energy Supply Association (“RESA”)¹ submits these Reply Exceptions to respond to several issues raised by PPL Electric Utilities Corporation (“PPL”), the Office of Consumer Advocate (“OCA”), the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”) and FirstEnergy Solutions Corp. (“FES”) in their Exceptions to the November 9, 2012 Recommended Decision (“RD”) of Administrative Law Judge (“ALJ”) Susan D. Colwell. As explained more fully in RESA’s Exceptions, the proposed default service procurement plan and competitive retail market enhancements offered by PPL must be modified, consistent with RESA’s recommendations, to be compliant with the Electricity Generation Customer Choice and Competition Act (“Competition Act”)² and to have a reasonable chance of successfully accomplishing its intended goal of creating a more and robust competitive market. The contrary views of other parties, as set forth in their exceptions, must be rejected for all the reasons already addressed by RESA in its main brief, reply brief, and exceptions – all of which are incorporated herein by reference.

Notwithstanding, RESA provides this additional reply in response to some of the viewpoints of other parties as expressed in their Exceptions. First, there is no reason to accept PPL’s position that its proposed direct mailing of offers from electric generation suppliers (“EGSs”) should not be implemented if the schedule for the other Retail Market Enhancement

¹ RESA’s members include: Champion Energy Services, LLC; ConEdison *Solutions*; Constellation NewEnergy, Inc.; Direct Energy Services, LLC; Energetix, Inc.; Energy Plus Holdings LLC; Exelon Energy Company; GDF SUEZ Energy Resources NA, Inc.; Green Mountain Energy Company; Hess Corporation; Integrys Energy Services, Inc.; Just Energy; Liberty Power; MC Squared Energy Services, LLC; Mint Energy, LLC; NextEra Energy Services; Noble Americas Energy Solutions LLC; PPL EnergyPlus, LLC; Reliant; Stream Energy; TransCanada Power Marketing Ltd. and TriEagle Energy, L.P.. The comments expressed in this filing represent the position of RESA as an organization but may not represent the views of any particular member of RESA.

² 66 Pa. C.S. § 2801, et. seq.

("RME") programs is accelerated. This is nothing more than an obvious attempt by PPL to try to leverage something of value on one hand (the direct mail program) against something less valuable on the other hand (a delayed start for the RME programs) and should be rejected.

Second, to the extent the Commission agrees with PPL's recommendation that the Commission diverge from recent pronouncements and implement a retail opt-in auction rather than a retail opt-in aggregation, PPL's proposal as submitted must not be adopted unless RESA's modifications are accepted. PPL's proposed opt-in auction is flawed in significant ways including: (1) its proposed cost recovery approach, (2) its proposed sequencing of customer enrollment prior to auction, (3) its inclusion of shopping customers; (4) its exclusion of small commercial and industrial customers; and, (5) its failure to require four winning bidders. Once the Commission determines the program approach it prefers and the elements to be included, it should direct the parties to work together to develop fair and balanced binding terms that will govern their relationship and to work out the details of the customer allocation and other necessary issues.

Third, all of OCA's exceptions regarding the program design for each of the RME initiatives have been rejected by the Commission in the default service proceedings of PECO Energy Company ("PECO") and Metropolitan Edison Company ("MetEd") and Pennsylvania Electric Company ("Penelec"), Pennsylvania Power Company ("Penn Power") and West Penn Power Company ("West Penn")(collectively, "FirstEnergy") and, in some cases, in other orders from the Retail Markets Investigation ("RMI"). They should likewise be rejected here. The problem with each of OCA's recommendations is that they represent an potential barrier to EGS participation in the programs and, without EGS participation, the programs cannot be successfully implemented.

Finally, the efforts of OCA and CAUSE-PA to deny low-income consumers (generally referred to as “CAP” customers) the benefits of shopping, whether because they choose an EGS on their own initiative or as part of their participation in one of the RME programs, must be rejected.

