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File #: 2507/151904

April 10, 2013

VIA ELECTRONIC FILING

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor North
P.O. 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:

Attached please find the Reply Comments of PPL Electric Utilities Corporation to the Comments Filed by the PP&L Industrial Customer Alliance on April 4, 2013 in the above-referenced proceeding. Copies will be provided as indicated on the Certificate of Service.

Respectfully submitted,

Michael W. Hassell

MWH/skr
Enclosure

cc: Honorable Susan D. Colwell
Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been served upon the following persons, in the manner indicated, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

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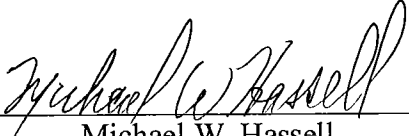
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Date: April 10, 2013


Michael W. Hassell

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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 :

**REPLY COMMENTS OF PPL ELECTRIC UTILITIES CORPORATION TO THE
COMMENTS FILED BY THE PP&L INDUSTRIAL CUSTOMER ALLIANCE ON
APRIL 4, 2013**

I. INTRODUCTION

By Order entered January 24, 2013, the Pennsylvania Public Utility Commission (“Commission”) accepted in-part, and revised in-part, the Retail Opt-In Program and the Standard Offer Program proposed previously by PPL Electric Utilities Corporation (“PPL Electric” or, the “Company”) in this 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 (“January 24 Order”). The Commission directed the Company to meet with the parties in this proceeding and also instructed PPL Electric to submit revised terms and conditions applicable to the Retail Opt-In Program and the Standard Offer Program to the Commission by March 11, 2013. In the January 24 Order, the Commission further directed PPL Electric to file a revised Default Service Program and Procurement Plan for the Period June 1, 2013 through May 31, 2015 (“Revised DSP”), including associated tariff supplements, which reflected all of the revisions set forth in the January 24 Order. The Commission ordered PPL Electric to file a Revised DSP within sixty (60) days of the entry date of the January 24 Order, *i.e.*, March 25, 2013.

Per the Commission's directive, PPL Electric submitted, on March 11, 2013, a revised Retail Opt-In Program and a revised Standard Offer Program, collectively the retail market enhancement ("RME") programs.¹

PPL Electric requested that the Commission establish a comment period, in response to the Revised ROI & SOP filing. On March 21, 2013, consistent with PPL Electric's proposed comment period, the Office of the Consumer Advocate ("OCA") filed comments on the revised Retail Opt-In and Standard Offer Programs.² On March 26, 2013, PPL Electric filed reply comments in response to those submitted by OCA. Additionally, on March 26, 2013, FirstEnergy Solutions Corp. and the Retail Energy Supply Association filed reply comments.

Further, per the Commission's directive, on March 25, 2013, PPL Electric submitted its Revised DSP. The Revised DSP reflected all changes to the Default Service Plan directed by the Commission. In addition, as relevant to these Reply Comments, attached to the Revised DSP, and incorporated by reference, was a copy of the March 11, 2013 filing that contained PPL Electric's revised RME programs. PPL Electric requested that the Commission set a date of April 4, 2013 for comments to the remaining portions of the revised Default Service Plan that were not previously submitted, and a date of April 10, 2013 for Reply Comments.

¹ The March 11th filing ("Revised ROI & SOP") included proposed Retail Opt-In Program Process and Rules ("ROI Rules") and Standard Offer Program Process and Rules ("SOP Rules") which contain the terms and conditions for participation in the respective programs. On April 4, 2013, the Commission issued a Final Order immediately postponing the implementation of the Retail Opt-In Programs proposed by various EDCs, including PPL Electric. *See* Petition of PECO Energy Company, *et al.*, Docket Nos. P-2012-2283641, *et al.*, (Order Entered April 4, 2013).

² On March 21, 2013, FirstEnergy Solutions Corp. filed a letter stating that it will not be submitting initial comments on PPL Electric's revised Retail Opt-In and Standard Offer Programs.

