

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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March 21, 2013

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 Comments in the above-referenced proceeding.

Copies have been served as indicated on the enclosed Certificate of Service.

Respectfully Submitted,


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 :

COMMENTS
OF THE OFFICE OF CONSUMER ADVOCATE

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DATED: March 21, 2013

I. INTRODUCTION

On January 24, 2013, the Pennsylvania Public Utility Commission (PUC or Commission) entered its Order in PPL's 2012 Default Service proceeding. 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 (Order entered January 24, 2013). As part of this Order, the Commission approved the implementation of a Retail Opt-In Program and a Standard Offer Referral Program with certain modifications contained in the Commission's Order. The Commission directed PPL to engage in a collaborative process with the interested parties to develop a revised plan and to develop a proposal regarding the payment of the costs of the program. Pursuant to this directive, PPL conducted a stakeholder meeting on February 22, 2013 and a follow up conference call on March 7, 2013 with the interested parties.

On March 11, 2013, PPL filed its Revised Retail Opt-In and Standard Offer Referral Programs. The revised programs address the modifications directed by the Commission's January 24th Order, propose a method of recovery for the program costs, and propose terms and conditions to govern the programs. Subsequent to PPL's filing of the revised programs, the Commission entered a Tentative Order on March 14, 2013 in this docket and in the other electric distribution companies' default service proceedings proposing to suspend the implementation of the Retail Opt-In Program. Petition of PECO Energy Company, et al., Docket Nos. P-2012-2283641, P-2011-2273650, P-2011-2273668, P-2011-2273669, P-2011-2273670, P-2012-2302074, P-2012-230166 (Order entered March 14, 2013). Comments on the Tentative Order are due on March 25, 2013. In light of the Commission's Tentative Order, the OCA will limit its comments on PPL's proposed Retail Opt-In Program.

As requested by PPL in its filing, the OCA provides the following comments on the revised retail market enhancement programs proposed by PPL.

II. COMMENTS

A. Retail Opt-In Program

As noted, the Commission has issued a Tentative Order suspending the implementation of the retail opt-in program. Given the Tentative Order, the OCA provides only brief comments on PPL's proposal regarding cost recovery for the Retail Opt-In Program and on PPL's proposed letters if the program moves forward. PPL has proposed that participating electric generation suppliers (EGSs) be required to pay an estimated cost of \$1 per customer mailing for this program. PPL proposes to true this up to the actual cost of the program. If the cost exceeds the \$1 per customer amount, PPL proposes to recover the additional costs through its Competitive Enhancement Rider from all customers. The Company also proposes to recover approximately \$21,250 in capital costs related to a modification to its billing system from customers through inclusion in distribution base rates in the Company's next base rate case. Petition at 8.

The OCA submits that PPL's proposal to recover the capital costs and any excess costs above the \$1 per customer mailing only from customers is unreasonable and should not be accepted here. As an initial matter, the OCA submits that the Commission should ensure that PPL suspends all expenditures on this program until the Commission rules on the Tentative Order. PPL should not incur any capital costs or other costs until a final determination is made as to the program.

Further, the OCA submits that, without final cost estimates, it is not possible to determine if PPL's cost recovery proposal is reasonable. If, however, the Retail Opt-In program

moves forward, the program should be designed to cost no more than the \$1 per customer mailing, including the capital costs for modifications to the billing system to support the program. The OCA submits that ratepayers should not be asked to support additional costs for this program as this program is designed to increase the market share of EGSs. PPL should be directed to implement the program in a manner that allows it to remain within the \$1 per customer mailing if the program moves forward.

If the program moves forward and ratepayers are asked to support any cost of this program (with which the OCA disagrees), the OCA submits that the more reasonable approach than PPL's proposal to charge all excess costs to customers would be a sharing of any costs in excess of \$1 per customer similar to that provided for in the Commission's Orders regarding the default service plans of PECO Energy and the FirstEnergy Companies. Petition of PECO Energy, Docket No. P-2012-2283641, *slip op.* at 13 (Order entered February 14, 2013); Joint Petition of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company, Docket Nos. P-2011-2273650, *et al.*, *slip op.* at 14 (Order entered February 15, 2013) The OCA submits that a sharing of excess costs, if any, would be more reasonable and cause less harm to customers.

The OCA would also note that PPL includes two letters with its revised compliance filing announcing the program. PPL has included a general letter for customers and a letter specific to its On Track customers. If the program moves forward, the OCA supports this approach. As to the general letter, however, PPL's Banner heading which states: "Save 5% and get a \$50 Bonus" may leave an incorrect impression about the offer. The 5% savings will not necessarily be in effect for the entire program period and may not even be in effect for the entirety of the initial four month period as the price to compare will change during those four

months. The OCA recommends that the banner be modified to reflect this fact. The OCA suggests that the banner read: "Save An Initial 5% And Get a \$50 Bonus."

