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File #: 2507/151904

September 12, 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, 2015 through May 31, 2017
Docket No. P-2014-2417907**

Dear Secretary Chiavetta:

Enclosed please find the Joint Petition for Approval of Partial Settlement for 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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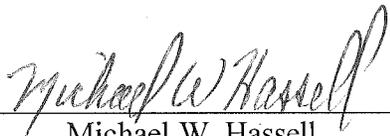
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Date: September 12, 2014



Michael W. Hassell

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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 :

**JOINT PETITION FOR APPROVAL OF
PARTIAL SETTLEMENT**

TO THE HONORABLE ADMINISTRATIVE LAW JUDGE SUSAN D. COLWELL:

I. INTRODUCTION

PPL Electric Utilities Corporation (“PPL Electric”), the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), PP&L Industrial Customer Alliance (“PPLICA”), Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”), the Sustainable Energy Fund (“SEF”), Citizens for Pennsylvania’s Future (“PennFuture”), NextEra Energy Power Marketing, LLC (“NEPM”), Retail Energy Supply Association (“RESA”), and Exelon Generation Company, LLC (“ExGen”), all parties to the above-captioned proceeding (hereinafter, singularly “Signatory Party” and collectively “Signatory Parties”), hereby file this “Joint Petition for Approval of Partial Settlement” (“Settlement”) and respectfully request that Administrative Law Judge Susan D. Colwell (“ALJ”) and the Pennsylvania Public Utility Commission (“Commission”) approve the proposals set forth in PPL Electric’s above-captioned petition subject to the terms and

conditions of the partial settlement and a decision on the issues reserved for litigation.¹ This Settlement represents a partial settlement to resolve certain of the issues and concerns raised in the instant proceeding. In support of the Settlement, the Signatory Parties state the following:

II. BACKGROUND

1. 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. 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.

2. On April 18, 2014, PPL Electric filed a Petition, PPL Electric Exhibit No. 1, requesting Commission approval of its third Default Service Program and Procurement Plan (“DSP III Program”) to establish the terms and conditions under which PPL Electric will acquire and supply Default Service or provider of last resort service (“Default Service”), from June 1, 2015 through May 31, 2017 (the “DSP III Program Period”). As explained in the Petition, the DSP III Program, *inter alia*, consists of a proposal for competitive procurement of Default Service supply and related Alternative Energy Credits (“AECs”) during the DSP III Program Period; an implementation plan; a proposed rate design, including a Time-of-Use (“TOU”) rate option for Default Service during the DSP III Program Period; a proposal to continue and expand the Company’s current Standard Offer Referral Program; and a contingency plan for the DSP III Program. Copies of a pro forma Default Service Supply Master Agreement (“Default Service

¹ The Bureau of Investigation and Enforcement (“I&E”) for the Commission, FirstEnergy Solutions Corp. (“FES”), Noble Americas Energy Solutions LLC (“Noble”), and Direct Energy Services, LLC (“Direct Energy”) are not parties to the Settlement but have indicated that they do not object.

SMA”) and a pro forma Request for Proposals (“RFP”) Process and Rules were included with the Petition. The filing also contained *pro forma* tariff pages to implement rates under the DSP III Program.

3. On April 25, 2014, PPL Electric filed the following prepared direct testimony, with related exhibits, in support of the DSP III Program: PPL Electric Statement No. 1, Direct Testimony of James R. Rouland; PPL Electric Statement No. 2, Direct Testimony of A. Joseph Cavicchi; and PPL Electric Statement No. 3, Direct Testimony of Bethany L. Johnson.

4. On May 1, 2014, the Commission issued a notice scheduling a prehearing conference in the above-captioned matter for June 5, 2014.

5. On May 10, 2014, notice of PPL Electric’s DSP III Petition was published in the Pennsylvania Bulletin, 44 Pa.B. 2832, along with notice of the prehearing conference scheduled for June 5, 2014.

6. A Notice of Appearance was filed by I&E on May 20, 2014. Notices of Intervention and Answers were filed by the OCA on May 8, 2014, and by the OSBA on May 28, 2014.

7. Timely Petitions to Intervene were filed by: PPLICIA, SEF, CAUSE-PA, FES, PennFuture, NEPM, Noble, RESA, Direct Energy, and ExGen.

8. An initial prehearing conference was held before the ALJ on June 5, 2014. The active parties filed prehearing memoranda identifying potential issues and witnesses. A litigation schedule was established.

9. On July 1, 2014, the parties other than PPL Electric served direct testimony. The OCA served the Direct Testimony of Richard S. Hahn, OCA Statement No. 1, and the Direct Testimony of Barbara R. Alexander, OCA Statement No. 2. The OSBA served the Direct

Testimony of Robert D. Knecht, OSBA Statement No. 1. SEF served the Direct Testimony of John M. Costlow, SEF Statement No. 1. NEPM served the Direct Testimony of Sean Cheslock, NEPM Statement No. 1. PennFuture served the Direct Testimony of Eric Thumma, PennFuture Statement No. 1. ExGen served the Direct Testimony of Lael E. Campbell, ExGen Statement No. 1. RESA served the Direct Testimony of Richard J. Hudson, Jr., RESA Statement No. 1. No other party served direct testimony.

10. On July 11, 2014, OSBA served the Supplemental Direct Testimony of Robert D. Knecht, OSBA Statement No. 2.

11. On July 28, 2014, PPL Electric served the following rebuttal testimony: PPL Electric Statement No. 1-R, Rebuttal Testimony of James R. Rouland; PPL Electric Statement No. 2-R, Rebuttal Testimony of A. Joseph Cavicchi; and PPL Electric Statement No. 3-R, Rebuttal Testimony of Bethany L. Johnson. Also, on August 6, 2014, PPL Electric served the Supplemental Rebuttal Testimony of James M. Rouland, PPL Electric Statement No. 4-R. The following rebuttal testimony also was served by parties other than PPL Electric: the OCA served the Rebuttal Testimonies Richard S. Hahn and Barbara R. Alexander, OCA Statement Nos. 1-R and 2-R, respectively; the OSBA served the Rebuttal Testimony of Robert D. Knecht, OSBA Statement No. 3; and RESA served the Rebuttal Testimony of Richard J. Hudson, Jr., RESA Statement No. 1-R. No other parties served rebuttal testimony.

12. The parties other than PPL Electric served surrebuttal testimony on August 8, 2014. The OCA served the Surrebuttal Testimony of Richard S. Hahn, OCA Statement No. 1-S, and the Surrebuttal Testimony of Barbara R. Alexander, OCA Statement No. 2-S. The OSBA served the Surrebuttal Testimony of Robert D. Knecht, OSBA Statement No. 4. RESA served the Surrebuttal Testimony of Richard J. Hudson, Jr., RESA Statement No. 1-SR. SEF served the

Surrebuttal Testimony of John M. Costlow, SEF Statement No. 1-SR. NEPM served the Surrebuttal Testimony of Sean Cheslock, NEPM Statement No. 1-SR. PennFuture served the Surrebuttal Testimony of Eric Thumma, PennFuture Statement No. 1-SR. No other parties served surrebuttal testimony.

13. The Parties engaged in extensive discovery through the proceeding.

14. As a result of extensive settlement discussions, the active parties were able to achieve a partial a settlement in principle prior to the August 18-19, 2014 evidentiary hearings. The partial settlement in principle resolved all of the issues and concerns among the parties, except for (i) PPL Electric's proposal to change the customer size demarcation between Small Commercial and Industrial ("C&I") and Large C&I customers demand split from 500 kW to 100 kW and (ii) the issue of the cost responsibility for Non-market-based Transmission Service Charges ("NMB Charges"), both of which were reserved for litigation.

15. The active parties agreed to waive cross examination and, as a result, the August 18 hearing date was canceled. An evidentiary hearing was held on August 19, 2014. At the evidentiary hearing, the active parties moved their respective testimonies and exhibits into the record.

16. As a result of the extensive efforts described above, the active parties have agreed to a partial settlement that resolves certain issues among the parties and reserves certain issues for litigation.

17. The Settlement agreed to by the Signatory Parties is set forth in the following Section III.

III. SETTLEMENT

18. The following terms of this Settlement reflect a carefully balanced compromise of the interests of all of the Signatory Parties in this proceeding. The Signatory Parties unanimously agree that the Settlement is in the public interest. The Signatory Parties respectfully request that the proposals set forth in PPL Electric's above-captioned petition be granted subject to the terms and conditions of the Settlement and a decision on the issues reserved for litigation.

19. The Signatory Parties agree to the following:

A. GENERAL

20. Subject to the terms and conditions of the Settlement, and a decision on the issues reserved for litigation, the Parties agree that the proposals set forth in PPL Electric's Petition requesting approval of its DSP III Program, including the Default Service SMA, RFP, Program Product Procurement Schedule, and Tariff provisions for the Generation Supply Charge-1 ("GSC-1"), the Generation Supply Charge-2 ("GSC-2") and the Transmission Service Charge ("TSC"), are acceptable as modified below and should be adopted by the Commission.

21. The Parties agree that PPL Electric's DSP III Program, as modified by the terms and conditions of the Settlement, and subject to the resolution of the issues reserved for litigation, includes and/or addresses all of the elements prescribed by Section 2807 of the Public Utility Code, the Commission's regulations, and the Commission's policies for a Default Service plan.

B. PRODUCT PORTFOLIO AND PROCUREMENT SCHEDULE

22. The Parties agree that the final October 2016 procurements under the DSP III Program will continue to obtain both 12- and 6-month fixed-price products for the Residential and Small C&I rate class categories.

23. The parties agree that the product portfolio and procurement schedule for the final October 2016 procurements under the DSP III Program will be modified so that 55% of the Residential portfolio will expire on May 31, 2017, and 45% of the Residential portfolio will extend beyond May 31, 2017. The Parties acknowledge that this modification is consistent with the product portfolio and procurement schedule approved by the Commission in PPL Electric's DSP II Plan. Attached as Appendix A is a product portfolio and procurement schedule that has been modified to reflect this settlement term.

24. Should the Commission determine, any time prior to the last solicitation under the DSP III Program in October 2016, that PPL Electric will not continue in its role as Default Service provider beyond May 31, 2017, PPL Electric agrees to file an appropriate petition with the Commission requesting to amend the DSP III Program to ensure that no fixed-priced contracts extend beyond May 31, 2017, or the date set by the Commission for the termination of PPL Electric's role as Default Service provider.

C. CONTINGENCY PLAN

25. PPL Electric agrees to modify the RFP to provide that, if the Commission rejects all bids for a given product, in any solicitation, or if some tranches of a given product in a particular solicitation do not receive bids, the Independent Auction Manager will be responsible to contact suppliers, including all suppliers that submitted bids and suppliers that registered as potential bidders in response to the RFP, in an attempt to gain an understanding of the underlying

cause of any shortfall or supplier failure, and to include such understanding in a report to the Commission. Nothing in this provision shall be construed to require any supplier contacted by the Independent Auction Manager to provide confidential or proprietary business information, whether the supplier registered as a potential bidder or not, or submitted bids or not.

26. If the Commission rejects all bids for a given product, in any solicitation, or if some tranches of a given product in a particular solicitation do not receive bids, PPL Electric agrees to issue a new RFP as soon as practicable and, if needed, to obtain Default Supply through the spot market in the interim. PPL Electric will make all reasonable efforts to minimize the Residential load that is unhedged, including but not limited to consideration of combined block and spot products, when it seeks Commission guidance following a failed solicitation.²

27. The Parties agree that the settlement makes no changes to the Contingency Plan described in the SMA in the event of a supplier default.

D. AECs

28. PPL Electric agrees to modify Paragraph 5 of Appendix D to the Default Service SMA to require Default Service Suppliers to transfer Alternative Energy Credits (“AECs”) into PPL Electric’s Generator Attribute Tracking System (“GATS”) account on a quarterly basis.

29. PPL Electric will procure Tier I (non-solar) and Tier II AECs through new individual long-term contracts in an amount necessary to cover the AEPS requirements associated with the pre-existing Long-Term Product contract for 50 MW committed through May 31, 2021. PPL Electric agrees that these new long-term contracts will be solicited in the first auction under the DSP III Program.

² The Parties reserve their respective rights to present their arguments on the effectiveness of using block and spot purchases at such time.

E. PTC AND TIMING OF PROCUREMENTS

30. The Parties agree that PPL Electric will issue its Price to Compare (“PTC”) 30 days in advance of the effective date of the PTC.

31. The Parties agree that, in order to accommodate filing the PTC on 30 days advance notice, PPL Electric’s procurements will be advanced by two weeks from the dates proposed by PPL Electric in the Petition.

32. The Parties agree that PPL Electric will discontinue its practice of issuing a preliminary PTC approximately 45 days before the effective date.

F. RECONCILIATION OF GSC-1, GSC-2, AND TSC

33. The Parties agree that the GSC-1 will be adjusted every 6 months to reflect the cost of the Default Service supply contracts in place for the upcoming 6-month period.

34. The Parties agree that, in order to accommodate filing the PTC on 30 days advance notice, the GSC-1 will be reconciled every 6 months, using the over/under collection balance for the 6-month period ending 2 months prior to the new PTC effective date.

35. The Parties agree that the GSC-2 will be reconciled every 12 months using the over/under collection balance for the 12-month period ending 2 months prior to the June 1 PTC effective date.

36. The Parties agree that the TSC will be reconciled every 12 months using the over/under collection balance for the 12-month period ending 2 months prior to the June 1 PTC effective date.

G. CREDIT RATINGS

37. PPL Electric agrees to modify Section 6.7(b) of the SMA to reduce the credit rating of a bank or other financial institution from which a Default Supplier has obtained a letter

of credit to a minimum “A-” senior unsecured debt rating (or, if unavailable, corporate issuer rating discounted one notch) from Standard & Poor's Financial Services LLC and “A3” from Moody’s Investors Service, Inc. The Parties acknowledge that the modification of Section 6.7(b) of the SMA is consistent with the credit rating set forth in the SMA approved by the Commission in PPL Electric’s DSP II Plan.

H. SMA

38. The Parties agree that PPL Electric will delete Section 16.3(b) of the SMA regarding the termination of the SMA, and revise any cross-references thereto.

39. PPL Electric agrees to remove the reference to “pursuant to FERC Order No. 745” from Section 2.4(c) of the SMA.

40. PPL Electric agrees to modify Section 3.4 of the SMA to replace Financial Accounting Standards Board Statement No. 133 (“FAS 133”) with Accounting Standards Codification 815 (“ASC 815”). PPL Electric also agrees to add Section 3.4 to the SMA Table of Contents.

41. PPL Electric agrees to modify the SMA to replace “sole discretion” with “reasonable discretion.”

42. PPL Electric agrees to revise Section 9.2 of the SMA to add the phrase “Except as set forth in Section 2.5 and 2.6,” to the beginning of the first sentence in Section 9.2.

43. PPL Electric agrees to reconcile the language in Sections 11.2 and 16.17 of the SMA regarding the Mobile-Sierra Doctrine so that both Sections provide, in pertinent part, as follows:

To the extent permitted by law and absent agreement to the contrary, each Party, for itself and its successors and assigns, hereby expressly and irrevocably waives its rights to argue before any governmental authority that any review, modification, or

rescission of this Agreement should be considered under any standard of review other than the “public interest” standard set forth in *United Gas Pipe Line Co. v. Mobile Gas Service Corp.*, 350 U.S. 332 (1956) and *Federal Power Commission v. Sierra Pacific Power Co.*, 350 U.S. 348 (1956), affirmed by *Morgan Stanley Capital Group, Inc. v. Public Utility District No. 1 of Snohomish County, Washington, et al.*, 554 U.S. 527 (2008) (the “Mobile-Sierra Doctrine”).

I. STANDARD OFFER PROGRAM

44. PPL Electric agrees to revise its Standard Offer Program (“SOP”) scripts within 90 days of the Commission approval of the settlement to provide more explicit disclosures explaining that:

- (a) The initial discount of 7% is based on the current PTC;
- (b) The PTC will change semiannually with the next change in [month];
- (c) The percentage savings a customer will experience will vary as the PTC changes; and
- (d) The SOP rate may be higher or lower than the next PTC.