II. REPLY TO EXCEPTIONS

A. PPL’s Direct Mail of EGS Offers Proposal Should Be Adopted Even If The Timing Of The Other RMEs Is Accelerated (Reply to PPL Exception No. 5)

PPL proposed to undertake a one-time direct mailing of EGS offers to residential default service customers in the second or third quarter of 2013 which is similar to the direct mail programs on-going in the FirstEnergy service territories.³ RESA fully supported this proposal and offered suggested modifications that were accepted by PPL. PPL, however, made implementation of this program contingent on approval of its overall timetable for implementation of its RME initiatives. Consequently, PPL’s position is that if it is ordered to implement either the retail opt-in program or the standard offer customer referral program sooner, then it should not be required to proceed with the direct mail program. According to PPL, there is “no reason” to undertake the mailing with earlier implementation of the other RME programs because: (1) this is an optional program that no other electric distribution company (“EDC”) has been required to undertake; and, (2) “overlapping programs will result in customer confusion, which will hinder rather than advance further customer shopping.”⁴ While PPL is to be commended for proposing this program, there is no reasonable basis upon which to accept

³ PPL St. No. 4 at 19-20.

⁴ PPL Exceptions at 17-18.

PPL's condition that the program be implemented only if PPL's overall schedule for RME initiatives implementation is adopted.

The direct mailing program (which would be paid by participating EGSs) is a very effective method through which consumers can receive information about available competitive offers. The program is far more analogous to a consumer receiving an offer in the mail from an EGS or from selecting a supplier through PAPowerSwitch (channels which would remain open regardless of other RME programs) than it is to the RME programs. Through the direct mail program, the focus is on the EDC providing information to consumers – through direct mail – about offers available in its service territory. The consumer then has the option to contact one of the suppliers and choose whether or not to receive service from that supplier. This is different from either the opt-in program or the standard offer customer referral program which focus on the standard product consumers would receive rather than on the specific EGS providing the offer. As these are different programs, each with unique benefits, there is simply no reason not to pursue the direct mail avenue to reach customers because other – differently structured and focused – programs may also be occurring.

Another key difference between the direct mail program and the other RME programs is that the EDC does nothing more than facilitate the communication. While this is a very important part of the program from a retail market development perspective (because the offer is coming from the entity with whom the consumer has a long-established relationship), in practical terms it makes the program very different from the opt-in program and the standard offer customer referral program. As such, the time necessary to implement the direct mail program at the same time other RME programs are on-going, should not be significant and – in fact – PPL has never made such claim in this proceeding.

In sum, the direct mail program is a valuable tool that should be available for PPL's consumers just as it has been available for FirstEnergy consumers. This program gives EGSs a great deal of flexibility because they submit their own marketing materials for inclusion in the mailer. It is also paid by participating EGSs. With RESA suggested modifications, the direct mail program is a cost effective way for customers to receive offers directly from suppliers and there is no merit to PPL's claim the direct mail program should not be implemented at the same time the RME programs are implemented. Therefore, PPL's Exception Number 5 should be denied, and RESA's Exception Number 10 should be granted.

B. The Commission Must Not Approve PPL's Opt-In Auction Program As Proposed By PPL Which Would Be Costly And Less Likely To Succeed Unless It Is Modified As Recommended By RESA (Reply to PPL Exception Nos. 1, 7; FES Exception No. 4; OCA Exception No. 6)

In recognition of the fact that the ALJ did not recommend whether the opt-in program should be structured as an auction or an aggregation, PPL recommends that the Commission adopt its proposal for an auction. According to PPL, the Commission should "try different approaches" because, in PPL's view, an auction may result in greater savings to customers encouraging more customers to participate.⁵ RESA supports the aggregation approach,⁶ and recommends that the Commission reject PPL's proposal for an auction. As the Commission is aware, other Pennsylvania EDCs, including First Energy and PECO, are implementing the

⁵ PPL Exceptions at 18-19.

⁶ If an aggregation program is approved by the Commission, RESA does not support FES' recommendation that some form of a bidding competition among interested EGSs be implemented. *See* FES Exception No. 4. One of the benefits of a retail opt-in aggregation program is that it is more cost effective than conducting an auction. In a program where the offer is set by the Commission, maintaining a requirement for some type of bidding process is not reasonable. This is consistent with the Commission's determination in the PECO default service proceeding. *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 30-31.

Commission's recommended aggregation approach. In the interest of consistency across the various EDCs, RESA urges the Commission to stay the course with the aggregation approach. RESA believes this approach is superior because it will allow all interested EGSs an equally opportunity to participate and acquire customers through the aggregation. This will better serve the Commission's stated goal of encouraging further retail market development and exposing customers to the wide range of EGS value propositions in the marketplace. An auction approach, by contrast, runs the risk of being dominated by one or two suppliers and will focus too heavily on price as the driving value proposition. However, if the Commission does choose to direct implementation of an auction, then significant modifications to PPL's proposal – consistent with the record developed in this case – must be implemented if the auction is to have any chance of success.

