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March 26, 2013

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 Comments 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,

A handwritten signature in cursive script that reads "Deanne M. O'Dell".

Deanne M. O'Dell

DMO/jls
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 Comments 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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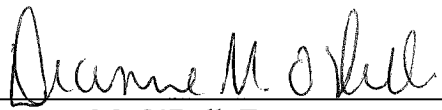
Dated: March 26, 2013

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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 :

**RETAIL ENERGY SUPPLY ASSOCIATION'S REPLY COMMENTS
TO REVISED RETAIL OPT-IN AND STANDARD OFFER PROGRAM
FILING DATED MARCH 11, 2013**

I. INTRODUCTION

The Retail Energy Supply Association (“RESA”)¹ submits these Reply Comments in response to comments of the Office of the Consumer Advocate (“OCA”) regarding the Revised Retail Opt-In And Standard Offer Program filing dated March 11, 2013 (“Revised Plan”) submitted by PPL Electric Utilities Corporation (“PPL” or “Company”). In its comments, OCA opposes PPL’s proposals: (1) to recover capital costs for the retail market enhancement (“RME”) programs from all customers through distribution rates; and, (2) to recover from all customers through the Competitive Enhancement Rider (“CER”) any costs exceeding program caps that PPL proposes to implement consistent with those established by the Commission in the PECO and FirstEnergy default service proceedings.² To address these concerns, OCA requests that the

¹ RESA’s members include: Champion Energy Services, LLC; ConEdison *Solutions*; Constellation NewEnergy, Inc.; Direct Energy Services, LLC; GDF SUEZ Energy Resources NA, Inc.; 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; NRG, Inc.; PPL EnergyPlus, LLC; 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 *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, and P-2011-2273670, Opinion and Order entered February 15, 2013 at 14-15 (“*FirstEnergy RME Order*”); *Petition of PECO Energy Company For Approval*

Commission not approve PPL's Revised Plan "until further information on program cost is provided and addressed."³

RESA does not support OCA's comments and urges the Commission to adopt PPL's Revised Plan as filed. While there are some aspects of PPL's Revised Plan that are less than ideal from RESA's perspective,⁴ RESA believes that PPL's proposal represents a reasonable and workable compromise. Much time and energy has been spent by all stakeholders throughout this process and RESA urges the Commission to press forward to expeditiously approve PPL's proposals so that these programs can be offered to the benefit of Pennsylvania's consumers.

II. PPL'S PROPOSED COST RECOVERY SHOULD BE ADOPTED

PPL's proposed cost recovery mechanisms are dependent on first identifying a cost as "capital" or "non-capital." "Capital costs" include customer service representative time and modifications to the Company's customer information and billing systems. PPL identifies these as capital costs because: (1) it cannot separate and account for that portion of the costs associated with these aspects that relate only to implementing the RME program from other portions of the modifications that are likely to be useful in managing other aspects of the Company's

Of Its Default Service Program, Docket No. P-2012-2283641, Order entered February 14, 2013 at 13-14 ("PECO RME Order").

³ OCA Comments at 7.

⁴ For example, RESA does not support the requirement that only EGSs utilizing a rate ready platform can participate in the RME programs. Such limitations unnecessarily bar EGSs that rely on bill ready platforms from participating in the RME programs and are not optimal. RESA, however, recognizes that the Commission affirmed FirstEnergy's proposed reliance on rate ready billing despite RESA's concerns. *FirstEnergy RME Order* at 10. All things considered, RESA believes that the focus in this proceeding should be to expeditiously implement the program that has been proposed by PPL.

relationship with its customers; and, (2) the benefits of the expenditure have broader value in other regards.⁵ On the other hand, PPL can identify the non-capital costs as directly related to the implementation of the RME programs. For capital costs, PPL proposes to recover these costs from all customers through distribution rates. For non-capital costs, PPL proposes to first recover a certain capped amount from participating EGSs and then recover any excess costs through the CER which is assessed to all distribution customers.

