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File #: 2507/151904

May 1, 2014

***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**

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Dear Secretary Chiavetta:

Enclosed please find the Petition of PPL Electric Utilities Corporation for Expedited Approval to Exercise Its Option to Extend the Final Procurements Under the Currently Effective Default Service Procurement Plan by an Additional Six Months in the above-referenced proceeding. Copies will be provided as indicated on the Certificate of Service.

Respectfully submitted,

A handwritten signature in black ink that reads 'Michael W. Hassell'. The signature is written in a cursive style with a large, looping 'M' and 'H'.

Michael W. Hassell

MWH/skr  
Enclosure

cc: Certificate of Service  
Honorable Susan D. Colwell

## **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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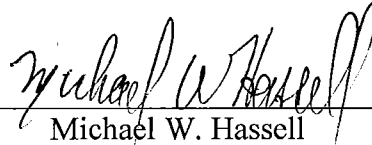
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Date: May 1, 2014



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 :

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**PETITION OF PPL ELECTRIC UTILITIES CORPORATION  
FOR EXPEDITED APPROVAL TO EXERCISE ITS OPTION TO  
EXTEND THE FINAL PROCUREMENTS UNDER THE  
CURRENTLY EFFECTIVE DEFAULT SERVICE  
PROCUREMENT PLAN BY AN ADDITIONAL SIX MONTHS**

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TO THE PENNSYLVANIA PUBLIC UTILITY COMMISSION:

PPL Electric Utilities Corporation (“PPL Electric” or the “Company”), by and through its attorneys, hereby petitions the Pennsylvania Public Utility Commission (“Commission”), pursuant to Section 5.41 of the Commission’s Rules of Administrative Practice and Procedure, 52 Pa. Code § 5.41, and the Commission’s Order in *Petition of PPL Electric Utilities Corporation For Approval of a Default Service Program and Procurement Plan*, Docket No. P-2012-2302074 (Order entered Jan. 24, 2013) (“*DSP II Order*”), to exercise the Commission-approved option under the Default Service Program and Procurement Plan for the period of June 1, 2013 through May 31, 2015 (“*DSP II Program*”) to extend the contract terms for the final Default Service procurements for the Residential and Small Commercial and Industrial (“Small C&I”) Customer Classes by an additional six months.

Under the Commission-approved DSP II Program, the final October 2014 procurement will obtain Default Service supplies for the Residential and Small C&I customers under six- and

three-month fixed-price, full-requirements, load-following contracts<sup>1</sup> rather than under the twelve- and nine-month contracts utilized for prior procurements. The original procurements were designed to ensure that no fixed-price load-following contracts would extend beyond May 31, 2015. However, the Commission also approved a provision in the DSP II Program that would allow PPL Electric to extend the term of these final DSP II Program procurements by an additional six months should the Company continue its role as Default Service provider beyond May 31, 2015. PPL Electric expects to continue as Default Service provider beyond May 31, 2015, and has recently filed a Petition to establish a new Default Service Procurement Plan for the next two years beginning June 1, 2015 (“DSP III Program”). Therefore, PPL Electric is filing this Petition to extend the term of the final contracts it will obtain under the DSP II Program.

By extending the contract terms of the final procurements under the DSP II Program, the Company will avoid procuring 100% of its Default Service supplies at one time, *i.e.*, with an effective date of June 1, 2015. This will provide appropriate layering and laddering of supply, which will reduce the risk for potential extreme price spikes and volatility between Default Service procurement periods that could result if all supplies are procured at the same time, and allow for a smooth transition between Default Service periods.

For these reasons, as more fully explained below, approval of the option to extend the final DSP II Program procurements for the Residential and Small C&I Customer Classes by an additional six months is proper and in the public interest. In order to exercise this option in time for the October 2014 procurement, PPL Electric requests that the Commission act upon this

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<sup>1</sup> The Company will receive Default Service supply under the six-month contracts beginning December 1, 2014, and supply under the three-month contracts beginning March 1, 2015.

Petition at or before its Public Meeting scheduled for August 2014. In support thereof, PPL Electric states as follows:

**I. INTRODUCTION**

1. This Petition is filed by PPL Electric, a public utility subject to the regulatory jurisdiction of the Commission.

2. PPL Electric's address is PPL Electric Utilities Corporation, Two North Ninth Street, Allentown, Pennsylvania 18101.

3. PPL Electric's attorneys are:

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PPL Electric's attorneys are authorized to receive all notices, filings, and communications regarding this Petition.

4. PPL Electric furnishes electric distribution, transmission and default supply services to approximately 1.4 million customers throughout its certificated service territory, which includes all or portions of twenty-nine counties and encompasses approximately 10,000 square miles in eastern and central Pennsylvania.

5. PPL Electric is a "public utility," an "electric distribution company" ("EDC"), and a "default service provider" as defined in Sections 102 and 2803 of the Pennsylvania Public Utility Code, 66 Pa.C.S. §§ 102, 2803.

