

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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May 8, 2013

Rosemary Chiavetta  
Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street  
Harrisburg, PA 17120

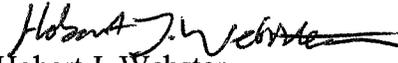
RE: Petition of PPL Electric Utilities  
Corporation for Approval of Default Service  
Program and Procurement Plan for the  
Period June 1, 2015 through May 31, 2017  
Docket No. P-2014-2417907

Dear Secretary Chiavetta:

Enclosed please find the Office of Consumer Advocate's Answer in the above-referenced proceeding.

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

Respectfully Submitted,

  
Hobart J. Webster  
Assistant Consumer Advocate  
PA Attorney I.D. # 314639

Enclosures

cc: Office of Administrative Law Judge  
Office of Special Assistants  
Certificate of Service

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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, 2015 through May 31, 2017	:	Docket Nos. P-2014-2417907
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ANSWER OF THE  
OFFICE OF CONSUMER ADVOCATE

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I. INTRODUCTION

On April 18, 2014, PPL Electric Utilities Corporation (PPL or Company) filed a Petition (Petition) with the Pennsylvania Public Utility Commission (Commission) seeking approval of its Phase III default service program (Phase III DSP) and procurement plans for the period June 1, 2015 through May 31, 2017. This filing has been made pursuant to the requirements of Act 129 of 2008 (Act 129), the Commission’s Default Service Regulations, the Commission’s Policy Statement on Default Service, and related Commission Orders. On April 25, 2014, the Company filed written Direct Testimony in support of the Petition. Petition at ¶ 16. The Office of Consumer Advocate (OCA) files this Answer to the Company’s Petition to help ensure that a reasonable default service plan is approved that fully complies with Act 129 and the Commission’s Regulations.

In its Petition, the Company proposes to acquire supply for residential customers through load-following, full requirements contracts, or “tranches.” Petition at ¶¶ 44, 89. The Company proposes to acquire six month and twelve month tranches for all new supply needed to

meet its default service obligation during the Phase III DSP. Petition, Appendix C. Each residential tranche will be

for a fixed price and will be procured during auctions held twice a year. Petition at ¶ 89, Appendix C. The Company will purchase, net of transmission and distribution losses, energy, capacity, transmission (other than Non-market-based Transmission Services), ancillary services, congestion management, and such other services or products that are required to supply Default Service to PPL's retail customers, including Alternative Energy Credits (AECs). Petition at ¶ 44.

The Company states that it will use a laddered approach so that its procurements are staggered to avoid procuring 100% of the default service products at the same time. Petition at ¶ 12, 45. These residential products will all be acquired through biannual procurements occurring in April and October, approximately two months prior to delivery. Petition, Attachment C.

PPL has proposed to solicit bids for full requirements tranches through a Request for Proposal (RFP) process. The Company states that the RFP to be used incorporates considerable experience obtained in other procurement proceedings and represents a transparent, well-defined and objective approach. Petition at ¶ 85. The Company proposes to cap the number of tranches that a single supplier can bid on at 85% by customer class, and to limit the amount of supply that a single supplier can provide at 50% by class. Petition at ¶ 93. The Company will enter into a Supply Master Agreement (SMA) with winning suppliers that is modeled on a Uniform SMA that was recently drafted by the Commission's Procurement Collaboration Working Group. Petition at ¶ 97. To oversee the solicitation process, PPL has retained NERA, an independent third-party manager with experience in PPL's prior DSP procurements. Petition at ¶¶ 99-100.

The Company has proposed a contingency plan to ensure that power supplies are procured to meet default service load at all times. In the event that bids are not received or are rejected by the Commission, the Company will seek Commission guidance while procuring supply through the PJM markets. Petition at ¶¶ 106-107. If a supplier defaults, PPL proposes to offer the tranche or tranches to other suppliers through the SMA's "step-up" process. Petition at ¶ 108.

The Company will continue to utilize its Generation Supply Charge-1 (GSC-1) to recover the costs incurred to provide default service to the residential class. Petition at ¶ 46. In a change from its current DSP, the Company is proposing to reduce the number of rate changes per year from 4 to 2. Petition at ¶ 48. The GSC-1 will be adjusted every six months to reflect the cost of the default service supply contracts in place for the upcoming six-month period. Petition at ¶ 48. The Company proposes to reconcile its default service rates every six months, by customer class, for over and under recoveries associated with the provision of default service. Petition at ¶ 48.

The Company proposes to implement a Time of Use (TOU) rate option throughout the Phase III DSP. Petition at ¶ 67. In an on-going proceeding before the Commission at Docket Number P-2013-2389572, PPL filed a TOU plan for implementation prior to the Phase III DSP's commencement on June 1, 2015. Petition at ¶ 64. As part of the on-going proceeding, PPL and several parties, including the OCA, reached a partial settlement for TOU service that is pending before the Commission. Petition at ¶ 65. In its Phase III DSP Petition, PPL proposes that the plan contained in the TOU partial settlement be approved for continuation. Petition at ¶ 67. As stated in the Petition, under the TOU partial settlement the

Company will provide a TOU rate option to customers in its tariff but will rely on the retail market and EGSs to provide actual TOU service to customers. Petition at ¶ 66.