45. With respect to PPL Electric’s proposal to implement a SOP Web Self Service application, the Parties agree as follows:

- (a) On or before September 30, 2014, PPL Electric will provide interested parties with details regarding the design, costs, and implementation of the SOP Web Self Service application;
- (b) On or before October 31, 2014, PPL Electric will hold a collaborative open to all interested parties to seek input on the design, costs, and implementation of the SOP Web Self Service application;
- (c) If all parties to the collaborative reach a consensus as to the design, costs, and implementation of the SOP Web Self Service application, the SOP

Web Self Service application will become effective on June 1, 2015, consistent with the consensus; and

- (d) If no consensus is reached at the collaborative, PPL Electric will file a petition with the Commission, on or before November 28, 2014, seeking a resolution of the unresolved SOP Web Self Service application. The Parties agree that all responses to the petition will be filed within thirty days from the date of filing. The intent of this process is to obtain resolution of the SOP Web Self Service application proposal in time to implement any SOP Web Self Service application effective June 1, 2015.

46. PPL Electric agrees that electric generation suppliers (“EGSs”) may participate in the SOP for a 3-month term, and that EGSs have the ability to change their participation status with each 3-month period.

47. PPL Electric agrees to notify all EGSs via e-mail of the SOP price the same day the PTC is issued, and to post the SOP price to the web and supplier portal one day after the PTC becomes effective.

48. PPL Electric agrees to address SOP at a separate stakeholder meeting that will be open to all interested parties. The SOP stakeholder meeting will be held before January 31, 2015.

- 49. The SOP stakeholder meeting will address, at a minimum, the following issues:
 - (a) EGS recommendations regarding administration of the SOP;
 - (b) EGS recommendation that the SOP program be open to EGSs using bill ready billing; and
 - (c) Recommended changes to the SOP scripts and administrative process.

50. PPL Electric agrees to provide the statutory advocates and any interested party with the following information in advance of the SOP stakeholder meeting:

- (a) SOP scripts;
- (b) Customer enrollment figures and SOP process for the first 12-month period of the SOP;
- (c) Statistics regarding EGS participation in the SOP from inception through the enrollment period beginning December 1, 2014;
- (d) A report of all informal and formal complaints related to the SOP received by the Company during the first 12-month period of the SOP; and
- (e) A report on statistics, lessons learned, and best practices for the SOP program, including enrollment data, EGS participation data, and rate of successful enrollments.

51. Any changes or modifications agreed upon by all parties at the SOP stakeholder meeting will be presented to the Commission by the Company in a petition to modify the SOP, and the Company shall implement the modifications contained therein within six months of final approval of such petition by the Commission.

J. NET METERING

52. The Parties acknowledge that the issue of a net metering option for Time-of-Use (“TOU”) customers was litigated before and is currently pending before the Commission for disposition at Docket No. P-2013-2389572. The Parties agree that for the DSP III Program period PPL Electric shall implement the TOU Program as approved by the Commission at Docket No. P-2013-2389572, including a net metering option if adopted.

53. PPL Electric and the Sustainable Energy Fund (“SEF”) agree to recommend and support in their respective statements in support that the Commission decide the TOU Program, which currently is pending before the Commission for disposition at Docket No. P-2013-2389572, in sufficient time to allow the TOU Program to be fully implemented at the beginning of DSP III Program period, *i.e.*, June 1, 2015.

54. The Parties acknowledge that currently pending before the Commission is a Proposed Rulemaking Order at Docket No. L-2014-2404361 that proposes to modify the Commission’s regulations to, among other things, provide guidance and clarity regarding net metering and compensation under net metering. *See Implementation of the Alternative Energy Portfolio Standards Act of 2004*, Docket No. Docket No. L-2014-2404361 (Order entered Feb. 20, 2014). The Parties agree that PPL Electric will file a new net metering Tariff consistent with the outcome of the Commission’s Proposed Rulemaking Order at Docket No. L-2014-240361. The Parties retain the right to review and file testimony concerning such tariff filing as permitted by the normal Commission process for the review of a new tariff filing.

K. ISSUES RESERVED FOR LITIGATION

55. The Parties agree that PPL Electric’s proposal to change the customer size demarcation between Small C&I and Large C&I customers from 500 kW to 100 kW is reserved for litigation.

56. The Parties agree that the issue of the cost responsibility for NMB Charges is reserved for litigation.

IV. THE SETTLEMENT IS IN THE PUBLIC INTEREST

57. Commission policy promotes settlements. *See* 52 Pa. Code § 5.231. Settlements lessen the time and expense the parties must expend litigating a case and, at the same time,

conserve administrative resources. The Commission has indicated that settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding. *See id.* § 69.401. In order to accept a settlement, the Commission must first determine that the proposed terms and conditions are in the public interest. *Pa. Pub. Util. Comm'n v. York Water Co.*, Docket No. R-00049165 (Order entered Oct. 4, 2004); *Pa. Pub. Util. Comm'n v. C.S. Water and Sewer Assocs.*, 74 Pa. P.U.C. 767 (1991). As will be detailed in the Signatory Parties' Statements in Support, the instant Settlement is in the public interest because, with the conditions imposed herein, PPL Electric's DSP III will provide substantial affirmative public benefits.

58. Approval of the Settlement will lessen the time and expenses that the Signatory Parties, and the Commission, must expend on the proceedings.

59. The Settlement resolves all but two discrete issues in the instant proceeding.

60. The Signatory Parties will further supplement the reasons that the Settlement is in the public interest in their Statements in Support, which are attached hereto as Appendices B through K.

V. CONDITIONS OF THE SETTLEMENT

61. The Settlement is conditioned upon the Commission's approval of the terms and conditions contained in this Settlement without modification. If the Commission modifies the Settlement, any Signatory Party may elect to withdraw from the Settlement and may proceed with litigation and, in such event, the Settlement shall be void and of no effect. Such election to withdraw must be made in writing, filed with the Secretary of the Commission and served upon all Signatory Parties within five (5) business days after the entry of an Order modifying the Settlement.

62. The Signatory Parties acknowledge and agree that this Settlement, if approved, shall have the same force and effect as if the Signatory Parties had fully litigated these proceedings.

63. This Settlement is proposed by the Signatory Parties to settle certain issues in the instant proceeding. If the Commission does not approve the Settlement and the proceedings on these issues continue, the Signatory Parties reserve their respective procedural rights to evidentiary hearings, submission of additional testimony and exhibits, cross-examination of witnesses, briefing, and argument of their respective positions. The Settlement is made without any admission against, or prejudice to, any position that any Signatory Party may adopt in the event of any subsequent litigation of these proceedings, or in any other proceeding.

64. The Signatory Parties acknowledge that the Settlement reflects a compromise of competing positions and does not necessarily reflect any Signatory Party's position with respect to any issues raised in this proceeding. This Settlement may not be cited as precedent in any future proceeding, except to the extent required to implement this Settlement.

65. If the ALJ adopts the Settlement without modification, the Signatory Parties waive their right to file Exceptions on those issues that are resolved by this Settlement.

VI. CONCLUSION

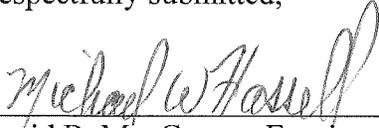
WHEREFORE, PPL Electric, the OCA, the OSBA, PPLICA, CAUSE-PA, SEF, PennFuture, NEPM, RESA, Direct Energy, and ExGen,³ by their respective counsel, respectfully request as follows:

³ I&E, FES, and Noble are not parties to the Settlement but have indicated that they do not object.

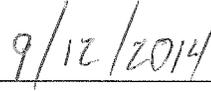
(a) That the Honorable Administrative Law Judge Susan D. Colwell recommend approval of, and the Commission approve, this Joint Petition for Approval of Partial Settlement including all terms and conditions thereof without modification; and,

(b) Subject to the terms and conditions set forth herein, and a decision on the issues reserved for litigation, that the Honorable Administrative Law Judge Susan D. Colwell recommend approval of, and the Commission approve, the proposals set forth in PPL Electric's DSP III Program, including the Default Service SMA, RFP, Program Product Procurement Schedule, and Tariff provisions for the GSC-1, GSC-2, and TSC.

Respectfully submitted,



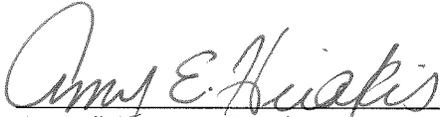
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Date

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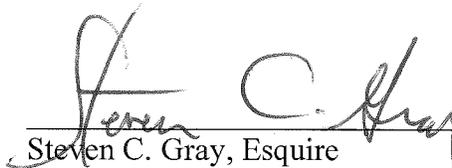


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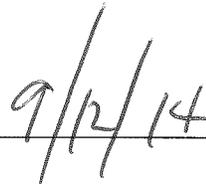


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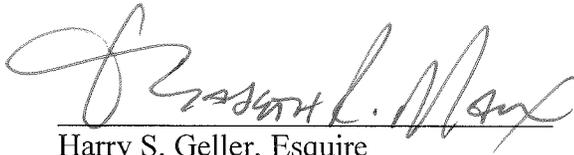


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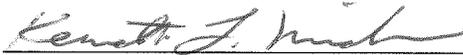


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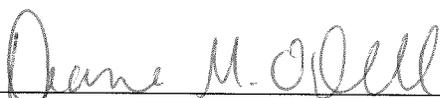


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Appendix A

PPL Electric Utilities - Residential and Small C&I Customer Class Procurement Plan

2015						2016						2017																	
June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.
12 month contract (30% of load)												12 month contract (30% of load)												<i>Future Energy Plan</i>					
6 month contract (25% of load)						12 month contract (25% of load)												6 month contract (25% of load)											
6 months left on 12/9 month contracts - DSP II (45% of load)						6 month Contract (45% of load)						6 month Contract (45% of load)						12 month Contract (45% of load)**											

	Auction Date	Prod (months)	% of load
Sol 1	4/28/2015	12,6*	55%
Sol 2	10/20/2015	12,6	70%
Sol 3	4/19/2016	12,6	75%
Sol 4	10/18/2015	12,6	70%

NOTE: 45% of contracted load will hang over between DSP III and DSP IV

* Includes 45% load carry-over from DSP2 Solicitation 4 energy auction.

** PPL Electric may file a petition with the PA PUC to reduce the final auction's 12 month contract to 6 months if the Company is no longer the DSP.

Appendix B

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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 :

**STATEMENT OF
PPL ELECTRIC UTILITIES CORPORATION
IN SUPPORT OF PARTIAL SETTLEMENT**

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I. INTRODUCTION

PPL Electric Utilities Corporation (“PPL Electric”) hereby files this Statement in Support of the Joint Petition for Approval of Partial Settlement (“Settlement”) in the above-captioned proceeding. The Settlement represents a partial settlement to resolve all but two of the issues and concerns raised in the above-captioned proceeding requesting Pennsylvania Public Utility Commission (“Commission”) approval of PPL Electric’s third Default Service Program and Procurement Plan (“DSP III Program”) to establish the terms and conditions under which PPL Electric will acquire and supply default service or provider of last resort service (“Default Service”) from June 1, 2015 through May 31, 2017 (the “DSP III Program Period”). (See PPL Electric Exhibit No. 1)

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. 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. (PPL Electric Ex. 1, p. 3)

Consistent with its obligations as a Default Service provider under Act 129 of 2008,¹ on April 18, 2014, PPL Electric filed a Petition requesting Commission approval of its DSP III Program. The DSP III Program, *inter alia*, consists of a proposal for competitive procurement of Default Service supply and related Alternative Energy Credits (“AECs”) during the DSP III Program Period; an implementation plan; a proposed rate design, including a Time-of-Use

¹ Act 129, among other provisions, amended the Electricity Generation Customer Choice and Competition Act to require EDCs, in their role as Default Service providers, to procure default generation supply through competitive processes utilizing a “prudent mix” of contracts, and to offer a TOU rate option to customers with smart meters. 66 Pa.C.S. § 2807.

(“TOU”) rate option for Default Service during the DSP III Program Period; a proposal to continue and expand the Company’s current Standard Offer Referral Program (“SOP”); and a contingency plan for the DSP III Program. Copies of a *pro forma* Default Service Supply Master Agreement (“Default Service SMA”) and a *pro forma* Request for Proposals (“RFP”) Process and Rules were included with the Petition. The filing also contained *pro forma* tariff pages to implement rates under the DSP III Program. (See PPL Electric Exhibit No. 1)

A Notice of Appearance was filed by the Commission’s Bureau of Investigation and Enforcement (“I&E”) on May 20, 2014. Notices of Intervention and Answers were filed by the Office of Consumer Advocate (“OCA”) on May 8, 2014, and by the Office of Small Business Advocate (“OSBA”) on May 28, 2014. Timely Petitions to Intervene were filed by: PP&L Industrial Customer Alliance (“PPLICA”), Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”), the Sustainable Energy Fund (“SEF”), Citizens for Pennsylvania’s Future (“PennFuture”), NextEra Energy Power Marketing, LLC (“NEPM”), Retail Energy Supply Association (“RESA”) and Direct Energy Services, LLC (“Direct Energy”), Exelon Generation Company, LLC (“ExGen”), FirstEnergy Solutions Corp. (“FES”), and Noble Americas Energy Solutions LLC (“Noble”).²

The Parties engaged in extensive discovery, held numerous settlement conferences, and exchanged numerous settlement proposals and counter-proposals. As a result of these efforts, the Parties were able to achieve a partial settlement in principle prior to the August 18-19, 2014 evidentiary hearings. PPL Electric, OCA, OSBA, PPLICA, CAUSE-PA, SEF, PennFuture, NEPM, RESA, and ExGen are all signatory parties to the Settlement (hereinafter “Signatory Parties”).³ The partial settlement in principle resolved all of the issues and concerns among the

² Collectively, PPL Electric and the Intervenors in this proceeding are hereinafter referred to as the “Parties.”

³ I&E, FES, Direct Energy, and Noble are not parties to the Settlement but have indicated that they do not object.

Parties, except for (i) PPL Electric's proposal to change the Commercial & Industrial demand split from 500 kW to 100 kW and (ii) the issue of the cost responsibility for Non-market-based Transmission Service Charges ("NMB Charges"), both of which were reserved for litigation.

Concurrent with the filing of Initial Briefs on the two issues reserved for litigation, the Signatory Parties filed the Settlement, along with their respective Statements in Support or letters of non-opposition. PPL Electric submits that the Settlement is in the public interest and should be approved. For the reasons explained below, PPL Electric respectfully requests that Administrative Law Judge Susan D. Colwell ("ALJ") and the Commission approve the proposals set forth in PPL Electric's above-captioned Petition subject to the terms and conditions of the Settlement and a decision on the issues reserved for litigation.

II. COMMISSION POLICY FAVORS SETTLEMENT

Commission policy promotes settlements. *See* 52 Pa. Code § 5.231. Settlements lessen the time and expense that parties must expend litigating a case and, at the same time, conserve precious administrative resources. The Commission has indicated that settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding. *See* 52 Pa. Code § 69.401. The Commission has explained that parties to settled cases are afforded flexibility in reaching amicable resolutions, so long as the settlement is in the public interest. *Pa. PUC v. MXenergy Electric Inc.*, Docket No. M-2012-2201861, 2013 Pa. PUC LEXIS 789, 310 P.U.R.4th 58 (Opinion and Order entered Dec. 5, 2013). In order to accept a settlement, the Commission must first determine that the proposed terms and conditions are in the public interest. *Pa. PUC v. Windstream Pennsylvania, LLC*, Docket No. M-2012-2227108, 2012 Pa. PUC LEXIS 1535 (Opinion and Order entered Sept. 27, 2012); *Pa. PUC v. C.S. Water and Sewer Assoc.*, Docket No. R-881147, 74 Pa. PUC 767 (Opinion entered Jul. 22, 1991). As explained in the next section of this Statement in Support, PPL Electric believes that the

Settlement is just, reasonable, in the public interest, and should be approved without modification.

III. THE SETTLEMENT IS IN THE PUBLIC INTEREST

The Settlement reflects a carefully balanced compromise of the competing interests of all of the Signatory Parties in this proceeding. The Signatory Parties unanimously agree that the Settlement is in the public interest. The fact that the Settlement is unopposed in this major Default Service proceeding in and of itself provides strong evidence that the Settlement is reasonable and in the public interest, particularly given the diverse interests of these Parties and the active role they have taken in this proceeding.