On April 4, 2013, PP&L Industrial Customer Alliance (“PPLICA”) filed comments on the PPL Electric’s Revised ROI & SOP.³ Therefore, with this submission, PPL Electric only responds to the comments submitted by PPLICA on April 4, 2013.⁴

II. REPLY COMMENTS

PPLICA’s comments contend that the Revised ROI & SOP fail to exclude Large Commercial and Industrial (“Large C&I”) customers from the recovery of RME programs’ costs. PPLICA Comments, p. 2. PPLICA’s concerns are unwarranted, and premature. The Company proposed cost recovery methods consistent with the January 24 Order and the Commission’s Order in PPL Electric’s most recent base-rate proceeding.⁵ Moreover, specific issues related to the allocation of certain costs are appropriately addressed in the Company’s next base-rate proceeding, not this proceeding.

A. SUMMARY OF PPL ELECTRIC’S RME COST RECOVERY PROPOSALS

In its March 11th filing regarding the revised Retail Opt-In Program,⁶ PPL Electric proposed that participating electric generation suppliers (“EGSs”) be required to pay an estimated cost of \$1/customer mailing. This payment would be trued-up with the actual cost of

³ In its comments PPLICA states that it is responding to the “Revised DSP” submitted to the Commission on March 11, 2013. PPL Electric clarifies that it filed its Revised DSP with the Commission on March 25, 2013. Furthermore, while PPLICA refers to the Revised DSP throughout its comments, it is in fact responding to, and cites, the revised Retail Opt-In Program and revised Standard Offer Program filed on March 11, 2013.

⁴ While PPL Electric proposed a specific comment schedule in its March 11th filing, the Commission did not issue a notice or order concerning the submission of comments regarding the Revised ROI & SOP. Therefore, in the event that the Commission does establish a different comment schedule, PPL Electric reserves the right to respond to any further comments filed in this proceeding regarding the Revised DSP.

⁵ *Pennsylvania Public Utility Commission, et al., v. PPL Electric Utilities Corporation*, Docket Nos. R-2012-2290597, *et al.*, (Order Entered December 28, 2012) (“December 28 Order”).

⁶ PPL Electric recognizes that the Commission indefinitely postponed the implementation of the Retail Opt-In Program. However, to ensure a complete record in this proceeding the Company will respond to the arguments raised by PPLICA concerning the postponed program. Furthermore, it is appropriate to respond to the arguments raised by PPLICA concerning the Retail Opt-In Program because its cost recovery arguments generally apply to the Standard Offer Program as well.

the program, but would not exceed a payment of \$1 per customer mailing. ROI Rules § 7.1. In the event that costs exceed \$1/customer mailing, any excess cost would be recovered through PPL Electric's Competitive Enhancement Rider. *Id.* PPL Electric anticipated that the costs would be less than \$1 per customer mailing based on the assumption that not all of the prepaid envelopes will be utilized. Revised ROI & SOP, p. 8; PPL Electric March 26 Reply Comments, pp. 4-6. The Company also proposed that certain capital costs of the Retail Opt-In Program shall be recovered in base rates. Revised ROI & SOP, pp. 8-9. The Company estimated that it will incur approximately \$21,250 in capital costs for modifications to the billing system, primarily to support the random assignment of EGSs prior to the customer mailing. *Id.* PPL Electric explained that these costs would be included in base rates and recovered in the Company's next base-rate proceeding. *Id.* PPL Electric proposed that the allocation of these costs among the Customer Groups be determined in that base-rate proceeding. *Id.*

Regarding the Standard Offer Program, PPL Electric proposed, *inter alia*, that participating EGSs be required to pay a fee of the lesser of \$30 per referred customer or PPL Electric's actual costs per referred customer. SOP Rules § 7.1. Any remaining costs would be included and recovered in the Company's Competitive Enhancement Rider. Revised ROI & SOP, p. 13. The 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. *Id.* PPL Electric currently anticipates that the actual cost per referred customer, excluding capital costs, will be less than \$30 per referred customer. PPL Electric March 26 Reply Comments, pp. 9-11.

Additionally, certain capital costs related to the Standard Offer Program will be recovered in base rates. The Company estimates approximately \$522,500 in capital costs for

modifications to the billing and EDI systems shall be included and recovered in the Company's next base-rate proceeding. Revised ROI & SOP, pp. 13-14. The allocation of these costs to the Customer Group will be determined in that base-rate proceeding. Revised ROI & SOP, p. 14.

