

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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April 11, 2014

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 a New Pilot
Time-of-Use Program
Docket No. P-2013-2389572

Dear Secretary Chiavetta:

Enclosed please find the Office of Consumer Advocate's Statement in Support of the Joint Petition for Partial Settlement in the above-referenced proceeding.

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

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "A. J. Beatty".

Aron J. Beatty
Assistant Consumer Advocate
PA Attorney I.D. # 86625

Enclosures

cc: Honorable Joel Cheskis, ALJ
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 New Pilot Time-of-Use : Docket No. P-2013-2389572
Program :
:

STATEMENT OF THE
OFFICE OF CONSUMER ADVOCATE
IN SUPPORT OF THE JOINT PETITION
FOR PARTIAL SETTLEMENT

The Office of Consumer Advocate (OCA), a signatory party to the foregoing Joint Petition for Partial Settlement (Settlement) filed on April 11, 2014 in the above-captioned proceeding, respectfully requests that the terms and conditions of the Settlement be approved by Administrative Law Judges (ALJs) Susan Colwell and Joel Cheskis, and the Pennsylvania Public Utility Commission (Commission). The Settlement provides a reasonable resolution that addresses PPL Electric Utilities Inc.'s (PPL or Company) Time of Use (TOU) obligation, and phases out the currently effective TOU rates.¹ It is the position of the OCA that the proposed Settlement is in the public interest and in the interest of PPL's residential customers.

I. INTRODUCTION

The OCA has participated in PPL's TOU proceedings from their inception. PPL's implementation of the current TOU program has been problematic. In 2009, the Company experienced a reduction in its Price to Compare, resulting in a mismatch between the tariffed

¹ The Settlement does not address the issues raised by the Dauphin County Industrial Development Authority concerning PPL's obligation to provide TOU service at tariffed rates. In addition, the Office of Small Business Advocate has briefed an issue concerning the transition of Small Commercial and Industrial customers off of the current TOU rate effective upon the Commission entering an Order in this proceeding.

TOU rates and the Price to Compare. See, OCA St. 2 at 6. During that period, both “on peak” rates, as well as “off peak” rates, were more expensive than fixed rate default service. For those customers taking TOU service, there was no level of off peak consumption that could result in savings as compared to the fixed rate default service. In 2011, the Company received Commission permission to freeze existing TOU rates and file a revised TOU program. Those “frozen” TOU rates have remained in place ever since.

In this proceeding, the OCA conducted an extensive review of the Company’s TOU proposal. As part of its review, the OCA retained expert witnesses to ensure that TOU plan was reasonable, consistent with applicable law, and would provide benefits to consumers. As part of its review, the OCA propounded extensive discovery and thoroughly reviewed the Company’s TOU plan. OCA witness Richard Hahn examined the TOU proposal and contingency plans in relation to wholesale market peak demand conditions. Mr. Hahn focused his recommendations on ways to ensure that the TOU program design properly reflected peak demand and price periods and, as a result, provided the proper incentives for customers to move from high cost times of use to lower cost periods. See, OCA St. 1; OCA St. 1-S. OCA witness Barbara Alexander examined consumer protection policies and conditions that should guide the development of the TOU program for residential customers. See, OCA St. 2; OCA St. 2-S.

Upon completion of its review, the OCA entered into settlement discussions with the parties in the proceeding and supports the Settlement as a reasonable Pilot TOU option. Importantly, the OCA views the TOU offerings that will result from the Settlement as a program for customers who want to affirmatively select a TOU option and have the ability to shift consumption to reduce costs. In addition, the proposal ensures that the generation costs

associated with TOU usage will not be passed through to non-TOU customers. The OCA submits that the Settlement is in the public interest and should be approved.

II. SETTLEMENT PROVISIONS

A. The Pilot TOU Program Design. (Settlement at ¶¶21-30)

Under the Settlement, the Company will terminate its existing TOU rate and implement a Pilot TOU program that utilizes the retail market and Electric Generation Suppliers (EGSs) to develop TOU service. Settlement at ¶19. Participating EGSs must provide a TOU rate option to residential customers, from the initiation of the Pilot TOU Program until May 31, 2015. Settlement at ¶21.