Moreover, the Settlement was achieved only after a comprehensive investigation of PPL Electric's proposals set forth in its DSP III Program. PPL Electric responded to numerous discovery requests, many of which had multiple subparts, and the Parties filed four rounds of written testimony, including PPL Electric's direct testimony, other parties' direct testimony, rebuttal testimony, and surrebuttal testimony. Further, the Parties participated in numerous settlement discussions and formal negotiations which ultimately led to the Settlement.

Finally, the Parties in this proceeding, and their counsel, have considerable experience in Default Service proceedings. Their knowledge, experience and ability to evaluate the strengths and weaknesses of their litigation positions provided a strong base upon which to build a consensus in this proceeding on the settled issues.

For these reasons and the more specific reasons set forth below, the Settlement is just, reasonable, and in the public interest. Therefore, the proposals set forth in PPL Electric's DSP III Program should be approved subject to the terms and conditions of the Settlement and a decision on the issues reserved for litigation.

A. GENERAL – THE DSP III PROGRAM, AS MODIFIED BY THE TERMS AND CONDITIONS OF THE SETTLEMENT, IS IN THE PUBLIC INTEREST

The Settlement initially provides that, subject to the terms and conditions of the Settlement and a decision on the issues reserved for litigation, the proposals set forth in PPL Electric's DSP III Program are acceptable and should be adopted by the Commission. (Settlement ¶ 20) The Settlement further provides that Signatory Parties agree that PPL Electric's DSP III Program, as modified by the terms and conditions of the Settlement, includes and/or addresses all of the elements prescribed by Section 2807 of the Public Utility Code, the Commission's regulations, and the Commission's policies for a Default Service plan. (Settlement ¶ 21)

The requirements for a Default Service plan appear in Section 2807 of the Public Utility Code. 66 Pa.C.S. § 2807.⁴ Also applicable are the Commission's Default Service Regulations, 52 Pa. Code §§ 54.181-54.189, and a Policy Statement addressing Default Service plans, 52 Pa. Code §§ 69.1802-69.1817. Finally, the Commission has directed EDCs to consider incorporating certain program changes into their Default Service plans in order to foster a more robust retail competitive market. *See Proposed Policy Statement Regarding Default Service and Retail Electric Markets*, Docket No. M-2009-2140580, 2011 Pa. PUC LEXIS 65 (Final Policy Statement entered Sept. 23, 2011) (hereinafter "DSP Policy Statement"); *Investigation of Pennsylvania's Retail Electricity Market: End State of Default Service*, Docket No. I-2011-2237952, 2013 Pa. PUC LEXIS 306; 303 P.U.R.4th 28 (Final Order entered Feb. 15, 2013)

⁴ These requirements include that the Default Service provider follow a Commission-approved competitive procurement plan; that the competitive procurement plan include auctions, requests for proposal, and/or bilateral agreements; that the plan include a prudent mix of spot market purchases, short-term contracts, and long-term purchase contracts designed to ensure adequate and reliable service at the least cost to customers over time; and that the Default Service provider shall offer a TOU program for customers who have smart meter technology. 66 Pa.C.S. §§ 2807(e), 2807(f).

(hereinafter “*End State Order*”). PPL Electric submits that the proposed DSP III Program, as modified by the terms and conditions of the Settlement, is in the public interest because it includes and/or addresses all of the elements prescribed by Section 2807 of the Public Utility Code, the Commission’s regulations, and the Commission’s policies for a Default Service plan.

Pursuant to Section 2807(e)(3.1) of the Public Utility Code, a Default Service provider shall provide Default Service pursuant to a Commission-approved competitive procurement plan that includes auctions, RFPs, and/or bilateral agreements. 66 Pa.C.S. § 2807(e)(3.1). Under the proposed DSP III Program, PPL Electric will acquire the Residential and Small Commercial and Industrial (Small “C&I”) Customer Class default service supply, other than TOU supply, through a series of fixed-price, load-following, full-requirements supply contracts. For the Large Commercial and Industrial (“Large C&I”) Customer Class, PPL Electric will enter into annual contracts with suppliers for the provision of the default service spot market, load-following, full-requirements supply. (PPL Electric Statement No. 1, p. 7)⁵

As modified by the Settlement, the Company will obtain its default service supply needs through transparent competitive solicitations, with all qualified wholesale suppliers being eligible to participate. PPL Electric will implement the DSP III Program by holding solicitations pursuant to a series of RFPs to obtain the default service products from competitive wholesale generation suppliers. Separate bids will be solicited for the Residential, Small C&I, and Large C&I Customer Classes. (PPL Electric Statement No. 1, p. 22; Settlement ¶¶ 22-24)

Section 2807(e)(3.2) of the Public Utility Code provides that electric power procured by a Default Service provider shall include a prudent mix of spot market purchases, short-term contracts, and long-term purchase contracts. 66 Pa.C.S. § 2807(e)(3.2). PPL Electric’s proposed

⁵ PPL Electric’s proposal to change the Commercial & Industrial demand split from 500 kW to 100 kW was reserved for litigation. As explained in PPL Electric’s Initial Brief, PPL Electric supports a 100 kW demand split.

DSP III Program will acquire a fixed percentage of the Company's Residential and Small C&I default service load on a semiannual basis through short and medium-term 6- and 12-month contracts. The DSP III Program procurement schedule includes procuring a large percentage of supply through short-term, 6-month, contracts which enable more market-reflective rates while continuing to moderate price volatility through the procurement of 12-month contracts. The Large C&I Customer Class will continue to be served by 12-month, full-requirements, load-following, spot market contracts procured once a year. Additionally, the Company has 100 MW of fixed-price, long-term block supply committed through December 31, 2015 and 50 MW of energy and capacity associated with a long-term product for the period June 1, 2015 through May 31, 2021. (PPL Electric Statement No. 1, pp. 11-12) Based upon a review of these products and giving consideration to the relatively high level of shopping on PPL Electric's system, PPL Electric's independent, outside expert concluded that PPL Electric's DSP III Program procurements are consistent with the "prudent mix" requirement. (PPL Electric Statement No. 2, pp. 22-28)

Consistent with the requirements of 66 Pa.C.S. § 2807(e)(3.4), PPL Electric's DSP III Program will provide adequate and reliable service to customers. As explained above, PPL Electric's Default Service supply will be procured through load-following, full requirements contracts. These products obligate a wholesale electricity supplier to provide a fixed-percentage (referred to as a "tranche") of PPL Electric's default service hourly load during every hour of a product's term. By assuming this obligation, wholesale suppliers are responsible for managing the acquisition of energy, capacity, transmission (other than defined non-market based transmission services), ancillary services, AECs, and any other related products (net of transmission and distribution losses) to meet Default Service customers' hourly load. (PPL

Electric Statement No. 2, pp. 4-5) These contracts will ensure that PPL Electric will be able to provide sufficient and reliable Default Service to customers.

Pursuant to Section 2807(e)(3.4) of the Public Utility Code, Default Service providers are to obtain Default Service supply at the “least cost to customers over time.” 66 Pa.C.S. § 2807(e)(3.4). The fixed-price, load-following supply for Residential and Small C&I Default Service customers will be procured through widely advertised, well-defined solicitations where the overarching objective is to seek out the lowest-cost suppliers. By obtaining the Residential and Small C&I Default Service supplies through competitive solicitations in the form of an auction, PPL Electric is able to obtain default supplies at the lowest possible cost for the product being procured. (PPL Electric Statement No. 2, pp. 30-31) By using 12-month, full-requirements, load-following, spot market products to obtain Large C&I Default Service supplies, the DSP III Program ensures that these customers receive price-reflective energy costs. Wholesale competition among suppliers of the spot market-priced product will ensure that PPL Electric provides this default service at the lowest possible cost available at the time. (PPL Electric Statement No. 2, pp. 31-32) Based upon a review of these products, PPL Electric’s independent, outside expert concluded that PPL Electric’s DSP III Program procurements are consistent with the “least cost to customers over time” requirement. (PPL Electric Statement No. 2, pp. 29-32)

Section 2807(f)(5) of the Public Utility Code provides that a Default Service provider shall offer TOU rates to all customers that have been provided smart meter technology. 66 Pa.C.S. § 2807(f)(5). As part of its DSP III Program, PPL Electric proposes to implement a TOU Program as approved by the Commission at Docket No. P-2013-2389572. On April 11, 2014, the parties to that proceeding reached a partial settlement which establishes terms for a

new TOU Program. The TOU Settlement and the proposed TOU Program currently are pending before the Commission for disposition. (PPL Electric Statement No. 1, pp. 12-14)

The Alternative Energy Portfolio Standards Act (“AEPS Act”), 73 P.S. §§ 1648.1 – 1648.8, and the Commission’s implementing regulations further require EDCs to obtain AECs in an amount equal to certain percentages of electric energy sold to retail customers in this Commonwealth. *See* 52 Pa. § Code 54.182. The Company proposes to procure certain AECs to meet its obligation under the AEPS Act as a component of its load-following fixed-price and spot market default service supply contracts. Under this proposal, each Default Service wholesale supplier will provide its proportional share of AECs to fulfill PPL Electric’s AEPS obligation, in accordance with the terms of the Default Service SMA. (PPL Electric Statement No. 1, p. 16)

In addition, with respect to the Company’s long-term 50 MW block contract used for Residential Default Service supply, the Company previously has entered into contracts to procure Tier I Solar AEPS Credits. However, PPL Electric must still acquire Tier I non-solar and Tier II AEPS Credits to cover the period from June 1, 2015 through May 31, 2021 for the remainder of the 10-year, long-term product obligation. (PPL Electric Statement No. 1, pp. 16-17) As explained below, as part of the Settlement, PPL Electric has agreed to procure additional Tier I non-solar and Tier II AECs through new individual long-term contracts in an amount necessary to cover the AEPS requirements associated with the pre-existing long-term contract for 50 MW committed through May 31, 2021. (Settlement ¶ 29)

The Commission’s Default Service Regulations require that a default service plan include copies of agreements or forms to be used in the procurement of electric generation supply for Default Service customers. *See* 52 Pa. Code § 54.185(e)(6). PPL Electric’s *pro forma* DSP III

RFP and SMA are attachments to PPL Electric's DSP III Petition. (PPL Electric Statement No. 1, pp. 26-27; PPL Electric Exhibit No. 1, Attachments A and B) As explained below, in the Settlement, the Signatory Parties have agreed to make certain modifications and corrections to the SMA. (Settlement ¶¶ 38-43)

Section 69.1807(8) of the Commission's Default Service and Electric Retail Markets Statement of Policy provides that the competitive bid solicitation process should be monitored by an independent evaluator to achieve a fair and transparent process for each solicitation. 52 Pa. Code § 69.1807(8). The Default Service and Electric Retail Markets Statement of Policy also states that the independent evaluator should have expertise in the analysis of wholesale energy markets, including methods of energy procurement. *Id.* Consistent with these requirements, PPL Electric has retained NERA Economic Consulting as the independent third-party manager to administer each procurement, analyze the results of the solicitations for each customer class, select the supplier(s) that will provide services at the lowest cost and submit all necessary reports to the Commission. (PPL Electric Statement No. 1, pp. 23, 33)

The Commission's Default Service Regulations require that a Default Service plan include contingency plans to ensure the reliable provision of default service if a wholesale generation supplier fails to meet its contractual obligations. *See* 52 Pa. Code § 54.185(e)(5). In this proceeding, PPL Electric proposed to continue the contingency plan from the DSP II Program. (PPL Electric Statement No. 1, p. 35) As further explained below, as part of the Settlement, PPL Electric has agreed to certain modifications to its proposed DSP III Program contingency plan. (Settlement ¶¶ 26-27) With respect to the TOU Program, the Company is proposing to implement the same contingency plan set forth in the TOU Settlement, which is to

bid out TOU supply to EGSs through a competitive RFP. (PPL Electric Statement No. 1, pp. 14-15)

The Commission's Default Service Regulations require that a Default Service plan include a rate design plan recovering all reasonable costs of Default Service, including a schedule of rates, rules and conditions of default service in the form of proposed revisions to its tariff. *See* 52 Pa. Code § 54.185(e)(3). The costs incurred by PPL Electric to provide Default Service to the Residential and Small C&I Customer Classes will be recovered through the Generation Supply Charge-1 ("GSC-1"), separately computed with respect to each Customer Class. Costs recovered in the GSC-1 will include, among other costs, both costs incurred under the various supplier contracts and costs incurred to acquire the supply and administer the DSP III Program. (PPL Electric Statement No. 3, pp. 4-7; PPL Electric Exhibit No. 1, Attachment D) The costs incurred by PPL Electric to provide Default Service to the Large C&I Customer Class will be recovered through the Generation Supply Charge-2 ("GSC-2"), which remains unchanged from the GSC-2 tariff provisions approved in the DSP II Program. Costs recovered in the GSC-2 will include PJM spot market energy, PJM capacity charges, the suppliers' charge for all other services (including AECs) based upon winning bids in the annual solicitation and PPL Electric's costs to acquire the supply and administer the DSP III Program. (PPL Electric Statement No. 3, pp. 7-9; PPL Electric Exhibit No. 1, Attachment D) As explained below, in the Settlement, the Signatory Parties have agreed that the GSC-1 and GSC-2 will be reconciled using the over/under collection balance for the applicable period (6-month period for GSC-1 and 12-month periods for the GSC-2) ending 2 months prior to the new Price-to-Compare ("PTC") effective date. (Settlement ¶¶ 33-36)

The Commission's Default Service Regulations require that a Default Service plan be consistent with the legal and technical requirements pertaining to the generation, sale and transmission of electricity of the RTO or other entity in whose control area the default service provider is providing service, and that the default service procurement plan's period of service must align with the planning period of that RTO or other entity. *See* 52 Pa. Code § 54.185(e)(4). The Company will provide Default Service within the control area of PJM Interconnect, LLC ("PJM"), which is an RTO approved by the Federal Energy Regulatory Commission ("FERC"). PPL Electric's DSP III Program is aligned with PJM's planning period, *i.e.*, begins June 1 and ends May 31. Further, the Default Service RFP Rules and accompanying SMA require that both PPL Electric and any bidder in the procurement process must be in compliance with PJM requirements. Finally, a potential bidder must certify that it has been authorized by FERC to make sales of energy, capacity, and ancillary services at market-based rates. (PPL Electric Statement No. 1, p. 34)

In its Final Order in *Investigation of Pennsylvania's Retail Electricity Market: Intermediate Work Plan*, Docket No. I-2011-2237952, 2012 Pa. PUC LEXIS 324 (Final Order entered March 2, 2012), the Commission identified a number of design elements that EDCs were directed to consider, and later implement, in their Default Service plans. As such, the Company proposed to implement the SOP as part of its DSP II plan. The SOP began on August 1, 2013, and is currently still in place. (PPL Electric Statement No. 1, p. 18) Given the success of the SOP, PPL Electric proposed to continue to offer the SOP during the DSP III Program period, or until the Commission eliminates EDCs' Default Service obligation. PPL Electric also proposed to expand the promotion of the SOP to include customers that contact the Company using the Web Self Service application. (PPL Electric Statement No. 1, pp. 20-21) As explained below, in

the Settlement, the Signatory Parties have agreed to further modify the SOP, and to refer the SOP Web Self Service application to a stakeholder process. (Settlement ¶¶ 44-51)

As summarized above, PPL Electric's DSP III Program, as modified by the terms and conditions of the Settlement, includes and/or addresses all of the elements prescribed by Section 2807 of the Public Utility Code, the Commission's regulations, and the Commission's policies for a Default Service plan. Approval of the DSP III Program, as modified by the Settlement, is in the public interest.

B. PRODUCT PORTFOLIO AND PROCUREMENT SCHEDULE

For its Residential and Small C&I Default Service customers, PPL Electric's DSP III Program provides for the purchase of fixed-price, full-requirements, load-following products with 6- and 12-month contract terms using a laddering approach.⁶ That is, at no time for these customer classes does the Company procure 100% of supply at one time. Although the final 12-month contracts do extend six months beyond May 31, 2017, PPL Electric's proposal does allow for the Company to request to shorten this final term if needed, to support the possibility that PPL Electric may no longer be the default service supplier at the end of DSP III. The reliance on 6- and 12-month products reflects the incorporation of somewhat shorter-term contracts than the 9- and 12-month products (and legacy 24-month products) used to provide default supply during DSP II. (PPL Electric Statement No. 2-R, p. 3)

In this proceeding, the OCA recommended that PPL Electric modify its proposed DSP III Program residential procurement plan so that it is a mixture of 45% 12-month and 50% 24-month fixed-price, full-requirements, load-following products and 5% spot market purchases.