B. THE PROPOSED MECHANISM TO RECOVER THE NON-CAPITAL COSTS OF THE RME PROGRAMS IS APPROPRIATE

PPLICA argues that Large C&I customers should be excluded from recovery of the non-capital RME program costs. PPLICA Comments, p. 2. As summarized above, and explained in PPL Electric's Revised ROI & SOP filing and its Reply Comments filed on March 26th, the Company anticipates that the non-capital costs related to the RME programs will be recovered from the EGSs that chose to participate in the RME programs.⁷ Therefore, because the Company currently anticipates that the non-capital costs will be covered by the participating EGSs, PPLICA's concern that Large C&I customers would be charged for these costs is unwarranted. Moreover, as discussed below, in the event that the costs are not fully recovered from EGSs, RME costs will be recovered in accordance with Commission precedent.

PPL Electric emphasizes that its primary interest is that the Company be fully and promptly compensated for all costs incurred to implement the market enhancement programs. If costs are not, or cannot be, recovered from EGSs, PPL Electric must be compensated by customers. To do otherwise would be contrary to law. *See Columbia Gas of Pennsylvania, Inc. v. Pa. PUC*, 613 A.2d 74 (Pa. Cmwlth. 1992). Therefore, the Company has proposed, as a backstop, that any remaining non-capital costs not recovered from participating EGSs be included and recovered in the Company's Competitive Enhancement Rider.

⁷ *See, e.g.*, Revised ROI & SOP, pp. 8, 13; PPL Electric March 26 Reply Comments, pp. 4-6, 9-11.

In the Company's most recent rate case in Docket No. R-2012-2290597, the Commission explained that the Competitive Enhancement Rider is meant to recover the costs incurred by PPL Electric to implement the RME programs that are otherwise not recoverable from EGSs.⁸

Consistent with the December 28 Order in the PPL Electric rate case at Docket No. R-2012-2290597, in the Revised ROI & SOP, PPL Electric stated that any additional costs of the RME Programs not recovered from EGSs will also be recovered through the Competitive Enhancement Rider. PPLICA's request that this cost recovery mechanism be revised is a collateral challenge to the Commission's determination in the rate case, and should be rejected.

C. PPLICA'S CHALLENGED TO THE PROPOSED MECHANISM TO RECOVER THE CAPITAL COSTS OF THE RME PROGRAMS IS PREMATURE

As discussed above, PPL Electric proposes to incur certain capital costs for the proposed RME programs. Furthermore, PPL Electric proposes that these costs be included in base-rates and recovered in the Company's next base-rate proceeding and that allocation of these costs, among the Customer Groups, shall be determined in that base-rate proceeding.

PPLICA argues that, as part of this proceeding, the Commission should exempt Large C&I customers from recovery of these capital costs. PPLICA Comments, p. 4. PPLICA's arguments with regard to recovery of capital cost should be rejected as premature. It is premature to argue about the recovery of the potential capital costs, because it will be presented in the next base-rate case, at which time allocation will be determined. PPL Electric has not made a proposal regarding cost allocation at this time because, until the capital investments are installed and in service, the Company cannot determine whether the investments may have a use beyond RME programs, and beyond service to Residential and Small C&I customers. Therefore, it is appropriate to defer determination of the allocation of these capital expenditures until the

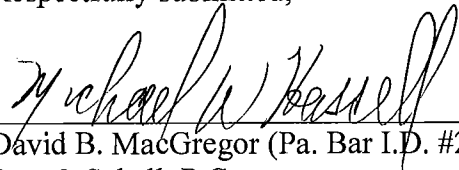
⁸ December 28 Order, p. 143.

next rate case, when the use of the investments can be assessed and appropriate cost-causation principles can be applied. Therefore, because the issue of capital expenditure allocation will be addressed in a subsequent rate proceeding, it should not be addressed in this proceeding.

III. CONCLUSION

WHEREFORE, PPL Electric Utilities Corporation requests that the Pennsylvania Public Utility Commission accept these reply comments and issue an Order accepting the Company's revised Standard Offer Program described in the March 11th filing.

Respectfully submitted,



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Dated: April 10, 2013

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