6. On January 1, 1997, the Electricity Generation Customer Choice and Competition Act (“Customer Choice Act”) became effective, adding Chapter 28 to the Public Utility Code. In summary, Chapter 28 deregulated the generation of electricity, established certain caps on rates charged by EDCs, allowed EDCs to recover their stranded generation costs over a transition period and created the framework for a competitive retail electric market in which customers could choose among competing electric generation suppliers (“EGSs”). Pertinent to this Petition, Section 2807 requires each EDC to act as the Default Service provider for its non-shopping customers until the end of the EDC’s transition period, and thereafter in accordance with regulations to be promulgated by the Commission.

7. The Commission’s Default Service Regulations provide that the Default Service provider shall be the EDC in its certificated service territory unless the Commission assigns the Default Service obligation to another entity. 52 Pa. Code § 54.183. A Default Service provider is responsible for the reliable provision of Default Service to retail customers who do not choose to receive generation services from an EGS, or whose EGS has failed to deliver electric energy. 52 Pa. Code § 54.184.

8. Act 129 of 2008 (“Act 129”), became effective on October 15, 2008. Among other provisions, Act 129 amended the Customer Choice Act to require EDCs, in their role as Default Service providers, to procure supply through competitive processes utilizing a “prudent mix” of contracts.

9. PPL Electric’s current DSP II Program was approved by the Commission on January 24, 2013. *See DSP II Order.*

10. PPL Electric’s DSP II Program relies primarily on a portfolio of fixed-price full-requirements, load-following contracts for Residential and Small C&I Default Service

customers.<sup>2</sup> The product mixture is designed around the purchase of these products with nine- and twelve-month contract terms using a laddered procurement approach, with the exception that the contract terms for the final procurement are three and six months.<sup>3</sup> The Company conducts competitive solicitations to purchase these default service products.

## **II. PROPOSED EXTENSION OF FINAL DSP II PROCUREMENTS**

11. Under the Commission-approved DSP II Program, the current procurement plan includes three- and six-month products in the final procurement in order to create a “hard stop” at May 31, 2015 to all supplies procured under DSP II. This procurement approach was adopted given the uncertainty at the time of the DSP II Program’s approval as to whether PPL Electric would continue in its role as Default Service provider beyond May 31, 2015. *DSP II Order*, p. 39.

12. The Commission found that the “hard stop” for the final procurement under the DSP II Program was consistent with the recommendation in the *Investigation of Pennsylvania’s Retail Electricity Market: Recommendations Regarding Upcoming Default Service Plans*, Docket No. I-2011-2237952, p. 19 (Order entered December 16, 2011) that EDCs file plans limiting or eliminating the existence of short-term energy contracts extending past the end date of the upcoming default service plan time period. *DSP II Order*, p. 39.

13. In the DSP II Program, PPL Electric also proposed an option to extend the contract terms of the Residential and Small C&I fixed-price, load-following contracts procured during the October 2014 procurement from six- and three-month contracts to twelve- and nine-

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<sup>2</sup> The Residential customer portfolio also includes a decreasing quantity of pre-existing longer-term fixed-price block supply.

<sup>3</sup> Under the laddered procurement approach, the procurements are staggered rather than procuring all of the products at the same time.

month contracts should the Company continue in its role as Default Service provider after May 31, 2015.

14. The proposed option to extend the final DSP II Program procurements was fully litigated by the active parties to the DSP II Program proceeding. The Commission approved the option to extend the final DSP II Program procurements, finding that the option will “accommodate the Commission’s decision regarding the end-state of default service” and “there should be sufficient time in 2014 to revise the Company’s default service contracts as necessary.” *DSP II Order*, pp. 43-44.

15. Subsequent to the entry of the *DSP II Order*, the Commission entered its Order on the end state of Default Service. *Investigation of Pennsylvania’s Retail Electricity Market: End State of Default Service*, Docket No. I-2011-2237952 (Order entered February 15, 2013). Pertinent to this Petition, the Commission concluded that EDCs would continue in the Default Service provider role, subject to further action in the future. *Id.*, p. 20.

16. PPL Electric’s current Commission-approved DSP II Program expires on May 31, 2015. At this time, no legislation, regulation, or Commission order has been issued that removes or otherwise affects PPL Electric’s current obligation as Default Service provider. Therefore, PPL Electric anticipates that it will continue in the role of Default Service provider beyond May 31, 2015.

17. Consistent with the Commission’s *DSP II Order* approving the option to extend the contract terms of the Residential and Small C&I fixed-price, load-following contracts procured during the October 2014 procurement, PPL Electric herein seeks Commission approval to extend the contract terms of the Residential and Small C&I fixed-price, load-following

contracts procured during the October 2014 procurement from six- and three-month contracts to twelve- and nine-month contracts.

18. The Commission's approval of this Petition to extend the contract terms for the final DSP II Program procurements for the Residential and Small C&I Customer Classes will enable the Company to avoid procuring all the Default Service supplies at one time to be effective June 1, 2015. By exercising the Commission-approved option to extend the final procurements for the Residential and Small C&I Customer Classes, PPL Electric will continue the successful twelve- and nine-month competitive solicitations that have been used throughout the DSP II Program period.