The Settlement provides key consumer protections for those customers that elect to participate in the program. Importantly, a participating EGS may not charge any early termination penalties or fees to customers that leave the TOU rate option. Settlement at ¶29. The participating EGSs will define the terms of their contract between the EGS and the TOU customer, but importantly the term may not be less than three calendar months to coincide with changes to the Price to Compare. Settlement at ¶24. Rate changes will be provided prior to usage, and will be made available on the EGSs webpage and cross-referenced by PPL on its TOU webpage. Settlement at ¶26. The OCA submits that these consumer protections ensure that those customers that sign up for TOU service have full information about the prices they will be charged and the savings that may be achieved by shifting their energy usage from peak to off-peak hours.

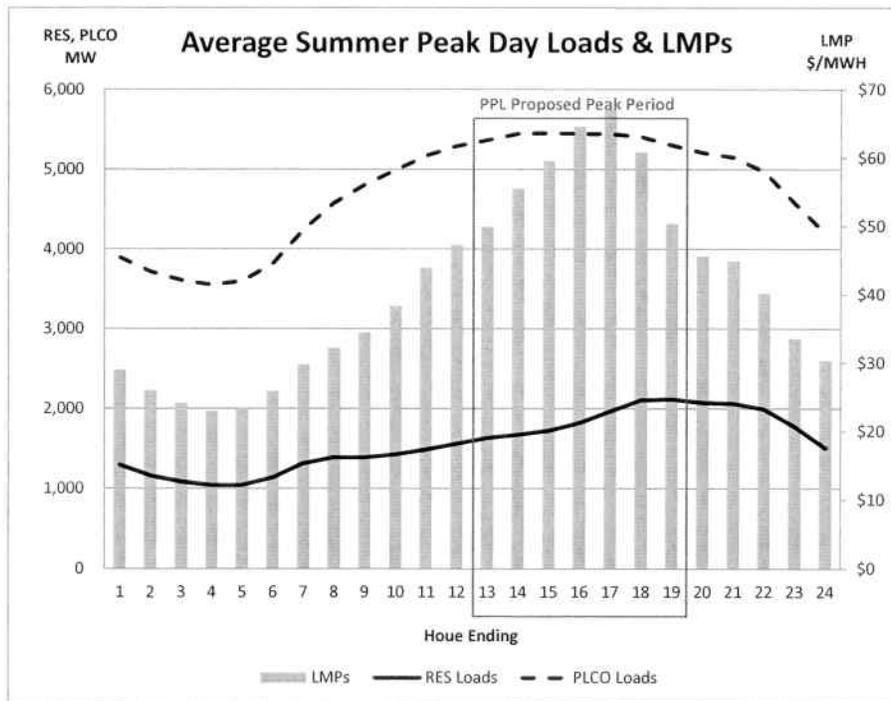
Additionally, the Settlement provides that the TOU rate must reflect peak summer periods, as follows:

25. A participating EGS also will define the on- and off-peak rates that it will offer to customers. However, an EGS's off-

peak/discounted pricing hours cannot include 2 p.m. to 6 p.m., Monday through Friday, excluding PJM holidays during the summer, *i.e.*, June, July, and August. The TOU rate options offered by the participating EGSs will consist of a rate that varies with time of use, but not as frequently as each hour, and includes off-peak and on-peak periods, with rates during off-peak periods being lower than rates during on-peak periods.

Settlement at ¶25. The Settlement ensures that “peak” rates are established between 2pm and 6pm in the summer months. The OCA submits that this is an important feature of the program because it ensures that customers receive the proper incentives to shift power off of the highest cost summer periods in PJM. As OCA witness Hahn testified, “wholesale loads and energy costs will be reduced if participating TOU customers change their usage patterns and shift load to the off-peak period from the on peak.” OCA St. 1 at 11. OCA witness Hahn examined the PJM wholesale costs in PPL’s service territory, and provided the following chart to illustrate the impact of peak summer usage on wholesale power costs:

Figure 1



OCA St. 1 at 12. The movement of power off of these peak periods will benefit individual customers through reduced rates, and the system as a whole by lowering PPL-wide peak demand.