First, as explained in RESA's Exception No. 14, PPL's cost recovery approach for the auction is unreasonable and likely to create a barrier to participation by the EGSs.⁷ PPL's proposal will impose costs solely on the EGSs before the EGSs know the number of customers at stake.⁸ This could discourage EGSs from participating in the opt-in auction/aggregation.⁹ The payment of costs by auction/aggregation participants as a condition of participation will be a barrier to participation by some EGSs and is unusual in the electric markets.¹⁰ For example, there is no "participation cost" with the wholesale RFPs and auctions used to procure supply for default service in Pennsylvania and other states, the costs of which are typically socialized in

⁷ RESA Exceptions at 33-34.

⁸ RESA St. No. 2 at 25.

⁹ RESA St. No. 2 at 25.

¹⁰ RESA St. No. 2 at 25.

some manner, either to default service customers or all distribution customers.¹¹ Whether the auction or aggregation approach is adopted, the Commission must strive to implement a cost recovery approach that will encourage, instead of deter, EGS participation.

Second, the Commission should adopt RESA's proposal to sequence customer enrollment prior to the auction.¹² Conducting the price-setting auction before the customer enrollment period will tend to both decrease the number of EGSs that will participate in the auction and negatively influence the robustness of the auction itself. Such sequencing would force EGSs to consider whether they are willing to incur material transaction costs and commit to actual pricing in the auction without having any idea how many customers are even available for acquisition through the auction. Implementing a successful program depends to a great extent on EGS perception of the auction as an opportunity for mass acquisition of customers at a reasonable cost versus other channels. Leaving the key variable in that calculation – the number of customers available for acquisition – unknown until after both the price has been set and EGSs have incurred costs to participate in the auction can only have a negative impact on those EGS perceptions. Moreover, the program as laid out by PPL moves this program far from what it could be if done optimally.¹³

Third, if an auction is implemented, then the recommendations set forth in RESA Exception No. 11 should be implemented: (1) shopping customers *should not* be permitted to participate; and, (2) small commercial and industrial customers *should* be permitted to participate.¹⁴

¹¹ RESA St. No. 2 at 25-26.

¹² RESA St. No. 2 at 23-24.

¹³ RESA St. No. 1 at 22-23.

¹⁴ See RESA Exceptions at 24-26 (Exception No. 11).

Fourth, RESA’s proposal to require at least four (4) winning bidders in the opt-in auction should be adopted. PPL and FES both oppose this recommendation.¹⁵ According to PPL, requiring a minimum number of participants “does not further the goal of encouraging shopping [and] complicates the process of selecting winning bidders through an auction process.”¹⁶ PPL, however, ignores how this restriction is important to ensure participation by a diverse number of suppliers each bringing their own individual strengths and business models to the auction for the benefit of retail end users. RESA submits that the aggregation approach is the superior mechanism for attracting broad participation by EGSs. However, if the auction approach is adopted, RESA’s recommendation of a minimum of four winning bidders is essential to achieve this goal. One important justification for the retail market enhancement programs is to allow a more EGSs to increase their scale in the PPL market, allowing them to achieve economies of scale that would justify further investment that would benefit customers and the Commonwealth generally. RESA believes this goal is best served by having a minimum number of four winning bidders (again subject to the proviso that if the order of the enrollment and auction are reversed, as RESA recommends, participation below a certain number of customers might justify a smaller number of winning bidders).¹⁷

Finally, if the Commission chooses to direct an auction and provides direction regarding the program details, then parties should be directed to work together to develop fair and balanced binding terms that will govern their relationship consistent with the finally determined elements.

¹⁵ PPL Exceptions at 19-20; FES Exceptions at 14-16.

¹⁶ PPL Exceptions at 19.

¹⁷ RESA St. No. 1 at 30-31.

**C. OCA's Proposals Related To The Opt-In Program Design Should Be Rejected
(Reply to OCA Exception Nos. 2, 4-5)**

In its Exceptions, OCA claims that the ALJ erred by not adopting its proposed modifications for the opt-in program to: (1) limit customer participation in the program to 20% (Exception No. 2); (2) require an additional notice be sent to customers prior to the end of the program term (Exception No. 4); and, (3) require the EGSs to provide customers a fixed priced product at the end of the program unless the customer selects another option. All of these recommendations of OCA have been rejected by the Commission in other cases and they should be rejected here as well.