19. In addition, Commission authorization for PPL Electric to extend the contract terms for the final DSP II Program procurements for the Residential and Small C&I Customer Classes will continue a reasonable layering and laddering of Default Service supply that has previously been approved. This will reduce the potential for prices spikes and volatility between Default Service procurement periods that could result from extreme, unanticipated events at the time of procurement. *See, e.g., Petition of Direct Energy Services, LLC for Emergency Order Approving a Retail Aggregation Bidding Program for Customers of Pike County Light & Power Company*, Docket No. P-00062205, 2006 Pa. PUC LEXIS 3, 249 P.U.R.4th 327 (Apr. 20, 2006). This will allow for a smooth transition between the DSP II Program and DSP III Program".<sup>4</sup>

20. Further, Commission approval to extend the contract terms of the final DSP II Program procurements for the Residential and Small C&I Customers Classes will not have a

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<sup>4</sup> PPL Electric's DSP III Program was filed on April 18, 2014, and is currently pending before the Commission. As explained therein, PPL Electric plans to acquire the generation supply and related services needed to meet its Default Service obligation for the DSP III Program Period through procedures similar to those previously approved by the Commission and successfully used by PPL Electric to acquire Default Service supply under the DSP II Program. Approval of this Petition is not intended to control the determination of the products or terms of the DSP III Program.

negative impact on retail competition. Retail competition has been strong in the PPL Electric service territory under the DSP II Program in which nine- and twelve- month contracts have been procured.<sup>5</sup>

21. Based on the foregoing, PPL Electric request authority to exercise the option approved by the Commission in the DSP II Program to extend the contract terms of the Residential and Small C&I fixed-price, load-following contracts procured during the October 2014 procurement from six- and three-month contracts to twelve- and nine-month contracts.

### **III. EXPEDITED TREATMENT**

22. As noted previously, PPL Electric’s final DSP II Program solicitation is scheduled to take place on or about October 21, 2014.

23. Under the Commission-approved DSP II Program RFP rules, PPL Electric begins the formal procurement process about five to six weeks before the procurement date. *See* DSP II RFP Rule 2.2.2. PPL Electric also needs lead time before the start of the formal procurement process to prepare for the procurement.

24. Based upon the foregoing, in order to exercise the option to extend the final DSP II procurements in time for the October 21, 2014 procurement, PPL Electric respectfully requests that the Commission act upon this Petition at or before its Public Meeting scheduled for August 2014.

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<sup>5</sup> According to the Pennsylvania Office of Consumer Advocate’s January 1, 2014 quarterly survey of Pennsylvania’s electric distribution companies, the number and percentage of PPL Electric customers and customer load served by EGSs are as follows:

<u>Customer Class</u>	<u>Customers Served by EGSs</u>	<u>Load (MW) Served by EGSs</u>
Residential	566,163 (46%)	1,606 (51.8%)
Commercial	98,406 (55.2%)	1,975 (90.0%)
Industrial	1,127 (85.8%)	1,857 (95.4%)

Further, as of January 2014, thirty-six EGSs were reported as offering service to PPL Electric’s Residential customers.

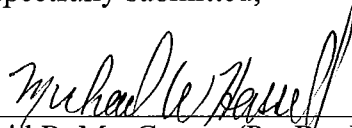
25. PPL Electric notes that the proposed option to extend the final DSP II Program procurements was fully litigated by the parties and approved in the Commission's *DSP II Order*. PPL Electric is herein merely requesting authority to exercise the Commission-approved option to extend the contract terms of the final DSP II procurements.

26. For these reasons, PPL Electric therefore submits that expedited treatment of this Petition is appropriate, reasonable, and in the public interest.

#### IV. CONCLUSION

WHEREFORE, PPL Electric Utilities Corporation respectfully requests that the Pennsylvania Public Utility Commission grant PPL Electric Utilities Corporation the authority to exercise the option previously approved in the DSP II Program to extend the contract terms of the Residential and Small C&I fixed-price, load-following contracts procured during the October 2014 procurement from six- and three-month contracts to twelve- and nine-month contracts.

Respectfully submitted,



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Of Counsel

Post & Schell, P.C.

Dated: May 1, 2014

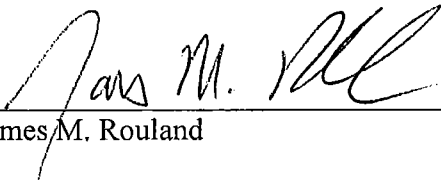
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Attorneys for PPL Electric Utilities Corporation

**VERIFICATION**

I, James M. Rouland, being the Supervisor of Energy Procurement for PPL Electric Utilities Corporation, hereby state that the facts above set forth are true and correct to the best of my knowledge, information and belief and that I expect PPL Electric Utilities Corporation to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 relating to unsworn falsification to authorities.

Date: 4/30/2014

  
\_\_\_\_\_  
James M. Rouland