⁶ Under DSP III, PPL Electric will continue to rely upon a small quantity of block supply that was purchased under DSP I. However, during DSP III, remaining pre-existing block supply contracts will continue to expire such that only a single long-term block purchase of 50 MW will remain as of January 2016. (PPL Electric Statement No. 1, pp. 11-12)

(OCA Statement No. 1, pp. 6-7) RESA, on the other hand, recommended that PPL Electric modify its residential and small commercial and industrial procurement plan beginning in October 2016 and replace the proposed procurement of a 25% 12-month supply product with the procurement of a 3-month supply product. (RESA Statement No. 1, p. 11) Alternatively, RESA recommended that if any contracts extend beyond May 31, 2017, the Commission should adopt an explicit condition that PPL Electric seek to modify the term of the final procurements if PPL Electric will not continue to serve as the Default Service provider beyond May 31, 2017. (RESA Statement No. 1, p. 13)

PPL Electric explained that the OCA's proposal, if adopted, would essentially be going back to its DSP I procurement plan and ignoring the experience PPL Electric has gained over the past several years. (PPL Electric Statement No. 2-R, pp. 5-9) PPL Electric also explained that RESA's proposal eliminates the Default Service supply procurement laddering that PPL Electric has incorporated into its proposed DSP III and, more importantly, would eliminate the 12-month product overlap at the end of DSP III and the beginning of the next DSP period. (PPL Electric Statement No. 2-R, pp. 9-10)

In the Settlement, the Signatory Parties have agreed that the procurements under the DSP III Program will continue to obtain both 12- and 6-month fixed-price products. (Settlement ¶ 22) This product mixture is in the public interest. It strikes a balance where default service pricing regularly adjusts to ensure that the default service price-to-compare reflects changes in wholesale electricity market prices, while avoiding the price volatility associated with very short-term products. This product mixture continues to support the retail market. (PPL Electric Statement No. 2, pp. 15-16; PPL Electric Statement No. 2-R, p. 7)

PPL Electric originally proposed that the final October 2016 procurements include a supply mix that has 75% of the Residential portfolio expiring on May 31, 2017, and 25% of the Residential portfolio extending beyond May 31, 2017. (PPL Electric Exhibit JC-3A) The OCA recommended that the final October 2016 procurements include a supply mix that has 70% of the Residential portfolio extending beyond May 31, 2017. (OCA Statement No. 1, pp. 7-8) RESA, on the other hand, recommended that the final October 2016 procurements be modified so that none of the Residential portfolio extends beyond May 31, 2017. (RESA Statement No. 1, p. 13)

The Signatory Parties have agreed that the final October 2016 procurements under the DSP III Program will be modified so that 55% of the Residential portfolio will expire on May 31, 2017, and 45% of the Residential portfolio will extend beyond May 31, 2017. (Settlement ¶ 23) This limited change to the DSP III Program is in the public interest as it represents a compromise of competing interests. It also affirms PPL Electric's basic proposal to procure a portion of Residential and Small C&I Default Service supply beyond May 31, 2017, which avoids PPL Electric being in a position where it could have to purchase all of its Default Service supply at one time. (PPL Electric Statement No. 2-R, p. 10) PPL Electric also notes that this modification is consistent with the product portfolio and procurement schedule approved by the Commission in PPL Electric's DSP II Plan. *See Petition of PPL Electric Utilities Corporation For Approval of a Default Service Program and Procurement Plan*, Docket No. Docket No. P-2012-2302074 (Opinion and Order entered Jul. 24, 2013).

In recognition of RESA's concern that the Procurement process not adversely affect a future change to PPL Electric's obligation as Default Service provider (RESA Statement No. 1, p. 13), the Settlement further provides that, should the Commission determine, any time prior to the last solicitation under the DSP III Program in October 2016, that PPL Electric will not

continue in its role as Default Service provider beyond May 31, 2017, PPL Electric will file an appropriate petition with the Commission requesting to amend the DSP III Program to ensure that no fixed-priced contracts extend beyond May 31, 2017, or the date set by the Commission for the termination of PPL Electric's role as Default Service provider. (Settlement ¶ 24) This will minimize the potential that an alternative Default Service provider would be required to assume costs associated with any Default Service supply acquired under the DSP III Program.

PPL Electric submits that its DSP III Program product portfolio and procurement schedule, as modified by the above-described terms of the Settlement, provide a prudent mix of spot, short-term, and long-term power supplies and, therefore, should be approved.

C. CONTINGENCY PLAN

In its DSP III Program, PPL Electric proposed a two-pronged contingency plan: first, to immediately approach the Commission following the failed procurement of a product to seek guidance; and second, utilize spot contracts to fill supply gaps until a resolution can be implemented following the Commission's recommendation. (PPL Electric Statement No. 1-R, p. 19) The OCA recommended that the Company should be directed to immediately reissue an additional RFP for default service power supplies, attempt to gain an understanding of the underlying cause of any shortfall or supplier failure, and resort to a combination of block and spot supply contracts rather than just spot contracts. (OCA Statement No. 1, pp. 12-13)

In the Settlement, the Signatory Parties have agreed to adopt most of the OCA's recommendations. As a result, if the Commission rejects all bids for a given product, in any solicitation, or if some tranches of a given product in a particular solicitation do not receive bids, PPL Electric will modify the RFP to provide that the Independent Auction Manager will contact suppliers to attempt to understand the reason(s) for the bid failure and to report its findings to the Commission. (Settlement ¶ 25) In addition, PPL Electric will issue a new RFP as soon as

practicable and, in the interim, obtain Default Service supply as needed through the spot market. (Settlement ¶ 26) Finally, PPL Electric will make all reasonable efforts to minimize the Residential load that is unhedged when it seeks Commission guidance following a failed solicitation, including, but not limited to, consideration of a combination of block and spot market products. (Settlement ¶ 27)

The Company notes that it has had only two instances where a contingency plan was required to be put into place in the history of its competitive default service plan and, thus, it is unlikely that the contingency plan will need to be implemented. (PPL Electric Statement No. 1-R, pp. 16-17; OCA Statement No. 1-S, p. 3) Nevertheless, these Settlement provisions are in the public interest because they will help define why a solicitation failed and minimize the possible reliance on spot products for a large portion of the Residential Default Service load for extended periods of time. (OCA Statement No. 1-S, p. 2)

D. AEPS ACT

In its DSP II Program, PPL Electric maintained the procurement of the vast majority of its AEPS Act obligations through full requirements contracts. In addition, as explained previously, PPL Electric has procured Tier I solar AECs under separate contracts to meet its solar AEPS Act solar requirements associated with its long-term 50 MW block supply contract. The Company also may procure a small amount of AECs from brokers as needed to meet obligations associated with this long-term block energy product from DSP I. To date, however, the Company has not had to make any such broker-based procurement. In the DSP III Program, PPL Electric proposed to continue its success from the DSP II Program, while still relying on the existing long-term AEC contracts that were procured during its DSP I Program. (PPL Electric Statement No. 1-R, pp. 5-6)

PennFuture recommended that PPL Electric procure 25% of its Tier I AEC obligations (solar and non-solar) through 5-10 year long-term contracts. (PennFuture Statement No. 1, p. 14) In response, PPL Electric explained that the Company already has long-term solar AEC contracts as part of its procurement mix that far exceed PennFuture's proposal. (PPL Electric Statement No. 1-R, pp. 5-6) Notwithstanding, as part of the Settlement, PPL Electric has agreed to procure additional Tier I non-solar and Tier II AECs through new individual long-term contracts in an amount necessary to cover the AEPS requirements associated with a pre-existing Long-Term Product contract for 50 MW committed through May 31, 2021. (Settlement ¶ 29) PPL Electric believes that this Settlement term is reasonable because, similar to the procurement of AECs through the load-following, full-requirements contracts, it ties the additional long-term AECs to a Default Service supply contract. This reduces the potential to expose the Company and its customers to undue risk associated with separate new long-term managed portfolio AEC procurements, which could result in the Company having either too many credits (if customer shopping continues to increase) or too few credits (if shopping were to decrease). (PPL Electric Statement No. 1-R, pp. 8, 12)

PPL Electric requires all wholesale suppliers that have full requirements contracts to transfer AECs on a monthly basis into PPL Electric's Generator Attribute Tracking System ("GATS") account. (PPL Electric Statement No. 1-R, p. 13) ExGen proposed to change the frequency of AEC transfers from monthly to annually. (ExGen Statement No. 1, p. 15) PPL Electric explained that the monthly transfer of AECs reduces the risk associated with suppliers not transferring AECs commensurate with their obligations during an AEC compliance year. By requiring suppliers to transfer AECs monthly, PPL Electric is able monitor and ensure suppliers

remain on track with their supply obligations, and to take action before the state AEC transfer obligations are due should a compliance issue occur. (PPL Electric Statement No. 1-R, p. 13)

In the Settlement, PPL Electric has agreed to modify Paragraph 5 of Appendix D to the Default Service SMA to require Default Service Suppliers to transfer AECs into PPL Electric's Generator Attribute Tracking System ("GATS") account on a quarterly basis. (Settlement ¶ 29) PPL Electric submits that this Settlement term is a reasonable compromise of competing interests that will still enable PPL Electric to monitor and ensure suppliers remain on track with their supply obligations.

E. PTC AND TIMING OF PROCUREMENTS

In its DSP III Program, PPL Electric requested a waiver from the requirement to issue a final PTC 45 days prior to the effective date. PPL Electric explained that issuance of a final PTC 45 days prior to the effective date may not accurately reflect the actual PTC because the underlying components have not been updated or filed. (PPL Electric Statement No. 3, p. 11)

The OCA opposed the proposed waiver, arguing that the waiver is not required if the Company completes the procurements and reconciliation sooner. (OCA Statement No. 1, p. 11) RESA did not oppose the Company's request for a waiver, but proposed that it should be required to issue its PTC 30 days in advance of the effective date, and that procurements should be completed sooner. (RESA Statement No. 1, p. 14)

In the Settlement, the Signatory Parties have agreed that PPL Electric will issue its PTC 30 days in advance of the effective date, and that, in order to accommodate filing the PTC on 30 days advance notice, PPL Electric's procurements will be advanced by 2 weeks. (Settlement ¶¶ 30-31) PPL Electric believes that this Settlement term is a reasonable compromise of competing interests. PPL Electric notes that that the advancement of the procurements, together with the

modification of the reconciliation discussed next, will help avoid the introduction of estimates into its final PTC that customers rely on when choosing a generation supplier.

F. RECONCILIATION OF GSC-1, GSC-2, AND TSC

In its DSP III Program, PPL Electric proposed to adjust its GSC-1 rate every six months to reflect the cost of the Default Service supply contracts in place for the upcoming six-month period. As part of those rate adjustments, the Company proposed to recompute its GSC-1 reconciliation by Customer Class. The reconciliation amount for the rate period, whether an over or under collection, will be calculated and applied to the next 6 month rate period. For purposes of the GSC-2, PPL Electric proposed to adjust the rate annually on June 1. (PPL Electric Statement No. 3-R, pp. 3, 9)

The OCA supported the 6 month GSC-1 rate period, but proposed a 12-month rolling average reconciliation period, in order to “smooth out any over or under collections.” (OCA Statement No. 1, page 10, line 17-18). The OSBA indicated a preference for a 12 month rolling average but concluded that the Company’s 6 month GSC-1 reconciliation proposal is superior to the current mechanism and, therefore, did not take exception to PPL Electric’s proposal. (OSBA Statement No. 1, p. 10)

In the Settlement, the Signatory Parties have agreed to adopt PPL Electric’s GSC-1 and GSC-2 reconciliation proposals with certain minor modifications. In order to accommodate filing the PTC on 30 days advance notice as discussed above, the Parties have agreed that the GSC-1 and GSC-2, as well as the TSC, would be reconciled using the over/under collection balance for the applicable period (6-month period for GSC-1 and 12-month periods for the GSC-2 and TSC) ending 2 months prior to the new PTC effective date. (Settlement ¶¶ 33-36) PPL Electric believes this is a reasonable compromise of competing interests. Reconciling the GSC-

1, GSC-2, and TSC 2 months before the new PTC effective date will help avoid the introduction of estimates into its final PTC that customers rely on when choosing a generation supplier.

G. CREDIT RATINGS

PPL Electric proposed to change the credit rating required for banks issuing letters of credit from A-/A3 to A/A2 in the SMA. (PPL Electric Exhibit No. 1, Attachment B, Section 6.7(b); PPL Electric Statement No. 1-R, p. 30) NEPM asserted that an A-/A3 credit rating is the industry standard and, therefore, recommended that the DSP II rating of A-/A3 be reinstated. (NEPM Statement No. 1, p. 2)

In the Settlement, PPL Electric has agreed to modify Section 6.7(b) of the SMA to reduce the credit rating of a bank or other financial institution from which a Default Supplier has obtained a letter of credit to a minimum “A-” senior unsecured debt rating (or, if unavailable, corporate issuer rating discounted one notch) from Standard & Poor's Financial Services LLC and “A3” from Moody’s Investors Service, Inc. (Settlement ¶ 37) PPL Electric believes that this is a reasonable compromise of competing interests. PPL Electric further notes that the modification of Section 6.7(b) of the SMA is consistent with the credit rating set forth in the SMA approved by the Commission in PPL Electric’s DSP II Plan.

H. SMA

ExGen proposed various changes to certain terms and provisions of the SMA. (ExGen Statement No. 1, pp. 12-15, 17-21) In the Settlement, the Signatory Parties have agreed to make certain modifications and corrections to the SMA. (Settlement ¶¶ 38-43) PPL Electric believes that these changes better clarify the intent of the SMA and the parties’ obligations thereunder. Therefore, these Settlement provisions are in the public interest and should be adopted.

I. STANDARD OFFER PROGRAM

As part of PPL Electric's DSP II Program, the Commission approved a SOP pursuant to the Commission's *Investigation of Pennsylvania's Retail Electricity Market: Intermediate Work Plan*, Docket No. I-2011-2237952, 2012 Pa. PUC LEXIS 324 (March 2, 2012). The SOP is available to all Residential customers, including customers enrolled in a customer assistance program ("CAP") program, and Small C&I customers under 25 kW peak demand. The SOP provides participants with a standard 7% discount off the then-current PTC for a twelve-month term. A customer who elects the standard offer price may choose to receive service from a particular EGS that is then participating in the program, and customers who do not chose a specific EGS will be randomly assigned to an EGS. Customers may exit a standard offer contract at any time without penalty, either to select another EGS or to return to default service. EGSs that participate in the SOP are charged a fee of \$28 per referred customer. (PPL Electric Statement No. 1, pp. 18 and 20)

Default Service customers who contact the PPL Electric Customer Contact Center and meet the SOP referral criteria (New/Moving customers, high bill complaints, directly asking for details on the SOP), are referred to the SOP by a Customer Service Representative ("CSR"). If the customer is interested in learning more about the SOP, the CSR transfers them to a third-party administrator, currently PPL Solutions, LLC ("PPL Solutions"), who gives the customer greater details and information about the SOP and, if interested, enrolls the customer for the service. (PPL Electric Statement No. 1, p. 18) PPL Electric's contract with PPL Solutions charges PPL Electric \$28 per customer referred. EGSs participating in the SOP are then charged \$28 per customer referred. (PPL Electric Statement No. 1, pp. 18 and 20; PPL Electric Exhibit No. JMR-1) Thus, the costs of the SOP program are paid by the participating EGSs.