1. A 20% Customer Participation Cap Is Too Restrictive

The imposition of a 20% customer participation cap for the retail opt-in auction is inconsistent with the Commission's *Intermediate Work Plan Final Order* wherein the Commission determined that no more than 50% of an EDC's default service customer base may participate in the retail opt-in auction.¹⁸ In choosing a 50% total participation cap, the Commission stated that it does not wish to impose a lower cap that "may lead to the rejection of customers wishing to participate."¹⁹ Consistent with this initial determination, the Commission rejected OCA's attempts in the FirstEnergy and PECO default service proceedings to lower the participation cap to 20%. In both cases, the Commission concluded that OCA had "not presented any evidence of the magnitude of the risk associated with a 50% participation cap" and noted that it did not want to place this type of constraint which could hamper the success of the

¹⁸ *Investigation of Pennsylvania's Retail Electricity Market: Intermediate Work Plan*, Docket No. I-2011-2237952, Tentative Order entered March 2, 2012 ("*Intermediate Work Plan Final Order*") at 60.

¹⁹ *Intermediate Work Plan Final Order* at 59.

program.²⁰ OCA has offered no new arguments, not previously considered by the Commission to justify lowering this 50% cap in this case.²¹ The result of a lower customer participation cap translates into fewer available “open” positions. Assuming, *arguendo*, that shopping customers are eligible to participate in the opt-in program, their participation would foreclose participation by non-shopping customers.²² To avoid having a non-shopping customer be precluded from participation because of a “full” enrollment,²³ the customer participation cap should not be lowered below 50% and the Commission should reject – for a third time – OCA’s contrary proposal.

2. Additional Customer Notice Is Not Necessary

OCA excepts to the ALJ’s rejection of its proposal that PPL be required to provide an expiration notice to customers enrolled in the opt-in program which would be in addition to the notices EGSs are already required to provide customers pursuant to the Commission’s regulations.²⁴ RESA submits that customers should be adequately informed about the program term and what will happen upon expiration at the time they make their choice to participate.²⁵ Once they choose to participation, consistent with the Commission’s renewal guidelines, the two

²⁰ *Petition of PECO Energy Company for Approval of its Default Service Program II*, Docket No. P-2012-2283641, Opinion and Order entered October 12, 2012 (“*PECO DSP II Order*”) at 114; *Joint Petition of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company for Approval of Their Default Service Programs*, Docket Nos. P-2011-2273650, P-2011-2273668, P-2011-2273669, P-2011-2273670, Opinion and Order entered August 16, 2012 (“*FE DSP II Order*”) at 112

²¹ *See*, PPL MB at 118; RESA MB at 72.

²² RESA MB at 66-67.

²³ RESA submits that “full” enrollment is not necessarily an indicator of success of the opt-in program. Rather, a better indicator of success would be the number of non-shopping customers who elect to participate in the opt-in program.

²⁴ OCA Exceptions at 10-12.

²⁵ RESA St. No. 2-R at 10-11.

additional EGS notices that are required to provide prior to the end of the term is sufficient.²⁶ There is no apparent reason to add additional regulatory requirements to the opt-in program when the same requirements are not imposed elsewhere.²⁷ Moreover, in the FE and PECO DSP II cases, the Commission has rejected this identical OCA demand for additional notices.²⁸ OCA's demand here for additional mailings would be unnecessarily expensive and onerous and should similarly be rejected – for a third time. It would be far better – as RESA has recommended – to inform customers by way of additional pre-enrollment mailings and communications and/or enhanced means of enrollment.²⁹

3. There Is No Reason To Require EGSs To Offer A Fixed Price Product After Program Expiration To Those Who Do Not Select An Alternative Product

OCA argues that “it is appropriate and necessary that, at the conclusion of the [opt-in] Program, Retail Opt-In customer not be placed on a variable priced rate or other rate that is wholly inconsistent with the program in which they participated.”³⁰ OCA believes that requiring an EGS to maintain a fixed month product at the end of the program “will help to maintain customers’ comfort level with continuing to receive supply from an EGS.”³¹ There is no support for OCA’s proposal and it should be rejected by the Commission consistent with its determinations in the PECO and FirstEnergy default service cases.