RESA supports PPL's proposal to recover capital costs from all customers as these costs have a broader application and benefit all of PPL's customers. In Pennsylvania today, the billing functions for mass market customers is provided by PPL as the electric distribution company ("EDC"). Thus, even though an electric generation suppliers ("EGS") is providing generation service to a customer, that customer is being billed by PPL (through the Purchase of Receivables program) and remains dependent on PPL's customer service support system for any issues or concerns related to its distribution service. Therefore, any enhancement to the customer billing and service functions have a direct beneficial impact on all customers regardless of whether or not that customer is participating in the RME programs. In fact, part of the capital costs PPL has identified include adding the functionality for new customers to immediately begin receiving service from an EGS. Because these capital costs have broader applications and benefit all customers, PPL's proposal to recover them through distribution rates is reasonable. Notably, PPL will still need to prove that any incurred capital costs were just and reasonable before it will be able to recover them in its base rates. Thus, PPL's distribution rate case is the appropriate proceeding in which to assess the reasonableness of PPL's capital costs and there is no reason to delay this proceeding to address this issue.

⁵ PPL Electric St. 4-R at 44-45; Tr. at 93-96

RESA also supports PPL's proposal to cap the costs of the RME programs consistent with the Commission's decisions in the *FirstEnergy RME Order* and the *PECO RME Order*. Although this was not PPL's original proposal in the case, such a cap is a reasonable way to balance competing concerns regarding cost recovery. For EGSs, knowing the amount of investment they will be required to incur assists in enabling them to reasonably assess whether or not to participate in the program. This is because there are risks to the EGSs of participating in the programs. EGSs do not have any right to full cost recovery for participating and, depending on how market conditions impact the effective price to compare during any time period where the EGS is required to maintain a certain fixed price, EGSs will bear the risk of either losing customers who exit the program or continuing to serve customers at lower than market prices. Another significant risk is requiring EGSs to commit to participate in the program without any way of knowing the level of customer participation to expect. By capping the amount EGSs will be expected to pay to participate, the Commission mitigates these concerns and provides incentive for EGSs to participate (assuming the programs are reasonably designed).

RESA also supports PPL's proposal to recover any excess costs from all customers through the CER. In the *FirstEnergy RME Order* and the *PECO RME Order*, the Commission offered EDCs the choice to recover any costs exceeding the recommended cap through either (1) a non-bypassable surcharge; or, (2) shared on a 50/50 percent basis between the POR discount rate and default service customers.⁶ In this case, PPL has chosen option one and proposes to recover any excess costs through the non-bypassable CER. Allocating a reasonable portion of the costs of the programs to all consumers is fair because the RME programs benefit all stakeholders, especially default customers who are the targets of the programs. OCA's claim

⁶ *FirstEnergy RME Order* at 14; *PECO RME Order* at 13.

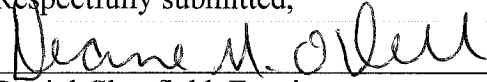
that these programs “are designed to increase the market share of EGSs”⁷ are nothing more than meaningless shell arguments previously made and rejected by the Commission. The goal of these arguments is to detract away from the reality that consumers – whether or not they are default or shopping customers – will be required to pay for these programs. Just as EDCs pass on their costs of providing default service to their default service customers, EGSs will likely need to pass on their costs to their “shopping” customers. Suggesting that EGSs pay for all of the costs because they gain some benefit from these programs is akin to arguing that EDC shareholders alone should pay 100% of the costs of the EDC’s billing and collection system because those systems inure to the financial benefit of the EDC. These programs benefit the customers themselves, who experience the savings and have the opportunity to participate in the competitive market and, therefore, PPL’s proposal to allocate to all customers any excess program costs above the cap that participating EGSs will pay is reasonable.

⁷ OCA Comments at 3.

III. CONCLUSION

For all the reasons discussed above, RESA respectfully requests that the Commission reject the positions advocated by OCA regarding the Revised Retail Opt-In And Standard Offer Program filing dated March 11, 2013 submitted by PPL Electric Utilities Corporation and approve PPL's filing as submitted.

Respectfully submitted,



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Date: March 26, 2013

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