Since the SOP's implementation in August 2013 through the first week of April 2014, approximately 66,100 customers have been offered the SOP and approximately 56,600 have chosen to enroll in the program. This is an enrollment rate of nearly 86% - showing both the interest of customers in the program and the success associated with the method implemented by PPL Electric in using PPL Solutions to discuss the details of the program with the customer. (PPL Electric Statement No. 1, pp. 19-20) Given the success of the SOP, PPL Electric proposed to continue to offer the SOP during the DSP III Program period, or until the Commission eliminates EDCs' Default Service obligation. The SOP would continue to be administered by PPL Solutions under a contract extension that would continue to charge participating EGSs \$28 per customer referred. (PPL Electric Statement No. 1, p. 20; PPL Electric Exhibit Nos. JMR-1 and JMR-2)

The SOP currently is promoted during all customer calls other than those regarding emergencies or terminations. In this proceeding, PPL Electric proposed to expand the promotion of the SOP to include customers that contact the Company using the Web Self Service application. Similar to customers that call the Company, customers that have signed up to utilize the Web Self Service program will be able to choose to participate in the SOP. (PPL Electric Statement No. 1, pp. 20-21)

The only party to oppose the proposed SOP was the OCA. The OCA proposed the following changes or additions to the SOP: the SOP should be terminated until the Commission completes a comprehensive review of the success of the SOP and the need to continue the program; the Company should not be permitted to expand the SOP to include web service, SOP scripts should be revised to address more explicitly the options available to customers who are offered the SOP; new/moving customers should not be automatically transferred to PPL

Solutions and offered the SOP; PPL Electric and the Commission should amend the current SOP contracts with customers regarding communication with customers at the conclusion of the SOP contract term; and, PPL Electric should conduct a survey or convene a focus group to gather information about customers' understanding of the program, the nature of the 7% discount, whether customers understood that the PTC would change and impact the level of that discount, and their awareness of the comparison of the EGS price and the PTC during the term of the contract. (OCA Statement No. 2, *passim*)

RESA, on the other hand, supported the SOP with the following modifications: maintaining the EGS participation/opt-in period at 3 months, instead of the Company's proposed 6 month term; posting SOP prices at the same time the PTC is posted; adopting bill-ready billing as an option for the SOP; and, holding a stakeholder meeting to discuss additional recommendations to the SOP. (RESA Statement No. 1, pp. 24-27)

In the Settlement, the Signatory Parties have agreed that PPL Electric will revise its SOP scripts to provide more explicit disclosures. (Settlement ¶ 44) These modifications to the SOP scripts, in large part, further clarify the operation of the SOP. (PPL Electric Statement No. 1-R, p. 51) PPL Electric supports these modifications to the SOP scripts as in the public interest because they are designed to provide further descriptions of the program and the operation of the 7% discount. (OCA Statement No. 2, p. 14) These changes to the SOP scripts were acceptable to RESA and are substantially similar to those agreed to by the parties to the *FirstEnergy DSP III* proceeding. (RESA Statement No. 1-R, pp. 10-11)

With respect to PPL Electric's proposal to implement a SOP Web Self Service application, RESA supported PPL Electric's proposal and the OCA opposed the proposal. In the Settlement, the Signatory Parties have agreed to a timeline that includes the following: (a) PPL

Electric will provide interested parties with details regarding the design, costs, and implementation of the SOP Web Self Service application; (b) PPL Electric will hold a collaborative open to all interested parties to seek input on the design, costs, and implementation of the SOP Web Self Service application; (c) if all parties to the collaborative reach a consensus, the SOP Web Self Service application will become effective on June 1, 2015; and (d) if no consensus is reached at the collaborative, PPL Electric will file a petition with the Commission seeking a resolution of the unresolved SOP Web Self Service application. (Settlement ¶ 45) The stated intent of the process outlined in the Settlement is to obtain a resolution of the SOP Web Self Service application proposal in time to implement any SOP Web Self Service application by June 1, 2015. (Settlement ¶ 45) This process will allow interested parties the opportunity to participate in the development of the SOP Web Self Service application without unduly delaying its implementation. Given the success of the current SOP, PPL Electric believes that expanding the promotion of the SOP through the SOP Web Self Service application, as modified by the process contemplated in the Settlement, is in the public interest.

In this proceeding, the Company proposed to alter the period that EGSs must participate in the SOP from a 3-month PTC period to a 6-month PTC period, coinciding with the semi-annual nature of price changes. (PPL Electric Statement No. 1, p. 21) RESA proposed that the SOP supplier participation term be reduced from 6 months, as proposed by the Company, to 3 months, as currently in place. (RESA Statement No. 1, p. 23) In the Settlement, the Signatory Parties have agreed that EGSs may participate in the SOP for a 3-month term, and that EGSs have the ability to change their participation status with each 3-month period. (Settlement ¶ 46) PPL Electric submits that this Settlement provision is in the public interest because an extended participation term could overly burden EGSs if customer participation exceeds projections, and

thus results in fewer EGSs participating in the program. Reducing the term from 6 months to 3 months may create an opportunity for greater EGS participation, as EGSs who did not choose to participate at the start of the 6-month PTC period will have a second opportunity to participate in the SOP after the first 3 months. (PPL Electric Statement No. 1-R, pp. 54-55)

In the Settlement, the Signatory Parties have agreed that PPL Electric will notify all EGSs via e-mail of the SOP price the same day the PTC is issued, and to post the SOP price to the web and supplier portal one day after the PTC becomes effective. (Settlement ¶ 47) This Settlement provision is in the public interest because it will provide EGS with the SOP discounted price in sufficient time prior to the start of the applicable period to make business decisions regarding participation. (RESA Statement No. 1, p. 24) PPL Electric also notes that this Settlement provisions memorializes what is largely the Company's current practice regarding communication of the SOP price and the PTC. (PPL Electric Statement No. 1-R, p. 56)

In this proceeding, both the OCA and RESA recommended that SOP issues be further addressed in a stakeholder meeting. In the Settlement, PPL Electric has agreed to address SOP at a separate stakeholder meeting that will be open to all interested parties, and to provide interested parties with certain information in advance of the SOP stakeholder meeting. (Settlement ¶¶ 48-50) Further, the Signatory Parties have agreed that any changes or modifications agreed upon by all parties at the SOP stakeholder meeting will be presented to the Commission in a petition to modify the SOP. (Settlement ¶ 51) PPL Electric believes that these Settlement provisions are in the public interest. These Settlement terms will permit the existing highly successful SOP to continue, while at the same time providing a forum for any interested party to raise any concerns about or recommendations to further improve the SOP.

J. NET METERING

As part of its DSP III Program, PPL Electric proposed to implement a TOU Program as approved by the Commission at Docket No. P-2013-2389572. On April 11, 2014, the parties to that proceeding reached a partial settlement which establishes terms for a new TOU Program. The TOU Settlement resolved all issues among the parties to the proposed new TOU Program, except for a net metering issue, which was reserved for litigation. On May 1, 2014, the ALJs assigned to the TOU proceeding issued a Recommended Decision, recommending that the TOU Settlement be adopted without modification, and that the proposal that the TOU plan offer TOU rates for net metering customers be rejected. The TOU Settlement and the proposed TOU Program currently are pending before the Commission for disposition. (PPL Electric Statement No. 1-R, p. 22)

SEF generally supported the Company's TOU Program as modified by the settlement. However, in this proceeding SEF recommended that the PPL Electric TOU rate should include net metering provisions so that net metering customers can participate in the TOU rate. (SEF Statement No. 1, pp. 5 and 9) In the Settlement, the Signatory Parties have agreed that for the DSP III Program period PPL Electric will implement the TOU Program as approved by the Commission at Docket No. P-2013-2389572, including a net metering option if adopted. (Settlement ¶ 52) PPL Electric believes that this Settlement provision is in the public interest because it resolves an issue that was fully litigated in the recent TOU proceeding and, therefore, lessens the time and expense that parties must expend re-litigating the same issue. PPL Electric recommends that the Commission fully decide the TOU Program at Docket No. P-2013-2389572 in sufficient time to allow the TOU Program to be fully implemented at the beginning of the DSP III Program period, *i.e.*, June 1, 2015. (Settlement ¶ 53)

In this proceeding, the OSBA raised certain concerns regarding the credit and cash out provisions of PPL Electric's Net Metering Tariff and whether they are consistent with the Commission's Proposed Rulemaking Order in *Implementation of The Alternative Energy Portfolio Standards Act of 2004*, Docket No. L-2014-2404361 (Feb. 20, 2014). (OSBA Statement No. 1, pp. 11-15; OSBA Statement No. 2, pp. 2-5) In the Settlement, the Signatory Parties have agreed that PPL Electric will file a new Net Metering Tariff consistent with the final outcome of the Commission's Proposed Rulemaking Order at Docket No. L-2014-2404361. (Settlement ¶ 54) It is entirely unclear at this time what proposals will ultimately be adopted by the Commission in the Proposed Rulemaking Order. (PPL Electric Statement No. 1-R, pp. 60-61) Waiting until the final resolution of the Proposed Rulemaking Order before making changes to PPL Electric's Net Metering Tariff will (i) ensure that any changes are consistent with the net metering regulations ultimately adopted by the PUC, and (ii) avoid the need to make multiple changes to the Net Metering Tariff in a relatively short period of time, which clearly could cause additional customer confusion in an area that already has substantial uncertainty and lack of uniformity.⁷ Therefore, PPL Electric believes that this Settlement provision is in the public interest.

⁷ See, e.g., *Larry Moyer v. PPL Electric Utilities Corporation*, Pa. PUC Docket No. C-2011-2273645 (disputing whether a virtual net metering customer must have load that is independent of the alternative energy system); *Petition of PPL Electric Utilities Corporation for a Declaratory Order To Resolve Uncertainty Regarding Whether Certain Applicants Qualify As a "Customer-Generator" Eligible To Participate in Net Metering*, Pa. PUC Docket No. P-2014-2420902 (requesting a declaratory order to resolve the uncertainty regarding whether four large alternative energy systems without any independent load qualify as "customer generators" eligible to participate in net metering); *Sunrise Energy, LLC v PPL Corporation and PPL Electric Utilities Corporation*, W.D. Pa. Docket No. 2:14-cv-00618 (a federal complaint asserting civil rights claims and a number of state law claims and seeking damages against PPL Electric for allegedly not granting net metering applications for three large alternative energy systems that lack any load that is independent of the alternative energy systems).

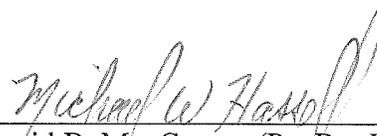
IV. CONCLUSION

Settlements are in the result of a compromise of competing interests. In this case, a diverse group of interested parties have reached an agreement that resolves nearly all of the issues in this case. Therefore, PPL Electric respectfully requests as follows:

(a) That the Honorable Administrative Law Judge Susan D. Colwell recommend approval of, and the Commission approve, this Joint Petition for Approval of Partial Settlement including all terms and conditions thereof without modification; and,

(b) Subject to the terms and conditions set forth herein, and a decision on the issues reserved for litigation, that the Honorable Administrative Law Judge Susan D. Colwell recommend approval of, and the Commission approve, the proposals set forth in PPL Electric's DSP III Program, including the Default Service SMA, RFP, Program Product Procurement Schedule, and Tariff provisions for the GSC-1, GSC-2, and TSC.

Respectfully submitted,



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Dated: September 12, 2014

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Appendix C

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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 :

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

The Office of Consumer Advocate (OCA), a signatory party to the Joint Petition for Approval of Partial Settlement (Settlement) in the above-captioned proceeding, respectfully request that the terms and conditions of the Settlement be approved by Administrative Law Judge Susan D. Colwell and the Pennsylvania Public Utility Commission (Commission). It is the position of the OCA that the proposed Settlement is in the public interest and the interests of the customers of PPL Electric Utilities (PPL or Company).

I. INTRODUCTION

On April 18, 2014, PPL filed a Petition with the Commission seeking approval of a Default Service Program and Procurement Plan (DSP III Program) for the period June 1, 2015 through May 31, 2017 at Docket No. R-2014-2417907. The DSP III Petition was 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 DSP III Program contains several proposals designed to enhance retail competition in the Company's service territory. PPL requested that the Commission enter a final order approving the DSP III Program no later than January 15, 2015.

On May 8, 2014, the OCA filed an Answer to the Company's Petition and a Notice of Intervention and Public Statement. On May 14, 2014, the Bureau of Investigation & Enforcement (I&E) filed a Notice of Appearance. On May 28, 2014, the Office of Small Business Advocate (OSBA) filed a Notice of Intervention and Public Statement. Petitions to Intervene were also filed by Citizens for Pennsylvania's Future (PennFuture); the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA); Direct Energy Services, LLC (Direct Energy); Exelon Generation Company, LLC (ExGen); FirstEnergy Solutions Corporation (FES); Nextera Energy Power Marketing, LLC (NEPM); Noble Americas Energy Solutions, LLC (Noble); PP&L Industrial Customer Alliance (PPLICA); Retail Energy Supply Association (RESA); and the Sustainable Energy Fund (SEF). All petitions to intervene were granted.

The proceeding was assigned to Administrative Law Judge (ALJ) Susan D. Colwell. A prehearing conference was held on June 5, 2014, and a litigation schedule was adopted. On July 1, 2014, the OCA submitted the direct testimonies of Richard S. Hahn¹, OCA Statement No. 1;

¹ Mr. Hahn is a principal consultant with La Capra Associates in Boston, Massachusetts. Mr. Hahn has a Bachelors of Science in Electrical Engineering, a Masters of Science in Electrical Engineering, both from Northeastern University (1973 and 1974, respectively). He also has a Masters in Business Administration from Boston College (1982). Mr. Hahn is a registered professional engineer in Massachusetts. He has worked in the electric utility industry for over 35 years and has diverse experience with both regulated and unregulated companies. Mr. Hahn's qualifications are detailed in OCA St. 1 at Exhibit OCA-RSH-1.

and Barbara R. Alexander², OCA Statement No. 2. On July 28, 2014, the OCA submitted the rebuttal testimonies of Richard S. Hahn, OCA Statement No. 1-R, and Barbara R. Alexander, OCA Statement No. 2-R. On August 8, 2014, the OCA submitted the surrebuttal testimonies of Richard S. Hahn, OCA Statement No. 1-S, and Barbara R. Alexander, OCA Statement No. 2-S. The testimonies of OCA witnesses Hahn and Alexander were entered into the record by stipulation of the parties at the hearing on August 19, 2014.

Prior to the hearing, PPL, OCA, OSBA, PLLICA, CAUSE-PA, the SEF, PennFuture, NEPM, RESA, and ExGen entered into a settlement in principle. Other parties, including I&E, FES, Noble, and Direct Energy indicated that they would not oppose the Settlement. Main briefs on the issues reserved for litigation are due September 12, 2014. Reply briefs are due on September 26, 2014. The OCA submits that the Settlement is in the public interest and should be approved without modification.

II. SETTLEMENT TERMS AND CONDITIONS

Pursuant to the Commission's policy of encouraging settlements that are in the public interest, the Joint Petitioners held numerous settlement discussions. These discussions resulted in this Settlement.

The terms and conditions satisfactorily address issues raised in the OCA's analyses of PPL's DSP III Program. The OCA submits that, for residential customers, the Settlement is a reasonable compromise in consideration of likely litigation outcomes before the Commission.

² Ms. Alexander is a Consumer Affairs Consultant who works on consumer protection and customer service issues associated with utility regulation. Ms. Alexander is an attorney and a graduate of the University of Michigan and the University of Maine School of Law. Prior to opening her consulting practice in 1996, she spent nearly ten years as the Director of the Consumer Assistance Division of the Maine Public Utilities Commission. Her current consulting practice is directed to consumer protection, customer service and low-income issues associated with both regulated and retail competition markets. Ms. Alexander's qualifications are detailed in OCA St. 2 at Exhibit BA-1.

Therefore, the OCA submits that the Settlement is in the public interest. The OCA supports Commission approval of the Settlement without modification.

While the Settlement does not reach all the recommendations proposed by the OCA, the OCA recognizes that settlement is a product of compromise. The Commission encourages settlement, and to do so it must recognize the balance of compromises struck by settling parties. The OCA does not address all issues addressed by the Settlement in this Statement in Support. The OCA does not oppose terms and conditions not expressly addressed herein. The OCA submits that the ALJ and Commission should consider the Settlement as a whole. The OCA also looks to each party to discuss how the Settlement's terms and conditions address their respective issues and how those parts of the Settlement support the public interest standard required for Commission approval.

A. Product Portfolio and Procurement Schedule (Settlement ¶¶ 22-24)

In its filing, PPL proposed to procure 6 and 12 month full requirements contracts (FRCs) for new residential supply. PPL Petition at ¶40. Under the filing, this new supply would be in addition to the Company's pre-existing block supply contracts for 150 MW of energy through December 31, 2015 and 50 MW of energy committed from January 1, 2016 through May 31, 2021. PPL Petition ¶ 44. As a result, during DSP III, PPL's proposed supply mix would contain 6 month FRCs, 12 month FRCs, along with 60 month and 120 month block energy supply. See, OCA Exh. RSH-2.