In rejecting this same proposal from OCA in the PECO case, the Commission stated that “there is no reason for treating an Opt-In customer differently from any other customer whose

²⁶ *Intermediate Work Plan Final Order* at 73.

²⁷ RESA St. No. 2-R at 10-11.

²⁸ *See, FE DSP II Order* at 129; *PECO DSP II Order* at 100.

²⁹ *See* RESA Exceptions at 26-27 and RESA MB at 63-64.

³⁰ OCA Exceptions at 11-12.

³¹ OCA Exceptions at 12.

contract with an EGS is about to expire.”³² Moreover, as the Commission properly reasoned in the FirstEnergy default service case:

A fixed price may not be fair to either the customer or the EGS if market prices change significantly and the fixed rate is significantly above or below market rates. Furthermore, we find that placing customers on a variable rate is not unreasonable since customers are free to leave the EGS at any time without penalty.³³

Nothing in this record supports requiring EGSs to offer customers acquired through the retail opt-in terms different than what they are permitted to offer to their customers today pursuant to the Commission’s regulations and guidelines. From a practical standpoint, any questions about the product customers will have at the end of the opt-in program are most appropriately addressed by adequately informing the customers about the program term and what will happen upon expiration at the time they make their choice to participate.³⁴ Creating requirements about the type of products that EGSs will be forced to provide customers once the program ends is not only controversial and complicated but could have the very real impact of deterring EGSs from choosing to participate in the program in the first place. As such, the Commission should reject – for a third time – OCA’s position on this issue.

D. OCA’s Insistence of Guaranteed Savings Regardless Of The Term Of The Opt-In Program And Standard Offer Customer Referral Program Should Be Rejected (Reply to OCA Exception Nos. 3 and 8)

In Exception Numbers 3 and 8, OCA seeks to achieve the same goal – ensuring that customers participating in either the opt-in program or the standard offer customer referral program receive a price from the EGS that is guaranteed to be lower than the Price-to-Compare

³² *PECO DSP II Order* at 100.

³³ *FE DSP II Order* at 129.

³⁴ *See* RESA Exceptions at 26-27 and RESA MB at 63-64.

(“PTC”) during the entire term of the program. OCA believes this should be the standard regardless of the program term of either program and claims that such a result is appropriate based on OCA’s apparent viewpoint that it is the only way to ensure that customers choosing to participate have a “positive experience” of the competitive retail market.³⁵

OCA’s attempt to focus on the price component of these two programs as the lynchpin of whether or not they will be successful is shortsighted and unavailing. The focus of the programs is not – as OCA advocates – to give and guarantee customers a price that is lower than the PTC. Rather, the focus of the programs is to induce default service customers to shop and a “positive” experience for the customer may be met in a number of different ways beyond just price. For example, a particular EGS may have superior customer service or value-added products (such as reward points) or other offerings which would make a customer’s decision to receive that EGS’s service positive from that customer’s perspective. The only way to achieve this result is by incenting a variety of EGSs to participate in the program so that it is robust. Program design features (such as the ones recommended by OCA that RESA opposes) which create an unattractive program for EGS participation will not be successfully implemented – regardless of the price that is offered.

As such, RESA does not support requiring EGSs participating in the RME programs to offer a price that is always a set percent discount off the then-effective PTC for an entire one year service term. The mandate of a guarantee of savings versus the PTC would seriously deter EGS participation.³⁶ Rather than a guarantee of savings, the discount should be applied at the time of contract initiation and should not be required to continue throughout the contract term if

³⁵ OCA Exceptions at 9, 16

³⁶ RESA St. No. 2-SR at 30.

the PTC changes in that time period. Despite OCA's opinion, these price offerings should be viewed as "introductory;" and, customers can be made aware that the price they will receive after the discount period is over will reflect "regular" prices. No one expects to receive an introductory discount forever and customers will be free to stop receiving service from the EGS at any time without penalty.

Such a result is consistent with the Commission's decisions in the FirstEnergy and PECO default service proceedings. Regarding the opt-in program for both PECO and FirstEnergy, the Commission has concluded that the guaranteed price need only be open for the first four months of the twelve-month program term. The price to be offered for the remaining eight months will be subject to Commission review but the Commission has not required that it be set at a specific guaranteed savings off the PTC.³⁷ This is consistent with the Commission's conclusion in the *Intermediate Work Plan Final Order* that customers participating in the retail opt-in auction will "achieve savings at the time of the auction" but not necessarily throughout the auction term.³⁸

Similarly, regarding the standard offer customer referral program, the Commission rejected OCA's proposed guaranteed savings for the entire term of the program and stated in the PECO default service case:

While the discounted rate is fixed for twelve complete billing cycles, we realize that the PTC may be adjusted upward or downward on a quarterly basis which may impact the customers benefit to enrolling in the Program. However, enrolled customers are free to return to default service, should the PTC fall below the discount rate, or may switch to a different alternate provider.³⁹

³⁷ *FE DSP II Order* at 118; *PECO DSP II Order* at 90-91.

