

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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June 3, 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 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 Prehearing Memorandum 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 "Hobart J. Webster".

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

Enclosures

cc: Honorable Susan D. Colwell
Certificate of Service

182978

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

PREHEARING MEMORANDUM
OF THE
OFFICE OF CONSUMER ADVOCATE

Pursuant to Section 333 of the Public Utility Code, 66 Pa.C.S. § 333, and in response to the May 6, 2014 Prehearing Order issued in the above-captioned matter, the Office of Consumer Advocate (OCA) provides the following information:

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. The proposed DSP III Program consists of: 1) an approach to obtain competitive procurement of Default Service supply and related Alternative Energy Credits (AECs), 2) a proposed rate design, including a Time-of-Use (TOU) rate for Default Service customers, 3) an explanation of compliance and consistency with applicable Regional Transmission Organization (RTO)

provisions and 4) a contingency plan for the DSP III Program. Additionally, the Company's Petition contains several proposals designed to enhance retail competition in the Company's service territory. PPL requests that the Commission enter a final order approving the DSP III Program no later than January 15, 2015. On April 25, 2014, the Company filed written Direct Testimony in support of the Petition.

The Petition was assigned to the Office of Administrative Law Judge and was further assigned to Administrative Law Judge (ALJ) Susan D. Colwell for investigation and the scheduling of hearings. On May 5, 2012, ALJ Colwell issued a Prehearing Conference Order indicating that an Initial Prehearing Conference was scheduled for June 5, 2012. This Order also detailed the parties' obligations with respect to the Prehearing Conference.

The OCA filed an Answer to the Company's Petition and a Notice of Intervention and Public Statement on May 8, 2014. The OCA submits this Prehearing Memorandum in anticipation of the scheduled June 5th conference.

II. ISSUES AND SUB-ISSUES

Based upon a preliminary analysis of the Company's Petition, the OCA has compiled a list of issues that it anticipates will be included in its investigation of the DSP. It is anticipated that other issues will arise and may be pursued as discovery proceeds.

The OCA has identified several issues that may require further review as follows:

- Procurement Methodology: The OCA will examine whether the type of load following products that PPL proposes to solicit represent a prudent mix of contracts that will provide least cost service for residential customers over times as required by the statute. PPL's procurement methodology should be thoroughly analyzed to determine if it meets all of the requirements of Act 129 of 2008 and the Commission's regulations, and will result in least cost service to customers over time.
- Contingency Plans: The OCA will review the Company's contingency plan to ensure that it is well-defined so that, in the event it is needed, customers are protected by a reasonable "back up" plan that will provide stable rates.

- Rate Design: PPL proposes to charge flat Default Service rates which will be calculated separately for the Residential and Small C&I Customer Classes under the Generation Supply Charge-1 (GSC-1) rate fixed-rate option. This rate will be recalculated, reconciled and adjusted every six months to reflect the then-current Default Service supply contracts for the upcoming six-month period. The OCA will examine each cost component as well as the operation of the adjustment and reconciliation mechanism. In addition, the OCA will analyze the impact of reconciliation on both shopping and non-shopping customers.
- AEPS: PPL proposes to procure certain AEPS Act credits to meet its obligation under the AEPS Act as a component of the Company's fixed-price and spot-market Default Service supply contracts. The seller will be required to provide its proportional share of AEPS credits to fulfill PPL's AEPS obligation. The Company proposes to solicit at least three pricing offers from AEC brokers for Tier I non-solar and Tier II credits. The Company will accept the least-cost offer, document the entire process and recover the costs of these AECs through the GSC-1. The OCA will review PPL's proposal to ensure that it meets the requirements of the AEPS Act and results in the least cost service to customers.
- 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. The OCA will examine the TOU program in order to ensure that it continues to meet the needs of ratepayers while maintaining compliance with existing law and the Commission's regulations.
- Supplier Master Agreement: The Company is proposing to utilize a new Supplier Master Agreement (SMA) modeled on the Uniform SMA drafted by the Commission's Procurement Collaboration Working Group. The OCA will analyze the proposed SMA 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.
- Standard Offer Program: The Company proposes to continue to offer its current Standard Offer Referral Program to residential and small commercial customers. 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. The OCA will carefully examine all facets of the Company's Standard Offer Program.

III. WITNESSES

The OCA intends to present the direct, rebuttal, and surrebuttal testimony, as may be necessary, of Richard Hahn and Barbara Alexander. Mr. Hahn and Ms. Alexander will present testimony in written form and will also attach various exhibits, documents, and explanatory information which will assist in the presentation of the OCA's case. In order to

expedite the resolution of this proceeding, the OCA requests that copies of all interrogatories, testimony, and answers to interrogatories be mailed directly to the OCA's witnesses at the below address, as well as mailing a copy to counsel for the OCA.

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The OCA specifically reserves the right to call additional witnesses, as necessary.

As soon as the OCA has determined whether an additional witness or witnesses will be necessary for any portion of its case, the OCA will notify ALJ Colwell and all parties of record.

IV. DISCOVERY

Because the time period for discovery and preparation of testimony is limited, the OCA supports a shortened discovery response time in this proceeding, consistent with the modifications approved in numerous other default service proceedings. The OCA, therefore, requests the following modifications to the discovery regulations:

- A. Answers to written interrogatories be served in-hand within ten (10) calendar days of service of the interrogatories.
- B. Objections to interrogatories be communicated orally within three (3) days of service; unresolved objections be served to the ALJ in writing within five (5) days of service of interrogatories.

- C. Motions to dismiss objections and/or direct the answering of interrogatories be filed within three (3) days of service of written objections.
- D. Answers to motions to dismiss objections and/or direct the answering of interrogatories be filed within three (3) days of service of such motions.
- E. Responses to requests for document production, entry for inspection, or other purposes be served in-hand within ten (10) calendar days.
- F. Requests for admission be deemed admitted unless answered within ten (10) days or objected to within five (5) days of service

V. PROPOSED SCHEDULE

The OCA is in discussions with the other parties regarding a proposed litigation schedule.

VI. SERVICE ON OCA

The OCA will be represented in this case by Aron J. Beatty, Amy E. Hirakis and Hobart J. Webster. Two copies of all documents should be served on the OCA as follows:

Aron J. Beatty
Assistant Consumer Advocate
Office of Consumer Advocate
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As a courtesy, the OCA requests that all electronic correspondence be copied to Amy E. Hirakis (AHirakis@paoca.org), Hobart J. Webster (HWebster@paoca.org) and Cammie A. Shoen (CShoen@paoca.org).

VII. SETTLEMENT

The OCA is willing to participate in settlement discussions.

VIII. PUBLIC INPUT HEARINGS

At present, the OCA is unaware of any significant interest for a public input hearing. The OCA will make prompt notification and request a public input hearing should circumstances warrant.

Respectfully Submitted,



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Dated: June 3, 2014
184063

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 Prehearing Memorandum, 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 3rd day of June 2014.

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