In his testimony, OCA witness Hahn recommended modifications to the Company's residential supply mix. OCA St. 1 at 6-7. Mr. Hahn raised specific concerns with the Company's procurement plan and the potential for significant rate volatility at the end of DSP III. As Mr. Hahn explained:

[T]he Company's proposal results in only 25% of the residential portfolio extending beyond May 31, 2017. This means that the Company or a successor default service provider will need to procure 75% of residential default service power supplies for the start of the default service plan that succeeds DSP III. While the Company's proposal does avoid a 100% hard stop at the end of DSP III, a 75% hard stop is still large and requires a huge procurement at one time.

OCA St. 1 at 6.

The OCA submits that the Settlement modifies the residential procurement plan to reduce the percentage of power that will need to be procured at one time at the end of DSP III. Under the Settlement, PPL will revise its residential procurement schedule to better ensure a stable transition at the end of DSP III. The Settlement modifies the Company's filing as follows:

The parties agree that the product portfolio and procurement schedule for the final October 2016 procurements under the DSP III Program will be modified so that 55% of the Residential portfolio will expire on May 31, 2017, and 45% of the Residential portfolio will extend beyond May 31, 2017. The Parties acknowledge that this modification is consistent with the product portfolio and procurement schedule approved by the Commission in PPL Electric's DSP II Plan. Attached as Appendix A is a product portfolio and procurement schedule that has been modified to reflect this settlement term.

Settlement at ¶ 23.

OCA witness Hahn recommended that 70% of the default supply procurement contracts extend beyond the end of the DSP III Program in May 31, 2017 in order to limit the overall market timing risk to residential customers. OCA St. 1 at 7. By contrast, RESA recommended that there be a "hard stop" at the end of DSP III and that no contracts extend beyond May 31, 2017. RESA St. 1 at 12-13. Under the terms of the Settlement, the product portfolio and procurement schedule for the final procurements under the DSP III Program in October 2016 will be modified so that 55% of the Residential portfolio will expire on May 31, 2017, and 45%

of the Residential portfolio will extend beyond May 31, 2017. Settlement ¶ 23. This provision represents a significant compromise by the parties. The OCA submits that this provision of the Settlement provides substantial benefits to residential customers and should be approved.

B. Contingency Plan (Settlement ¶¶ 25-27)

In the event the Commission rejects all bids for a given product, or the Company does not receive bids for a given product, the Company proposed in its filing to seek Commission guidance and approval to address the shortfall, and to the extent necessary, obtain Default Service supply through the PJM spot market. PPL Petition ¶¶ 106 - 107. OCA witness Hahn testified that PPL's proposed contingency plan did not require or cause the Company to make any effort to find other suppliers, and that "any contingency plan should minimize the amount of time that large portions of residential default service are supplied solely from spot purchases." OCA St. 1 at 12-13.

The Settlement modifies the contingency plan to address the issues of concern raised by Mr. Hahn. Specifically, through the Settlement PPL agrees to modify its RFP to require the Independent Auction Manager to contact suppliers to attempt to understand the underlying cause of any shortfall or supplier failure and report this information to the Commission. Settlement ¶ 25. PPL also agrees to "to make all reasonable efforts to minimize the Residential load that is unhedged, including but not limited to consideration of combined block and spot products [...]." Settlement ¶25.

The OCA submits that the modifications to the contingency plan made pursuant to the Settlement are in the public interest as the contingency plan as modified now better avoids the potential of residential load being obtained from the spot market for an extended period of time. By having the Independent Auction Manager contact suppliers, PPL will have the chance, and

the obligation, to issue new RFPs that could potentially resolve the underlying reasons suppliers failed to bid, which would avoid obtaining Default Service supply through the spot market. The Settlement also requires PPL to consider combined block and spot products as opposed to only spot products when it seeks Commission guidance following a failed solicitation. The OCA submits that the contingency plan, as modified by the Settlement, significantly improves DSP III.

C. PTC and Timing of Procurements (Settlement ¶¶ 30-32)

Pursuant to the Settlement, PPL will issue its Price-to-Compare (PTC) 30-days in advance of the effective date of the PTC, as opposed to 10-days prior to the effective date of the PTC as is PPL's practice under the current DSP. Settlement ¶ 30. In its DSP III Petition, PPL sought to extend its current waiver from the requirement to issue a final PTC 45 days in advance of the effective date and approval to file its PTC 10-days in advance. PPL Petition ¶ 132. The OCA recommended that the Company's proposed waiver extension not be accepted. See, OCA St. 1 at 11. The OCA submits that issuing the PTC 30 days in advance of the effective date is an improvement over the current 10 day notice. By requiring PPL to issue its PTC 30-days in advance as opposed to 10-days in advance, consumers will have added time to compare EGS offers against PPL's PTC, which promotes competitive shopping.

D. Reconciliation of GSC-1, GSC-2, and TSC (Settlement ¶ 33-36)

In Direct Testimony, OCA witness Hahn identified an issue of concern with the Company's proposed reconciliation schedule. OCA St. 1 at 9. Mr. Hahn identified that there was an overlap in the month of April and a gap in the month of October. Mr. Hahn explained that this was the result of the April 30th and September 30th dates which were proposed by PPL were only five months apart and not six months apart. OCA St. 1 at 9. Mr. Hahn recommended that the Company revise the spring reconciliation period to be the six months ending in March

instead of six months ending in April. OCA St. 1 at 10. The Settlement adopts Mr. Hahn's recommendation by adjusting the reconciliation schedule so that the GSC-1 will be reconciled every 6 months based on the over/under collection balance for the 6 month period ending 2 months prior to the new PTC effective date. Settlement ¶ 34. The OCA submits that this provision will improve the accuracy of PPL's reconciliation calculations to the benefit of ratepayers.

E. Credit Ratings (Settlement ¶ 37)

The Settlement revises the Company's proposed SMA to remain consistent with the credit rating set forth in the SMA approved by the Commission in PPL's DSP II Plan. Settlement ¶ 37. Initially, PPL proposed reducing the unsecured credit limit in conjunction with allowing sub-investment grade companies to participate in the procurement process. The OCA opposed this proposed change to the SMA. As OCA witness Hahn testified, this change could result in additional supplier defaults that would result in additional financial risk for the Company and its customers. OCA St. 1 at 15. The OCA submits that keeping the credit rating as it was in DSP II is in the public interest as it protects the Company and its customers from increased financial risk due to supplier default.

F. Standard Offer Program (Settlement ¶¶ 44-51)

The Settlement modifies the current Standard Offer Program (SOP) by requiring the Company to make certain disclosures to customers as recommended by OCA witness Alexander. Specifically, under the terms of the Settlement, the Company must inform potential SOP participants that the initial discount of 7% is based on the current Price to Compare (PTC); the PTC will change semiannually with the next change in [month]; the percentage savings a customer will experience may vary as the PTC changes; and the SOP may be higher or lower

than the next PTC. Settlement ¶ 44. OCA witness Alexander recommended these changes so that PPL explicitly informs customers that the potential 7% discount will vary depending on the PTC, which will change semiannually if the Settlement is approved. OCA St. 2 at 13-14.

The Settlement also addresses the OCA's concern with PPL implementing a SOP Web Self Service application prior to the Company providing the Commission or any interested parties to this proceeding with details as to the programs design and costs. See, OCA St. 2 at 16. Under this Settlement, PPL agrees to provide the interested parties with details regarding the program's design, costs and implementation of the program by September 30, 2014. Settlement ¶ 45. PPL further agrees that by October 21, 2014, it will hold a collaborative at which it will seek input on the design, costs and implementation of the program. Settlement ¶ 45. PPL agrees that if a consensus is reached at the collaborative as to the design, costs and implementation of this program, that PPL will implement the program consistent with the consensus. If no consensus is reached, PPL will file a petition with the Commission seeking a resolution of the unresolved issues. Settlement ¶ 45. The OCA submits that the process to implement a SOP Web Self Service application agreed to in the Settlement addresses the OCA's concerns. The process outlined in the Settlement provides the OCA and other interested parties with the detailed information not included in the DSP III Program filing and with the opportunity to provide input on the design of the program. The Settlement also provides the parties with the ability to raise any concerns with the SOP Web Self Service application with the Commission for resolution.

Finally, under the Settlement, PPL will convene a stakeholder meeting before January 31, 2015 to discuss the Standard Offer Program. Settlement ¶ 48. Prior to the stakeholder meeting, PPL will provide the participants with the following information: (1) SOP scripts; (2) customer enrollment figures and SOP process for the first 12-month period of the SOP; (3) statistics

regarding EGs participation in the SOP from inception through the enrollment period beginning December 1, 2014; (4) a report of all informal or formal complaints related to SOP received by the Company during the first 12-month period of the SOP; and (5) a report on the statistics, lessons learned, and best practices for the SOP program. Settlement ¶ 50. The interested stakeholders will address recommendations to improve the administration of the SOP; OCA's recommended changes to the SOP scripts, administrative process and product composition that might improve the customer experience and EGS participation; and the recommendation that the SOP program be open to EGSs using bill ready billing. Settlement ¶ 49. The OCA submits that the stakeholder meetings provide a meaningful venue to review the detailed program information that PPL is required to provide under the Settlement and make any needed improvements designed to provide a better customer experience with the program.

III. CONCLUSION

The OCA submits that the Joint Petition for Partial Settlement provides a reasonable resolution to the Company's 2015-2017 default service plan filing by modifying the residential customer default service portfolio and procurement schedule to reduce market timing risks and risk premium. In addition, the Settlement will bring needed improvements to the Company's existing Standard Offer Program disclosures, while providing all stakeholders an opportunity to bring further improvements to the Standard Offer Program through a collaborative. For the foregoing reasons, the Office of Consumer Advocate submits that the proposed Settlement is in the public interest and in the best interest of the Company's ratepayers.

Respectfully Submitted,



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September 12, 2014
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Appendix D

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**PENNSYLVANIA PUBLIC UTILITY
COMMISSION**

v.

PPL ELECTRIC UTILITIES, INC.

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DOCKET NO. P-2014-2417907

**STATEMENT OF
THE OFFICE OF SMALL BUSINESS ADVOCATE
IN SUPPORT OF THE
JOINT PETITION FOR APPROVAL OF PARTIAL SETTLEMENT**

Introduction

The Small Business Advocate is authorized and directed to represent the interests of the small business consumers of utility services in the Commonwealth of Pennsylvania under the provisions of the Small Business Advocate Act, Act 181 of 1988, 73 P.S. §§ 399.41 - 399.50. Pursuant to that statutory authority, the Office of Small Business Advocate (“OSBA”) filed an Answer and Notice of Intervention in the above-captioned proceeding, which was initiated by PPL Electric Utilities Corporation (“PPL” or the “Company”) on April 18, 2014.

The OSBA actively participated in the negotiations that led to the proposed partial settlement and is a signatory to the Joint Petition for Approval of Partial Settlement (“*Partial Settlement*”). The OSBA submits this statement in support of the *Partial Settlement*.

The *Partial Settlement*

The *Partial Settlement* sets forth a list of issues that were resolved through the negotiation process. The following issues were of particular significance to the OSBA when it concluded that the *Partial Settlement* was in the best interests of PPL's small business customers.

1. Small Business Customer Procurement

The *Partial Settlement* addresses the procurement of electric supply for the Company's Small Commercial & Industrial ("Small C&I") customers. In his direct testimony, OSBA witness Robert D. Knecht summarized PPL's proposal for procurement as set forth in the Company's original April 18th Petition:

Generation service to Small C&I customers will be procured entirely through fixed-price, full requirements ('FPFR') contracts, with half the load served by 12-month contracts and half served with 6-month contracts. The 12-month contracts will be 'laddered,' such that half of the 12-month load will turn over every six months. Procurements will be conducted approximately one month prior to delivery.

OSBA Statement No. 1, at 3.

The OSBA has long been a proponent of fixed-price, full requirements contracts. Mr. Knecht stated the OSBA position, as follows:

I conclude the Company's proposal for the duration and timing of procurements is within the range of reasonableness. With a 50/50 mix of 6-month and 12-month supplies, the Small C&I C-Factor should be reasonably stable and predictable. It also reflects a reasonable balance between being reflective of market conditions, while remaining simple, understandable, and providing some rate stability. By laddering the 12-month contracts, the Company's proposal will reduce the magnitude of potential price shifts at the end of the 12-month contracts. In addition, the Company proposes to conduct its procurements within a month of the start of service, thereby reducing the temporal risks faced by suppliers.

OSBA Statement No. 1, at 9-10.

The *Partial Settlement* generally adopts the procurement proposal for the Company's Small C&I customers as original filed by PPL. See *Partial Settlement*, at Paragraph 22 and 23, and Appendix A. The only difference between the *Partial Settlement* and the Company's original proposal is that the "laddering" effect of procurements extending beyond May 2017 is somewhat larger under the *Partial Settlement*. In OSBA's view, this modification improves the overall laddering benefits of the procurement method. The OSBA therefore supports the proposed Small C&I procurement schedule as just, reasonable, and consistent with Mr. Knecht's testimony in this proceeding.

2. Rate Changes and Reconciliation

The *Partial Settlement* proposes that GSC-1 rate will be adjusted every six months to reflect the cost of supply contracts for the upcoming six month period. *Partial Settlement*, at Paragraph 33. In addition, the *Partial Settlement* proposes that the GSC-1 rate will be reconciled every six months, using the over/under collection balance for the 6-month period ending two months prior to the new Price to Compare ("PTC") effective date. *Id.*, at Paragraph 34.

As the ALJ and the Commission well know, the OSBA has been unhappy with the Company's reconciliation of Small C&I rates. Mr. Knecht observed:

I agree with the Company that the reconciliation period should be longer than the current three months. With regard to the reconciliation period, I respectfully disagree with the Commission and much of the EGS community that a faster reconciliation of variances makes prices more reflective of market conditions. If anything, the reverse is true. By their nature, the charges or credits in a reconciliation mechanism reflect prior period market conditions. Adding E-Factor charges or credits to the market-based C-Factor charges necessarily distorts the market price signals. Moreover, in the case of PPL Electric's Small C&I default service, the distortions have been particularly extreme, such that the Small C&I PTC bears little resemblance to market prices. While there are many factors which have contributed to this distortion, the short reconciliation period has served to exacerbate

the fluctuations in the reconciliation charges/credits, thereby worsening the market distortions. For that reason, in the Company's DSP II proceeding, I supported PPL Electric's proposal to use a 12-month reconciliation period.

OSBA Statement No. 1, at 10.

Therefore, while the OSBA prefers a 12-month reconciliation period, the OSBA is willing to support a six-month reconciliation period as a major improvement over the shorter, three-month period:

While a 12-month period would probably be superior to the Company's 6-month proposal in the current proceeding, I recognize that it was rejected by the Commission. I therefore conclude that the Company's proposal is superior to the current mechanism, and take no exception.

OSBA Statement No. 1, at 10.

Therefore, the OSBA supports the *Partial Settlement's* proposal for a six-month reconciliation for the GSC-1 rate for the purposes of this proceeding.

3. TOU Rates and Net Metering

One of the major contributing factors to the instability in PPL's Small C&I default service charges has been the "cash out" costs related to net metered customers with large amounts of excess generation. As the *Partial Settlement* indicates at Paragraph 52, issues related to time-of-use ("TOU") rates for net metered customers are being litigated at Docket No. P-2013-2389572. As a matter of judicial economy, the OSBA fully supports the *Partial Settlement* provision which specifies that the resolution of TOU rates for net metered customers in that proceeding should continue to apply to PPL's DSP III. As Mr. Knecht noted:

No party has introduced any evidence that circumstances facing TOU and net metered customers are any different now than they were just a few months ago while the earlier proceeding was being litigated. There is simply no reason to revisit this issue in this proceeding, except to implement the decision in the prior case.

OSBA Statement No. 3, at 2.