³⁸ *Intermediate Work Plan Final Order* at 50.

³⁹ *PECO DSP II Order* at 114.

There is no reason to deviate from these determinations in this proceeding and the Commission should deny OCA Exception Numbers 3 and 8.

E. The ALJ Did Not Err In Recommending Rejection Of OCA’s Proposal To Limit The Standard Offer Customer Referral Program To Customers Contacting PPL With Questions Specifically Related To Shopping (Reply to OCA Exception No. 9)

OCA seeks to limit the standard offer customer referral program to only new and moving customers and customer who contact PPL requesting information about shopping.⁴⁰ OCA is critical of the ALJ’s acceptance of PPL’s proposal that customers contacting it about a high bill complaint would not be provided information about the customer referral program until the source of the customer’s complaint is identified and resolution is attempted.⁴¹

RESA disagrees with OCA’s recommendation⁴² and so does the Commission. In fact, the Commission already concluded in the *Intermediate Work Plan Final Order* that calls to the EDC for high bill issues are appropriate contacts for which EDCs can inform customers about the customer referral program and, also at that time, the Commission preemptively addressed any concerns with including these callers in the program by directing that the referral program can be discussed “only and explicitly after the customer’s [high bill] concerns [are] satisfied.”⁴³ This position was affirmed in the FirstEnergy default service proceeding wherein the Commission

⁴⁰ OCA Exceptions at 17.

⁴¹ OCA Exceptions at 16.

⁴² For clarification, RESA’s position regarding application of the standard offer to high bill complaint calls (as well as general inquiry calls) should apply to default service customers only consistent with the *Intermediate Work Plan Final Order*. PPL must determine whether a calling customer is already shopping, in which case that customer should not be provided information about the standard offer customer referral program. Only if a shopping customer raises or inquires about the customer referral program should the customer service representative discuss that offer. As explained in the direct testimony of RESA witness Kallaher, this limitation is important because shopping customers are already participating in the competitive market (and therefore do not need the further incentive provided by the customer referral program) and they are being served by EGSs who have already invested in acquiring those customers. RESA St. No. 2 at 28, 37-38; RESA St. No. 2-R at 19-20.

⁴³ *Intermediate Work Plan Final Order* at 32 (emphasis added).

agreed with RESA that “customers calling with high bill complaints are likely those customers that can most directly benefit from becoming informed about competitive offers such as the Customer Referral Program.”⁴⁴ Likewise, in the PECO default service case, the Commission rejected OCA’s position and noted PECO’s commitment – similar to the one made here by PPL – to resolve the issue about which a customer is calling before providing the customer information about the standard offer customer referral program.⁴⁵ OCA has presented nothing to justify a deviation from this well-established and sound viewpoint of the Commission.

F. There Is No Reason To Deny CAP Customers The Ability To Participate In The Competitive Market (Reply to CAUSE-PA Exception No. 2, OCA Exception No. 7)

Both OCA and CAUSE-PA oppose the ALJ’s recommendation to permit CAP customers to participate in the RME programs as PPL has proposed. According to OCA, there are “too many issues and questions” outstanding regarding the participation of CAP customers in these programs.⁴⁶ CAUSE-PA argues that PPL’s CAP customers “are in fact being economically harmed by their participation in the retail electric markets” and recommends, in addition to not permitting them to participate in the RME programs, that the Commission not permit any further CAP customer shopping in PPL’s service territory.⁴⁷ RESA does not support either of these positions and these exceptions of OCA and CAUSE-PA should be denied.

⁴⁴ *FE DSP II Order* at 129.

⁴⁵ *PECO DSP II Order* at 119.

⁴⁶ OCA Exceptions at 15.

⁴⁷ CAUSE-PA Exceptions at 8-10.