The OCA submits that the Settlement provides important consumer protections for those customers who affirmatively select TOU service. In addition, the Settlement finds a reasonable balance between the goals of TOU rates (peak usage reduction and cost savings) and the ability of EGSs to develop the terms and conditions of TOU service. The OCA submits that the Settlement provides a Pilot TOU program that improves upon the existing TOU rates and should be approved..

B. The Settlement Ensures Reasonable Reporting Requirements For The Pilot Program That Will Help Guide Future TOU Service. (Settlement at ¶28)

The Company's proposal to have EGSs meet the TOU obligation is a major change from its prior TOU plans. The OCA submits that it is critical to gather information necessary to determine the impact that the Pilot TOU program will have on customers to ensure that a valuable TOU service is available to all customers.

The Settlement requires that participating EGSs provide the following information:

28. Participating EGSs must provide PPL Electric with an initial report and quarterly reports thereafter describing the TOU rate options being offered and the pricing for on- and off-peak hours for the upcoming quarter. The Participation Form will require participating EGSs to report the TOU rates and other rate option details to the Company, and this information can be provided to the Commission upon request. The Participation Form also requires a participating EGS's quarterly reports to provide the number of customers that participated in the EGS's rate offerings under the program during the previous quarter. Furthermore, the Participation Form requires a participating EGS to provide, in the quarterly reports, its aggregate monthly on- and off-peak load information for customers participating in the Pilot TOU Program, per rate schedule.

Settlement at ¶28. Furthermore, the Company will provide a quarterly status report on the Pilot TOU Program to the parties that includes an analysis of the information received from the EGSs quarterly reports. Settlement at ¶40.

The OCA submits that the reporting requirements provide the necessary transparency to evaluate the success of the Pilot program. Importantly, the Settlement requires aggregate on peak and off peak load information for customers participating in the program. As OCA witness Alexander explained in her testimony, this is the type of information necessary to evaluate the success of a pilot program. See, OCA St. 2 at 16-17; OCA St. 2-S at 2.

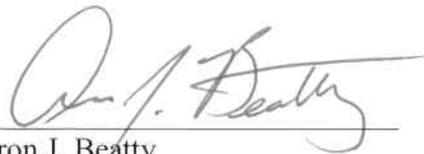
C. The Settlement Provides A Reasonable Transition For Existing TOU Customers. (Settlement at ¶¶41-44)

Under the Settlement, PPL customers currently taking TOU service will be provided an opportunity to move directly to EGS TOU service if they so choose. Settlement at ¶42. The Company will transition existing TOU customers to fixed rate default service if they do not make an affirmative choice to be served by an EGS participating in the Pilot TOU Program. Settlement at ¶42. PPL's existing TOU ratepayers will receive notification through a letter sent 45 days prior to the start of the Pilot TOU Program that explains the options available to them. Settlement at ¶43. The OCA submits that the Settlement's transition procedures are reasonable and should be approved.

III. CONCLUSION

For the foregoing reasons, the OCA respectfully requests that the Administrative Law Judges and the Public Utility Commission approve the terms and conditions of the Joint Petition for Partial Settlement without modification as being in the public interest.

Respectfully Submitted,



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April 11, 2014

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CERTIFICATE OF SERVICE

Petition of PPL Electric Utilities Corporation :
For Approval of a New Pilot time-of-Use : Docket No. P-2013-2389572
Program :

I hereby certify that I have this day served a true copy of the foregoing document, the Office of Consumer Advocate's Statement in Support of the Joint Petition for Partial Settlement, 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 11th day of April 2014.

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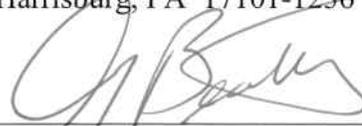
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