Finally, Paragraph 54 of the *Partial Settlement* pays lip service to the Commission's Proposed Rulemaking Order at Docket No. L-2014-2404361 ("the PRO") that would, *inter alia*, provide clarity to the Commission's regulations regarding customer eligibility for net metering. The OSBA takes no exception to the language of the *Partial Settlement*, as it says nothing other than the obvious. However, the OSBA observes that the Commission was very clear in the PRO that it was not modifying its policies, but merely clarifying its existing policy that customer generators must have independent electric load in order to qualify for net metering status. The Commission stated:

The first condition [for net metered status] requires the customer-generator to have load, independent of the alternative energy system, behind the meter and point of interconnection of the alternative energy system. To be independent, the electric load must have a purpose other than to support the operation, maintenance or administration of the alternative energy system. This provision makes explicit what was previously implied in the AEPS Act and the regulations.

PRO, at 11.

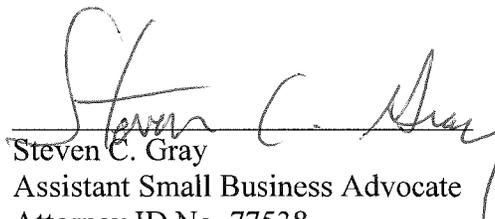
Thus, the OSBA expects that PPL, in its administration of both its DSP II and DSP III plans, will adhere to the Commission's *current* policy that net metered customers must have independent load. To the extent that PPL does not adhere to this policy, the OSBA reserves the right to challenge any costs imposed on small business default service customers by generators who PPL should not have accepted as net metered customers under the Commission's stated policy. Any costs incurred by PPL associated with violating the Commission's policy should not be passed on to Small C&I default service ratepayers, and must be absorbed by the Company.

OSBA Statement No. 4, at 3.

Conclusion

For the reasons set forth in the *Partial Settlement*, as well as the additional factors that are enumerated in this statement, the OSBA supports the proposed *Partial Settlement* and respectfully requests that the ALJ and the Commission approve the *Partial Settlement* in its entirety.

Respectfully submitted,


Steven C. Gray
Assistant Small Business Advocate
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Dated: September 12, 2014

Appendix E

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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 :

**PP&L INDUSTRIAL CUSTOMER ALLIANCE
STATEMENT IN SUPPORT OF
JOINT PETITION FOR APPROVAL OF PARTIAL SETTLEMENT**

The PP&L Industrial Customer Alliance ("PPLICA"), PPL Electric Utilities Corporation ("PPL Electric"), the Office of Consumer Advocate ("OCA"), the Office of Small Business Advocate ("OSBA"), Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania ("CAUSE-PA"), the Sustainable Energy Fund ("SEF"), Citizens for Pennsylvania's Future ("PennFuture"), NextEra Energy Power Marketing, LLC ("NEPM"), Retail Energy Supply Association ("RESA") and Direct Energy Services, LLC ("Direct Energy"), and Exelon Generation Company, LLC ("ExGen"), active parties in the above-captioned proceeding all parties to the above-captioned proceeding are submitting to the Commission a Joint Petition For Approval of Partial Settlement ("Joint Petition" or "Settlement") proposing a negotiated resolution of all issues among the parties in the above-captioned proceeding. PPLICA hereby provides this Statement in Support, which explains the background and provisions of the Settlement, and establishes that approval of the Settlement without modification is appropriate and in the public interest.

I. INTRODUCTION AND BACKGROUND

On April 18, 2014, PPL Electric Utilities Corporation ("PPL" or the "Company") filed with the Pennsylvania Public Utility Commission ("PUC" or "Commission") a Petition for Approval of a Default Service Program and Procurement Plan for the Period from June 1, 2015 through May 31, 2017 ("DSP III"). Through its Petition for Approval of DSP ("Petition"), PPL outlines a proposed plan to procure needed generation and to establish the terms and conditions under which the Company will supply Provider of Last Resort ("POLR") service for the period June 1, 2015 through May 31, 2017. The proposed Default Service Program ("DSP") would apply to all retail customers in PPL's service territory. PPL proposes separate treatment for: (1) Residential Customers served under Rate Schedule RS and RTS; (2) Small Commercial and Industrial ("C&I") Customers taking service under Rate Schedules GS-1, GS-3, GH-2, IS-1, BL, SA, SM, SHS, SE, TS, SI-1, and standby service for the foregoing schedules; and (3) Large C&I Customers served under Rate Schedules GS-3, LP-4, LP-5, LPEP, and standby service for the foregoing schedules.

According to PPL's proposal, PPL plans to offer Large C&I customers POLR service on a real-time hourly basis through the PJM Interconnection, LLC ("PJM") spot market. *See* Petition, p. 5.

On May 9, 2014, PPLICA filed a Petition to Intervene and Answer in this proceeding. A description of PPLICA is set forth in Paragraph 1 of PPLICA's Petition to Intervene. PPLICA subsequently received a Notice of Prehearing Conference on May 1, 2014, scheduling a Prehearing Conference for June 5, 2014. Consistent with the terms in the Prehearing Order, PPLICA filed a Prehearing Memorandum on June 3, 2014, identifying the following issues to be addressed through this proceeding:

- a. Whether PPL's DSP meets the Company's obligation to provide customers with least cost procurement over time;

- b. Whether PPL procures Large C&I default service load through competitive bids or the direct purchases in the PJM market;
- c. Whether PPL might propose to calculate transmission demand for Large C&I-Primary customers using a customer's PJM Network Service Peak Load, consistent with PJM billing practices and the Company's current transmission demand calculation for Large C&I-Transmission customers;
- d. Whether other interveners propose to modify PPL's filed proposal to recover non-market based transmission costs, including Network Integration Transmission Service costs, Transmission Enhancement costs, Expansion Cost Recovery Costs, Non-Firm Point-to-Point Transmission Credits, Regional Transmission Expansion Plan, and Generation Deactivation costs, through non-bypassable riders or other similarly broad cost recovery mechanisms; and
- e. Whether procurements for transitioned customers will occur entirely under PPL's Large C&I Generation Supply Charge ("GSC-2"), inclusive of the calculation of energy charges for spot-market electricity based on actual hourly metered energy usage instead of any projected load profiles.

Following submission of PPLICA's Prehearing Conference Memorandum, PPLICA participated in the Prehearing Conference, through which Administrative Law Judge Susan D. Colwell established a schedule for discovery, submission of testimony, evidentiary hearings, and briefs. PPLICA fully participated in the litigated proceedings, reviewing direct, rebuttal, and surrebuttal testimony filed by various parties. PPLICA additionally propounded interrogatories on PPL on July 2, 2014, to which PPL responded on July 14, 2014.

Prior to the evidentiary hearing scheduled for August 18-19, 2014, all parties engaged in settlement discussions resulting in a resolution of all issues except for (i) PPL Electric's proposal to change the customer size demarcation between Small C&I and Large C&I customers demand split from 500 kW to 100 kW and (ii) the issue of the cost responsibility for certain Transmission Service Charges. All parties subsequently agreed to cancel the August 18 hearing and waive cross-examination for the evidentiary hearing held on August 19, 2014.

In accordance with the settlement-in-principle, PPLICA hereby requests that the Commission approve the Joint Petition without modification.

II. EXPLANATION OF PROVISIONS IN JOINT PETITION FOR SETTLEMENT

The Joint Petition reflects a reasonable resolution of the issues raised by PPLICA throughout the Commission's investigation of PPL's DSP III. While PPLICA raised concerns regarding PPL's procurement of Large C&I default service through competitive bids rather than directly from the PJM market, PPLICA concurs that the proposed Large C&I procurement plan is generally consistent with the Commission's default service regulations. *See* Joint Petition, p. 6. Further, PPLICA has reviewed responses to interrogatories concerning the Company's current practice of calculating transmission demand for Large C&I-Primary customers using a monthly billing demand instead of customers' individual PJM Network Service Peak Load ("NSPL"), consistent with PJM billing practices and the Company's current transmission demand calculation for Large C&I-Transmission customers. While PPLICA will continue to monitor this issue through future DSP proceedings, PPL has satisfactorily addressed PPLICA's concerns for purposes of this DSP III through formal interrogatory responses and further informal discussions.

Additionally, the Joint Petition also reserves the issue of the cost responsibility for certain Transmission Service Charges, preserving PPLICA's right to address these issues in brief. Joint Petition, p. 5. 14. Similarly, the Joint Petition reserves PPL Electric's proposal to change the customer size demarcation between Small C&I and Large C&I customers from 500 kW to 100 kW for litigation, preserving PPLICA opportunity to address the application of consistent rate design for the GSC-2 as may become necessary. *Id.*

III. THE PUBLIC INTEREST SUPPORTS APPROVAL OF THE JOINT PETITION WITHOUT MODIFICATION

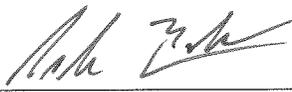
The terms of the Joint Petition reflect a just and reasonable compromise of issues raised by PPLICA and other parties to the proceeding. Additionally, all parties will benefit from a comprehensive resolution, as the Settlement avoids the expense and uncertainty of full litigation of this matter, and otherwise advances the policy of this Commission to encourage parties to

resolve contested proceedings through settlement processes. Therefore, approval of the Joint Petition, without modification, is in the public interest.

WHEREFORE, the PP&L Industrial Customer Alliance respectfully requests that the Commission adopt the Joint Petition for Settlement without modification.

Respectfully submitted,

MCNEES WALLACE & NURICK LLC

By 

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Counsel to PP&L Industrial Customer Alliance

Dated: September 12, 2014

Appendix F

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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 :

**STATEMENT OF THE COALITION FOR AFFORDABLE UTILITY SERVICES
AND ENERGY EFFICIENCY IN PENNSYLVANIA IN SUPPORT OF
JOINT PETITION FOR SETTLEMENT**

The Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”), one of the signatory parties to the Joint Petition for Settlement (“Joint Petition” or “Settlement”), respectfully requests that the terms and conditions of the Settlement be approved by Administrative Law Judge Susan Colwell and the Pennsylvania Public Utility Commission (“Commission”). For the reasons stated more fully below, CAUSE-PA believes that the terms and conditions of the Settlement are in the public interest.

I. INTRODUCTION

CAUSE-PA intervened in this proceeding to (a) address its concerns about the effect that PPL’s Default Service Program - and in particular the continued offering of or potential changes to PPL’s Standard Offer Program (SOP) – would have on the long-term affordability of service for economically vulnerable households within its service territory; (b) ensure that PPL’s low income customers are not harmed; and (c) make certain that the programs put forth by PPL are in the public interest. CAUSE-PA did not present direct testimony in this proceeding, but closely monitored discovery and testimony exchanged and/or presented throughout the proceeding and engaged in negotiations leading to the Settlement, which was derived through good faith

negotiation by all parties. The Settlement is in the public interest in that it addresses issues of concern to CAUSE-PA, balances the interests of the parties, and fairly resolves a number of important issues. If approved by the Commission, substantial litigation and associated costs will be avoided both in the present proceeding and in the course of future litigation and/or appeals.

II. BACKGROUND

CAUSE-PA adopts the background as set forth in Paragraphs 1-17 of the Joint Petition for Settlement.

III. CAUSE-PA'S REASONS FOR SUPPORT OF THE SETTLEMENT

The following terms of this Settlement reflect a carefully balanced compromise of the interests of all the Joint Petitioners in this proceeding:

Paragraph 44 of the Settlement confirms that the Company will amend its SOP scripts within 90 days to explicitly disclose key features of the SOP; including that (1) the 7% discount is based on the current Price to Compare (PTC), (2) the PTC changes semiannually, (3) the percentage of savings will vary as the PTC changes, and (4) the SOP rate may be higher or lower than the next PTC.

Increased disclosure regarding the nature of the SOP program discount is well justified. While not fully addressing the issues associated with low income customers (including those enrolled in PPL's OnTrack program) participating in the SOP, CAUSE-PA believes that enhanced disclosure of the SOP discount is a significant improvement over the current program structure, which does not provide such disclosures. As explained by Barbara Alexander in her direct testimony, submitted on behalf of the Office of Consumer Advocate, the current program disclosures "do not provide sufficient information about the program for customers to determine their interest or

whether this would be an affirmative choice,” as opposed to an obligation. (OCA Direct Testimony, Alexander, at 13). Indeed, Ms. Alexander goes on to explain that PPL’s current SOP scripts “give the impression that the customer will receive a 7% discount and that this discount will be applicable during the 12 month contract. ... [and] do not explicitly inform customers about the potential that the 7% discount will vary depending on the PTC that changes every quarter.” *Id.* While accepting that the current SOP scripts are “technically correct,” Ms. Alexander opined that the current SOP scripts “are not clear and may have the unintended impact of misleading customers.” *Id.*

CAUSE-PA has a specific interest in ensuring that economically vulnerable customers – particularly those enrolled in PPL’s OnTrack program – receive clear and detailed information about the SOP discount prior to enrollment in the program. Expanding the up-front disclosures regarding program terms, particularly those that explain the nature of the discount over time, will assist customers considering enrollment to make a more informed decision about their participation in the program.

Paragraph 49 of the Settlement also includes a commitment by PPL to convene a Stakeholder meeting to resolve other outstanding issues associated with the SOP, including program administration, bill ready billing, and additional changes to the SOP script. These remaining issues could have a significant impact on economically vulnerable customers, particularly those enrolled in PPL’s OnTrack Program, as the resolution of these issues may further clarify – or potentially further obscure – the information disclosed to customers regarding the SOP and may impact the overall cost of the program that is borne by all PPL customers. CAUSE-PA supports convening a stakeholder meeting to resolve these outstanding issues, as it permits a free exchange of viewpoints directed toward constructive end, avoids litigation and the

expenses attendant thereto, and has proven to be an efficient and productive method of resolving disputes.

In conjunction with the commitment to host a stakeholder meeting in paragraph 49, PPL further commits in paragraph 50 to providing critical information to parties participating in the stakeholder meeting to facilitate meaningful participation. In particular, PPL agrees to disclose information pertaining to customer complaints regarding the SOP, and will report to the group on statistics, lessons learned, and best practices. CAUSE-PA believes that this information is critical to arriving at an appropriately balanced, evidence-based resolution of outstanding issues with PPL's SOP, which is squarely in the public interest.

Finally, paragraph 51 provides that PPL will petition the commission to modify the SOP (beyond the increased disclosures in paragraph 44) if all parties engaged in the stakeholder meeting agree. PPL additionally commits to implement the modifications within six months of final approval by the Commission. CAUSE-PA supports inclusion of these terms, as it ensures parties equal footing in the stakeholder process and the resolution of remaining issues while encouraging compromise between the various interests at stake and sets forth an efficient and practical schedule for implementation of the modifications upon commission approval.

IV. CONCLUSION

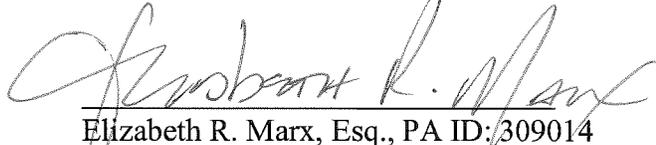
CAUSE-PA submits that the Settlement, which was achieved by the Joint Petitioners after an extensive investigation of PPL's filing, including informal and formal discovery and the submission of direct, rebuttal, surrebuttal and rejoinder testimony, is in the public interest. Acceptance of the Settlement avoids the necessity of further administrative and possible

appellate proceedings regarding the settled issues at what would have been a substantial cost to the Joint Petitioners and PPL's customers.

Accordingly, CAUSE-PA respectfully requests that the ALJ and the Commission approve the Settlement.

Date: September 12, 2014

PENNSYLVANIA UTILITY LAW PROJECT



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*For: Coalition for Affordable Utility Services
and Energy Efficiency in Pennsylvania*

Appendix G

**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 No. P-2014-2417907**

**Sustainable Energy Fund
Statement In Support of
Joint Petition of
Partial Settlement**

To The Honorable Susan D. Colwell, Administrative Law Judge:

The Sustainable Energy Fund (“SEF”)¹, by and through its Attorney, submits that the terms of the foregoing Joint Petition of Partial Settlement (“Joint Petition”) are in the public interest and represent a fair, just, reasonable and equitable balance of the interests of PPL Electric Utilities Corporation (“PPL Electric” or “Company”) and its customers. After settlement discussions, SEF, PPL Electric, the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”), Direct Energy Services, LLC (“Direct Energy”), NextEra Energy Power Marketing, LLC (“NEPM”), Exelon Generation Company, LLC (“ExGen”) and Citizens for Pennsylvania’s Future

¹ SEF is a non-profit organization dedicated to the use of renewable energy, clean energy technologies, energy conservation and energy education. Founded in 1999 pursuant to a settlement of PPL Electric

(“PennFuture”) have agreed upon the terms embodied in the foregoing Joint Petition.²

I. BACKGROUND

SEF submits that the foregoing Joint Petition is in the public interest for the following reasons:

1. PPL Electric filed this Petition for approval of its third Default Service Program and Procurement Plan (“DSP III Program”) to establish the terms and conditions under which PPL Electric will acquire and supply Default Service or provider of last resort service (“Default Service”) from June 1, 2015 through May 31, 2017 (“DSP III Program Period”). The DSP III Program includes a Time-of-Use (“TOU”) rate option for Default Service during the DSP III Program Period.