All Pennsylvania residents have the right to choose their electric supplier.⁴⁸ This includes CAP customers. There is no reason to deny CAP customers the benefits of shopping whether because they select an EGS outside an RME program or because they participate in a RME program.⁴⁹ This position is consistent with recent pronouncements of the Commission that all “EDCs, if that have not done so already, develop plans that allow their CAP customers, on or before January 1, 2015, to shop in the competitive market without restriction.”⁵⁰ In his case, PPL currently permits its CAP customers to select an EGS and has proposed to permit these customers to participate in the RMEs.⁵¹ Adopting the positions of OCA and CAUSE-PA would be a step backward from the clearly expressed direction of the Commission.

Moreover, CAUSE-PA’s claim that CAP customers who have participated in the PPL CAP shopping model have been tangibly harmed is not true. CAUSE-PA’s claim is deeply rooted in the mindset that CAP customers should be prevented from making choices about their electricity supply – because they could make “bad” economic decisions.⁵² However, as explained by Chairman Powelson and Commissioner Witmer in the FirstEnergy default service proceeding, “CAP customers make hundreds of choices each week about how to spend their money, whether it be on where to buy food, clothing, gasoline, telecommunications services or any other necessity. These customers are equally equipped to make informed choices regarding

⁴⁸ 66 Pa. C.S. § 2806(a) (“... all customers of electric distribution companies in this Commonwealth shall have the opportunity to purchase electricity from their choice of electric generation suppliers. The ultimate choice of the electric generation supplier is to rest with the consumer.”).

⁴⁹ RESA MB at 95-97.

⁵⁰ *Investigation of Pennsylvania’s Retail Electricity Market: End State of Default Service*, Docket No. L-2011-2237952, Tentative Order entered November 8, 2012 at 23.

⁵¹ *See, e.g.*, OCA St. No. 2 at 14.

⁵² CAUSE-PA Exceptions at 8-9.

their electric supplier.”⁵³ Likewise, all shopping customers, including CAP customers, retain the ability to make new choices in response to changes in the market price and, if they are dissatisfied about the service they are receiving from an EGS, they can choose another supplier.⁵⁴

CAUSE-PA’s claim is based on a comparison between prices paid by CAP who are shopping and the PTC **at a single point in time**.⁵⁵ That comparison does not show that CAP customers were paying a higher price for the entire term of their contract with EGSs or that they have not or will not obtain savings over the life of the term of their contract. Importantly, the point of time used for the comparison occurred at a time when the PTC and EGS prices were dropping significantly.⁵⁶ Thus, the point of time used for the comparison is most certainly not reflective of the conditions experienced by shopping CAP customers over their entire shopping experience. In fact, it should be obvious, that the CAP customers – when they first chose their EGS – obtained some benefit or incentive for switching (such as a lower price, a gift card, or energy audit). If that point of time was chosen, the comparison would have yielded entirely different results – and would directly counter the foundation of CAUSE-PA’s claim.

RESA submits that PPL’s circumstances and PPL’s proposal are similar to the situation in FirstEnergy.⁵⁷ There, the Commission rightly concluded that CAP customers would be permitted to participate in the RME programs.⁵⁸ There is no reason to reach a different result

⁵³ RESA MB at 98, *citing, FE DSP II Order*, at Joint Statement by Chairman Powelson and Commissioner Witmer entered September 27, 2012, at 1-2.

⁵⁴ RESA RB at 42-45.

⁵⁵ PPL St. No. 4-R at 8.

⁵⁶ PPL St. No. 4-R at 8.

⁵⁷ RESA St. No. 2-R at 14.

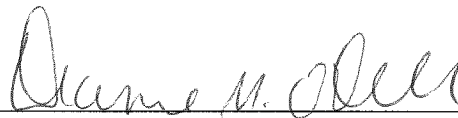
⁵⁸ *FE DSP II Order* at 143.

here,⁵⁹ and, contrary to the opinion of the OCA,⁶⁰ there is no need for more evaluation of the impact of permitting CAP customers “to shop” and of the cost impact of their participation in the RMEs.

III. CONCLUSION

For the reasons set forth above, RESA respectfully requests that the Commission deny the exceptions of the other parties as explained herein, and issue a consistent decision consistent with RESA’s exceptions which substantially rejects the ALJ’s November 9, 2012 Recommended Decision.

Respectfully submitted,



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Date: December 17, 2012

⁵⁹ RESA St. No. 2-R at 14.

⁶⁰ OCA St. No. 2 at 14-15.