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April 4, 2013

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 Comments 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

A handwritten signature in black ink, appearing to read 'Adeolu A. Bakare', written over a horizontal line.

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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Adeolu A. Bakare

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Dated this 4th day of April, 2013, at Harrisburg, Pennsylvania.

**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
	:	
	:	

**COMMENTS OF THE
PP&L INDUSTRIAL CUSTOMER ALLIANCE**

I. INTRODUCTION

On January 24, 2013, the Pennsylvania Public Utility Commission ("PUC" or "Commission") issued an Opinion and Order directing PPL Electric Utilities Corporation ("PPL" or "Company"), in part, to collaborate with electric generation suppliers ("EGSs") in developing the terms for PPL's new retail market enhancement ("RME") programs that will be part of PPL's new default service plan ("DSP").¹ Specifically, the Order directed the Company to collaborate with stakeholders and develop a proposal "regarding how electric generation suppliers and/or customers will pay for the costs of the Opt-In Program and Standard Offer Referral Program."

Following several collaborative meetings among stakeholders related to RME cost recovery and program design, PPL submitted its Revised DSP to the Commission on March 11, 2013 ("Revised DSP").

¹*Petition of PPL Electric Utilities Corporation For Approval of a Default Service Program and Procurement Plan*, Docket No. P-2012-2302074, Opinion and Order (Jan. 24, 2013), p. 195. (hereinafter, "PECO Order").

The PP&L Industrial Customer Alliance ("PPLICA") hereby submits these limited Comments to the Revised DSP.² As set forth below, PPLICA requests that the Commission reject any proposal to collect RME program costs from customer classes ineligible to participate in the RME programs, specifically Large Commercial and Industrial ("C&I") customers.³

II. COMMENTS

A. **If the Commission Adopts PPL's Proposal to Recover Costs in Excess of the Fixed Maximum Charges from EGSs, Large C&I Customers Should Be Exempted From Recovery of Such Costs.**

PPL's Revised DSP proposes separate methodologies for recovering non-capital and capital RME program costs, both of which inappropriately fail to exclude Large C&I customers from recovery of RME program costs. The record in this proceeding clearly demonstrates that Large C&I customers are ineligible and do not benefit from PPL's proposed RME programs. Therefore, it is imperative that the Commission direct PPL to limit recovery of RME program costs, whether non-capital or capital, to customer classes eligible to participate in the programs.

1. **Large C&I Customers Must Be Excluded From Recovery of PPL's Non-Capital RME Program Costs**

For non-capital RME program costs, the Revised DSP proposes maximum charges of \$30 per customer for the Standard Offer Referral Program ("Standard Offer Program") and \$1 per customer for the Retail Opt-In Program ("Opt-In Program"). Revised DSP, pp. 8, 13. Importantly, if the total non-capital RME program costs exceed the maximum fixed charges

² In the Revised DSP, PPL requested that the Commission establish a Comment period. The Commission did not issue a Secretarial Letter or Order adopting the Comment period requested by PPL. On March 21, 2013, the Office of Consumer Advocate ("OCA") filed Comments. PPL filed Reply Comments addressing OCA's Comments, and further reserving the right to respond to any additional Comments filed in the docket. PPLICA acknowledges that the Company and any other parties to the proceeding may respond to these Comments.

³ On April 4, 2013, the Commission issued a Final Order on Reconsideration at Docket No. R-2012-2302074, *et. al.*, ordering PPL and other electric distribution utilities to postpone implementation of any Retail Opt-In Programs. Although recovery of PPL's Opt-In program costs may be rendered moot if PPL's Opt-In Program is definitively cancelled, PPLICA requests that the Commission consider these Comments with regards to any future reinstatement of PPL's Opt-In Program as well as the remaining Standard Offer Program.

recoverable from EGSs under the Revised DSP, PPL would recover the remaining balance from customers through the Competitive Enhancement Rider ("CER") approved by the Commission's Final Order at Docket No. R-2012-2290597.⁴ For the Standard Offer Program, PPL proposes to allocate non-capital program costs recovered through the CER, consistent with the allocations approved in the Company's most recent base rate case.⁵ With regards to the Opt-In Program, the methodology for allocating of non-capital costs remains unclear.