B. Standard Offer Referral Program

PPL has also proposed a revised Standard Offer Referral Program. PPL is proposing to have its customer service representatives provide an overview of the program to default service customers who contact the PPL Electric Call Center for calls other than emergency calls and termination calls. Petition at 10. The customer service representative will provide an overview of the program to eligible customers and will then transfer interested customers to a separate, dedicated team to provide further detail about the program. Petition at 10. PPL is currently seeking a third party to serve as the external dedicated team. Petition at 13. PPL has not identified the final costs for this program as it has not completed the process of selecting the external dedicated team.

PPL has identified an estimated \$522,500 in capital costs for modifications to its billing system and EDI systems to support this program. PPL proposes to recover this \$522,500 in capital costs from customers in its next base rate proceeding. PPL is also proposing to charge EGSs \$30 per referred customer, or less if the actual program cost is less. If the actual program costs exceed \$30 per referred customer, PPL proposes to recover this amount from customers through its Competitive Enhancement Rider. Petition at 13.

The OCA remains concerned about the cost of this program and whether PPL's program design will minimize the overall costs of the program. Initially, the OCA would note that PPL has proposed to cap the EGS charges for this program at \$30 per customer referred, the amount recommended by the Commission in the FE and PECO Orders. See, FE February 15th Order at 14; PECO February 14th Order at 13. PPL then proposes to collect any costs in excess

of this amount, along with the \$522,500 in capital costs from its customers. Customers are not provided protection regarding the ultimate costs of this program that they may be asked to bear. The OCA submits that PPL's cost recovery proposal should not be adopted at this time.

PPL is proposing to cap the EGS charges for this program at \$30 per customer referred based on the PECO and FE Orders. Sole reliance on these Orders may not be appropriate given other aspects of PPL's proposed recovery mechanism. PPL is already proposing to seek recovery of \$522,500 from customers for modifications to the billing and EDI systems. The cost recovery for these capital costs items was not a part of the proposals in PECO and FE. In addition, the Commission explicitly stated in the PECO and FE Orders that one purpose of the capped EGS charges was to provide incentives to minimize the cost of the program. The Commission stated:

It is the opinion of this Commission that participant costs must be capped in order to attract participation in these programs, and also to provide proper cost incentives for EDCs to minimize implementation costs.

PECO February 14 Order at 13. While PPL has indicated that it is considering the use of a third party dedicated team to see if the cost of the program can be minimized, there is no final estimate at this time as to whether the actual cost of the program can remain within the capped amount.

The OCA would note in this regard that other program designs have been proposed that may allow the program to be implemented at a cost that remains within the proposed capped charge. The OCA submits that these program designs should be further considered by PPL if PPL cannot find a third party dedicated team that would allow the program to operate within the \$30 capped charge for all costs of the program. By way of example, Duquesne Light Company made a filing with its Revised Standard Offer Referral Program on the same day as PPL. Duquesne has proposed a program that can be implemented and operated

within the \$30 per referred customer capped charge that the Commission recommended in PECO and FE. Petition of Duquesne Light Company, Docket No. P-2012-2301664, Revised Plan at page 16. Under Duquesne's revised program, the customer service representative would provide an overview of the program and then transfer interested customers to the participating EGSs for further explanation of the program and enrollment. Duquesne Revised Plan at 11, Att. D. This approach provides a direct interaction between the customer and the assigned EGS, allows the customer to experience the process of enrolling for service with the EGS, and avoids the inefficiency of having an additional call center to explain the program and take an enrollment. The OCA strongly urges PPL, the Commission and all parties to give further consideration to this model which will greatly reduce the expense of the program and will result in more efficient processes that may better accustom the customers to the competitive retail market experience.

The OCA remains greatly concerned that PPL customers remain exposed to the \$522,500 in capital costs for this program and for an unknown level of program costs that could far exceed any benefits to customers from the program. The OCA submits that PPL should design its program so that the total actual costs of the program, including the capital costs, remain within the capped EGS charge. If the program requires costs above the capped charge, significant questions arise as to whether the program as designed is the most efficient means of increasing the market share of participating EGSs.

If the program moves forward and ratepayers are asked to support any cost of this program (with which the OCA disagrees), the OCA submits that a more reasonable approach than PPL's proposal to charge all excess costs to customers would be a sharing of any costs in excess of the capped EGS charge. This is particularly important if PPL's proposal to recover

\$522,500 in capital costs from customers is approved. The OCA submits that a sharing of excess costs, if any, would be more reasonable and cause less harm to customers.

III. CONCLUSION

For all the foregoing reasons, the Office of Consumer Advocate respectfully submits that the Revised Retail Opt-In and Standard Offer Referral Programs should not be approved until further information on program cost is provided and addressed.

Respectfully Submitted,



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March 21, 2013
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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 Comments, 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 21st day of March 2013.

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