The Company further states in its Petition that it will ensure continued compliance with the Alternative Energy Standards Portfolio Act throughout Phase III DSP. Petition at ¶ 74. Under the filing, the winning tranche providers must provide its proportional share of Alternative Energy Credits (AECs) to fulfill PPL's legal obligation. Petition at ¶ 74. In addition, the Company proposes to acquire the AECs associated with its block energy portion of default supply through competitive solicitations of three or more offers from AEC brokers. Petition at ¶ 75. The Company proposes to recover the costs of AECs associated with its block energy purchases through the GSC, as it has done throughout the current default service plan. Petition at ¶ 77.

In addition, the Company proposes to extend its current "Standard Offer Referral Program" through the Phase III DSP. Petition at ¶ 117. The Company states that as of April 14, 2014, 56,600 residential and small commercial customers have enrolled in the program. Petition at ¶ 116. The Company states that it has proposed no material changes to the program and further proposes that its existing contract for third-party referral services be extended at the current \$28 per referred customer price. Petition at ¶¶ 119-120.

## II. ANSWER

The OCA has preliminarily reviewed the Company's Petition and identified a number of significant issues presented by the filing. The OCA anticipates that additional issues will arise as a more comprehensive review of the Company's filing is undertaken and after discovery is conducted. The preliminary issues identified by the OCA include the following:

A. Procurement Methodology.

The Company proposes to acquire 100% of the new supply for residential customers using fixed price, load-following, full requirements supply contracts in approximately 100 MW tranches. Petition at ¶ 90. Currently, the Company has 100 MWs of “block” power that will be in place from June 1, 2015 through December 31, 2015 (7 months), and an additional long-term 50 MW block of power that will flow from June 1, 2015 through May 31, 2017 (the entire Phase III DSP). Petition, Attachment C. The Company’s block energy supply is a carryover from its Phase I DSP. Petition, Attachment C. The OCA submits that further consideration must be given to whether the proposed purchasing plan will provide the least cost over time for residential customers in accord with the requirements of Act 129. The OCA intends to examine the type and mix of resources being procured, and the proposed contingency plan, to ensure that the products and plan are designed to meet the requirements of Act 129.

The OCA submits that the Company’s proposed choice of residential products and the Company’s proposed procurement methods must be thoroughly reviewed in the hearing process. The Commission must ensure that the procurement methodology adopted in this proceeding is consistent with the Public Utility Code and is designed to provide the least cost reliable supply, taking into account price stability for customers over time.

B. Rate Design.

The Company proposes to maintain its GSC-1 rate design for residential default service with modifications. In particular, the Company has proposed reducing the number of rate adjustments from quarterly to semi-annually. Petition at ¶ 48. The OCA submits that all adjustments and modifications to the default service rate mechanism must be reviewed.

C. AEPS Procurement.

The Petition provides that PPL will ensure continued compliance with the AEPS Act's requirements. Petition at ¶ 74. The Company will ensure primary compliance through its full requirements contracts terms and conditions. Petition at ¶ 74. The Company's plan for AEPS Act compliance should be reviewed to ensure that the goals of the Act are met at just and reasonable rates.

D. Time of Use Rates.

The Company proposes to implement the TOU program currently pending before the Commission to residential customers throughout the Phase III DSP. Petition at ¶ 67. The OCA submits that the TOU program must be examined in order to ensure that it continues to meet the needs of ratepayers while maintaining compliance with existing law and the Commission's regulations.

E. Supplier Master Agreement.

The Company is proposing to utilize a new SMA modeled on the Uniform SMA drafted by the Commission's Procurement Collaboration Working Group. Petition at ¶ 97. The OCA submits that the proposed SMA must be thoroughly analyzed to ensure its compliance with the Public Utility Code, and to ensure that such a plan does no harm to default service, consumers, or the retail competitive market.

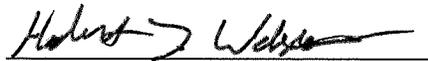
F. Standard Offer Referral Program.

The Company proposes to continue to offer its current Standard Offer Referral Program to residential and small commercial customers. Petition at ¶ 117. As part of its proposal to continue with the existing program, PPL further proposed to extend its current vendor at the same \$28 per referral cost through Phase III. Petition at ¶¶ 119-120. The OCA submits that the Commission should review the proposed program and the costs that may arise

from the continuation of such a referral program to ensure that such a program is still reasonable, cost-justified, and that the costs are still allocated appropriately among stakeholders.

WHEREFORE, the Office of Consumer Advocate respectfully submits that the Company's default service filing must be thoroughly reviewed to ensure that the default service rates that will be charged starting June 1, 2015 are just and reasonable and otherwise consistent with Pennsylvania law.

Respectfully Submitted,



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Dated: May 8, 2014

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CERTIFICATE OF SERVICE

Petition of PPL Electric Utilities :  
Corporation for Approval of a Default : Docket No. P-2014-2417907  
Service Program and Procurement Plan for :  
the Period June 1, 2015 through May 31, 2017 :

I hereby certify that I have this day served a true copy of the foregoing document, the Office of Consumer Advocate's Answer, 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 8th day of May 2014.

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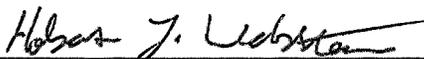
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