PPLICA submits that the terms and conditions applicable to both RME programs should explicitly restrict cost recovery to the customer classes eligible to participate in the programs. As demonstrated by PPLICA throughout this proceeding, Large C&I customers are exempt from participating in the Standard Offer and Opt-In Programs. PPLICA M.B., p. 21 *citing* PPL Stmt. No. 1, pp. 19, 20, 25. As such, any recovery of RME program costs from these customers would impose unjust and unreasonable rates in contravention of cost causation principles. To ensure that PPL's Revised DSP complies with the Commission's longstanding prohibition of interclass subsidization, the Commission should modify the cost recovery terms for PPL's Standard Offer and Opt-In Programs to explicitly exclude Large C&I customers from any recovery of RME program costs.

At minimum, the Commission should require PPL to modify the terms and conditions for recovering non-capital costs of the Opt-In Program to be consistent with the cost allocation terms currently proposed for recovering of non-capital costs of the Standard Offer Program. As referenced above, the Revised DSP proposes to recover costs in excess of the maximum fixed charges recoverable from EGSs, through PPL's CER. This methodology could potentially expose Large C&I customers to as yet unquantified costs incurred through administration of the

⁴ *Pennsylvania Public Utility Commission v. PPL Electric Utilities Corporation*; Docket No. P-2012-2290597, Opinion and Order (Jan. 24, 2013), p. 143.

⁵ *See Id.* at 113.

RME programs. For the Standard Offer Program, PPL provides some measure of assurance that program costs will be appropriately allocated to the customer classes benefitting from the Company's program expenditures, stating that "[t]he allocation of these costs to the Customer Groups will be determined consistent with the cost allocations accepted by the Commission in PPL Electric's most recent base-rate proceeding." Revised DSP, p. 13. Similar language is conspicuously absent from the terms and conditions for the Opt-In Program, raising concerns regarding the appropriate allocation of these costs. Revised DSP, p. 8.

While PPLICA maintains that an explicit prohibition on recovering any RME program costs from Large C&I customers remains the more transparent and effective solution for preserving cost causation principles, the Commission should, at minimum, modify PPL's proposed terms and conditions for recovering non-capital costs of the Opt-In Program to include the cost allocation language proposed for recovering such costs of the Standard Offer Program.

2. Large C&I Customers Must be Excluded From Recovery of PPL's Capital RME Program Costs

PPL's proposal for recovering capital costs also requires modification to remain consistent with cost causation principles. For capital RME program costs, the Revised DSP proposes to recover costs through a future base rate proceeding. Revised DSP, pp. 8, 14. PPL estimates recovering approximately \$21,250 in capital costs for the Opt-In Program and \$522,500 in capital costs for the Standard Offer Program. *Id.* For both programs, PPL proposes to include the costs in base rates and determine the appropriate allocation at the time of its next base rate case.

Contrary to PPL's proposal, it is appropriate to exempt Large C&I customers from recovery of capital RME program costs in this proceeding because the proposed capital expenses are incurred to implement programs that specifically exclude Large C&I customers from

participation. As discussed above, both the Standard Offer and Opt-In Programs are available only to residential and small commercial customers. *See supra*, p. 3. Further, PPLICA has expended resources in this proceeding to develop an evidentiary record establishing that Large C&I customers are not eligible to participate in PPL's RME programs. *See* PPLICA M.B., p. 21 *citing* Tr. 109. Addressing the issue of whether RME program costs should be allocated to Large C&I customers in the context of PPL's next base rate case would require duplicative efforts. The clear purpose of PPL's RME programs fully justifies recognizing that costs incurred to implement the programs should be recovered from customers eligible to benefit from the programs, whether such costs are expensed or invested in capital improvements necessary to administer the RME programs.

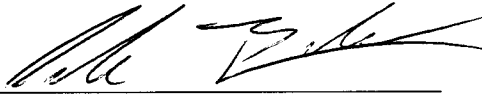
Consistent with PPLICA's prior request that the Commission prohibit the Company from recovering any non-capital RME program costs from Large C&I customers, PPLICA requests that the Commission similarly modify the Revised DSP to prohibit recovery of capital RME program costs from Large C&I customers.

III. CONCLUSION

WHEREFORE, the PP&L Industrial Customer Alliance respectfully requests that the Pennsylvania Public Utility Commission consider and adopt, as appropriate, the foregoing Comments.

Respectfully submitted,

McNEES WALLACE & NURICK LLC

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