2. The Company proposes to implement a TOU rate option throughout DSP III. PPL Electric filed a previous TOU plan before the Commission at Docket No. P-2013-2389572. In that proceeding, SEF and several other parties reached a partial settlement for TOU service that is now being considered by the

Utility Corporation’s electric deregulation proceeding, SEF promotes clean and renewable energy initiatives to benefit customers within the PPL Electric service territory and throughout Pennsylvania.

² The Bureau of Investigation and Enforcement (“I & E”) for the Commission, FirstEnergy Solutions Corp. (“FES”), Retail Energy Supply Association (“RESA”) and Noble Americas Energy Solutions LLC (“Noble”) are not parties to the Joint Petition but have indicated that they do not object.

Commission. PPL Electric has proposed here that the TOU program outlined in the partial settlement be approved for continuation during DSP III.

3. SEF filed a timely Petition to Intervene. A Prehearing Conference was held on June 5, 2014, at which time a litigation schedule was set. An evidentiary hearing was held in this proceeding on August 19, 2014, at which time SEF Statements 1 and 1-SR were admitted to the record.

4. Settlement discussions resulted in the foregoing Joint Petition.

II. SETTLEMENT TERMS

5. The specific details of the Settlement terms are provided in Paragraphs 18 through 60 of the Joint Petition. However, SEF initially observes that the settlement enhances PPL Electric's DSP III Program by ensuring that PPL Electric's TOU customers will have the opportunity to reduce their energy costs by modifying their energy use profile.

III. PUBLIC INTEREST

6. SEF submits that the foregoing Joint Petition is in the public interest for the following reasons:

(a) Net Metering: SEF acknowledges that the issue of a net metering option for TOU customers is currently pending before the Commission for disposition at Docket No. P-2013-2389572. The Signatory Parties to the Joint Petition agree that for the DSP III Program period, PPL Electric shall implement the TOU Program as approved by the Commission at Docket No. P-2013-2389572, including a net metering option if adopted. In this regard, SEF strongly

urges the Commission to resolve the proceeding at Docket No. P-2013-2389572 in sufficient time to allow the TOU Program to be fully implemented at the beginning of the DSP III Program period, *i.e.*, June 1, 2015. SEF submits that such a result is in the best interest of PPL Electric ratepayers because such action will remove any ambiguity.

(b) Proposed Rulemaking – Net Metering: SEF further acknowledges that currently pending before the Commission is a Proposed Rulemaking Order at Docket No. L-2014-2404361 that proposes to modify the Commission’s regulations to, among other things, provide guidance and clarity regarding net metering and compensation under net metering. *See Implementation of the Alternative Energy Portfolio Standards Act of 2004*, Docket No. L-2014-244361 (Order entered February 20, 2014). SEF submits that PPL Electric’s agreement to file a new tariff that is consistent with the outcome of the rulemaking and the opportunity for interested parties to respond to such tariff, is in the public interest because such a procedure will allow for a full discussion of relevant issues.

(c) Discontinue Litigation: The Joint Petition discontinues expensive and unnecessary rate litigation and administrative burden.

7. The foregoing Joint Petition addresses and adjusts all substantial issues that are the subject of dispute. It appears unlikely that full litigation of these matters would result in SEF obtaining a superior outcome.

8. SEF supports the foregoing Joint Petition because it is in the public interest. However, in the event this matter proceeds to full litigation, SEF is

prepared to take litigation positions that may differ from the terms of the proposed
Joint Petition of Partial Settlement.

Respectfully submitted,



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Dated: September 10, 2014

Appendix H

**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	:	
	:	
	:	P-2014-2417907
	:	
	:	

STATEMENT IN SUPPORT OF PETITION FOR APPROVAL OF NON-UNANIMOUS SETTLEMENT

TO THE HONORABLE SUSAN D. COLWELL, ADMINISTRATIVE LAW JUDGE:

Now Comes, Citizens for Pennsylvania’s Future (“PennFuture”), by counsel, Heather Langeland, and hereby submits its Statement in Support of the Non-Unanimous Settlement. PennFuture believes that this Settlement is in the public interest and should be approved by the Pennsylvania Public Utility Commission (“PUC”) as presented. In support thereof, PennFuture states as follows:

I. Background

1. On April 18, 2014, PPL Electric Utilities Corporation (“PPL”) filed with the Pennsylvania Public Utility Commission (“PUC” or “Commission”) a Petition for approval of its Default Service Program (“DSP”) for the period June 1, 2015 through May 31, 2017 (“Petition”). The DSP would apply to all retail customers in PPL’s service territory.

2. The matter was assigned to the Honorable Susan D. Colwell, Administrative Law Judge.

3. On May 23, 2014, PennFuture filed its Petition to Intervene in this matter.

4. A Prehearing Conference for the instant proceeding was held on June 5, 2014 at which time a procedural schedule was adopted and PennFuture's Petition to Intervene was granted.

5. On July 1, 2014, PennFuture timely filed the direct testimony of Eric Thumma. This testimony focused on electric distribution companies ("EDC")s entering into long term contracts for Alternative Energy Portfolio Standards ("AEPS") compliance.

6. The evidentiary hearing was held on August 19, 2014 in Harrisburg, Pennsylvania.

7. At the hearing, the parties' respective testimony and exhibits were admitted into the evidentiary record.

II. The Settlement

12. The Settlement contains provisions resolving the issues raised by PennFuture to its satisfaction.

13. As a result of extensive settlement discussions, most parties were able to achieve a partial a settlement. The partial settlement in principle resolves all of the issues and concerns among the parties, except for (i) PPL Electric's proposal to change the Commercial & Industrial demand split from 500 kW to 100 kW and (ii) the issue of the cost responsibility for Non-market-based Transmission Service Charges ("NMB Charges"), both of which are reserved for litigation.

14. As to PennFuture's issues, the parties agreed PPL will procure Tier I (non-solar) and Tier II AECs through new individual long-term contracts in an amount necessary to cover the AEPS requirements associated with the pre-existing Long-Term Product contract for 50 MW

committed through May 31, 2021. PPL Electric agrees that these new long-term contracts will be solicited in the first auction under the DSP III Program.

III. Public Interest

15. The Settlement is in the public interest because it will lessen the expense of litigation of all parties. Moreover, customers will benefit in two ways. First, they will benefit by protection from price volatility. Second, consumers benefit by potentially lower overall AEPS compliance costs.

16. PennFuture does not oppose the remainder of the Settlement subject to the Commission's approval of the provisions resolving the issues raised by PennFuture.

WHEREFORE, for the following reasons, PennFuture respectfully requests that the Commission approve the Non-Unanimous Settlement.

Respectfully submitted,
FOR PENNFUTURE:


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PA ID 207387

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Appendix I

**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 : Docket No. P-2014-2417907
through May 31, 2017 :
:

**STATEMENT IN SUPPORT
OF NEXTERA POWER MARKETING, LLC**

NOW COMES NextEra Power Marketing, LLC, (“NEPM”), by and through its counsel in the above-captioned matter, Hawke, McKeon & Sniscak, LLP, and hereby offers this Statement in Support of the Joint Petition for Approval of Partial Settlement filed simultaneously herewith. In support of the Joint Petition, NEPM states and avers as follows:

1. About April 18, 2014, PPL filed a Petition seeking approval of its Default Service Program (“DSP”) by the Pennsylvania Public Utility Commission (“Commission”) for the Period June 1, 2015 through May 31, 2017. As part of that filing, PPL included Attachment B to the Petition, which is a Supplier Master Agreement (“SMA”) which contains the terms and conditions by which wholesale suppliers who provide energy and other related services to PPL to supply to its default service customers define their contractual relationship with PPL for that role. PPL testified that this particular SMA, referred to as the “Uniform” SMA was the outcome of a collaborative resulting from the Commission’s RMI process, that included electric distribution companies (“EDC”) and the Commission’s Office of Competitive Market Oversight (“OCMO”).

2. PPL's Uniform SMA includes a provision, Section 6.7, which relates to the credit requirements for financial institutions or other issuers of Letter of Credit ("LOC") in support of wholesale suppliers for the basis of providing credit for those wholesale suppliers in that role. PPL's currently effective SMA has a credit rating for such suppliers of A-/A3 (A- for S&P and A3 for Moody's). In the Uniform SMA filed by PPL in this case, it proposed to increase that credit requirement to A/A2.

3. In response to PPL's filing, NEPM provided the testimony of Sean Cheslock who described in detail why increasing the credit standards would lessen the pool of LOC issuers and would potentially provide for increased costs to customers and decreased participation in the program by suppliers.

4. As a result of settlement negotiations, PPL has agreed retain the standards of A-/A3. NEPM supports this settlement as it aligns with NEPM's litigation position and will avoid the potential for an increase in costs to customers and the potential decrease in the number of participating issuers of letters of credit, which could have the effect of diminishing the number of participants in the wholesale auction, lessening the overall competitiveness of the market. NEPM believes that this provision is a benefit for customers and in it will increases the liquidity of the market. No party to the proceeding has opposed this provision.

5. Accordingly, NEPM asserts that by maintaining the *status quo*, will not result any likely negative impacts, as there have been no documented defaults by wholesale suppliers which were then followed by a default of the issuer of a letters of credit, under the current standards. Accordingly, we believe that the settlement, as it relates to this issue, is in a public interest and should be approved as part of the overall settlement and, therefore, request that the Commission do the same.

WHEREFORE, NEPM respectfully request that the Pennsylvania Public Utility Commission approve the Joint Petition for Approval of Partial Settlement and, in particular, approve the modification Section 6.7, which provides for a credit standard of A-/A3 as reflected in the SMA attached to the Joint Petition for Partial Settlement.

Respectfully submitted,



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*Counsel for
NextEra Energy Power Marketing, LLC*

DATED: September 12, 2014

Appendix J

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

**THE RETAIL ENERGY SUPPLY ASSOCIATION'S
STATEMENT IN SUPPORT OF JOINT PETITION FOR PARTIAL SETTLEMENT**

I. INTRODUCTION

The Retail Energy Supply Association (“RESA”)¹, a trade association of electric generation suppliers (“EGSs”), submits this Statement In Support of the Joint Petition for Partial Settlement (“Partial Settlement”) by and between itself and PPL Electric Utilities Corporation (“PPL Electric”), the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), PP&L Industrial Customer Alliance (“PPLICA”), Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”), the Sustainable Energy Fund (“SEF”), Citizens for Pennsylvania’s Future (“PennFuture”), NextEra Energy Power Marketing, LLC (“NEPM”), and Exelon Generation Company, LLC (“ExGen”) (collectively, “Joint Petitioners”). While the Partial Settlement does not address all of the concerns stated by RESA in this proceeding and in the manner preferred by RESA, the Partial Settlement does represent a reasonable compromise of competing positions and narrows the issues that need to be addressed by the Commission which provides more certainty to the stakeholders and assists in

¹ RESA’s members include: AEP Energy, Inc.; Champion Energy Services, LLC; Consolidated Edison Solutions, Inc.; Constellation NewEnergy, Inc.; Direct Energy Services, LLC; GDF SUEZ Energy Resources NA, Inc.; Homefield Energy; IDT Energy, Inc.; Integrys Energy Services, Inc.; Interstate Gas Supply, Inc. dba IGS Energy; Just Energy; Liberty Power; MC Squared Energy Services, LLC; Mint Energy, LLC; NextEra Energy Services; Noble Americas Energy Solutions LLC; NRG Energy, Inc.; PPL EnergyPlus, LLC; Stream Energy; TransCanada Power Marketing Ltd. and TriEagle Energy, L.P. The comments expressed in this filing represent only those of RESA as an organization and not necessarily the views of each particular RESA member.

reducing administrative burdens. In support of the Partial Settlement, RESA offers the following.

II. STATEMENT IN SUPPORT OF THE PARTIAL SETTLEMENT

The Partial Settlement is a reasonable compromise and lawful resolution of PPL's proposed default service procurement plan for the period of June 1, 2015 through May 31, 2017 ("DSP III"). Regarding the procurement plan, RESA supported many aspects of PPL's proposed DSP III plan for residential and small commercial customers including the phasing out of remaining long-term block contracts and the inclusion of a significant percentage of short term, full requirements products in the supply portfolio. RESA acknowledged that PPL's procurement proposal for DSP III was an improvement over the current DSP II procurement plan because it does move to more market responsive pricing even though it does not transition to more three month contracts. (RESA St. No. 1 at 10-11). The Partial Settlement does not propose to change these aspects of PPL's proposal and, therefore, is a reasonable outcome for this issue.

Also, for the residential and small commercial customers, PPL's initial proposal included contracts that would extend beyond the DSP III plan term. RESA recommended that these contracts be replaced with shorter term contracts to eliminate this extension or, alternatively, that PPL be required to file a plan to modify the term of these final contracts in the event of any regulatory or legislative changes impacting default service. (RESA St. No. 1 at 13). In the Partial Settlement, PPL reduces the amount of contracts that will extend beyond the DSP III term and also addresses the process for PPL to amend its DSP III if necessary if the Commission determines at any time prior to the last solicitation that PPL will not continue in its role as default service provider. (Partial Settlement at ¶¶23-24). Consequently, the Partial Settlement reduces the amount of supply contracts that will extend beyond the DSP III period and makes clear how future changes will be handled and, therefore, represents a reasonable resolution of this issue.

PPL initially sought a waiver of the Commission’s regulations requiring that a final Price-to-Compare (“PTC”) be filed 45 days prior to the effective date of the rate. In response, RESA recommended that PPL implement a process to file the new PTC 30 days prior to the effective date (PPL currently uses a 10 day lead time) to help customers make informed shopping decisions and better enable electric generation suppliers (“EGSs”) to better plan upcoming offers for the new PTC period. (RESA St. No. 1 at 13-14). In the Partial Settlement, PPL agrees to implement RESA’s recommendation and to discontinue its practice of issuing a preliminary PTC approximately 45 days before the effective date. To accommodate this change, PPL will advance its procurement schedule by two weeks. (Partial Settlement at ¶¶30-32). This result is a good resolution of the issue because it will enable customers additional time to make shopping decisions should they wish to change their generation service provider and will also assist EGSs in assessing their participation in the standard offer program (“SOP”).

Regarding SOP, PPL proposed to continue the program, to add a web enrollment capability, and to require EGSs to opt into the program for a full six month period instead of the current three month opt-in period. In response, RESA supported continuation of SOP and PPL’s proposal regarding web enrollment, subject to receiving feedback from EGSs on the design of the web enrollment capability. (RESA St. No. 1 at 22-23). RESA, however, opposed the proposal to require EGSs to commit to a six month period of time for participating in the SOP and offered three suggestions for improvements to the SOP: (a) post the PTC and the new SOP discounted price to the supplier support website sooner; (b) modify the conditions for EGSs to allow EGSs to participate using bill-ready billing; and, (c) conduct a stakeholder process to seek input on ways to improve SOP. (RESA St. No. 1 at 24-27).

The Partial Settlement reasonably addresses all of these issues. Regarding the web enrollment process, the Partial Settlement establishes a stakeholder process during which PPL will provide specific details about the proposal and enable all interested parties to provide input on the design, costs and implementation of the application. (Partial Settlement at ¶ 45). Through the Partial Settlement, PPL also agrees: (a) to maintain its current process in which EGSs have the ability to change their participation status with each three month period; (b) to notify all EGSs via e-mail of the SOP price the same day the PTC is issued and to post the price to the web and supplier portal one day after the PTC becomes effective. (Partial Settlement at ¶¶46-47). Finally, the Partial Settlement establishes an SOP stakeholder meeting to address issues related to SOP including the use of bill ready billing by EGSs. (Partial Settlement at ¶¶48-51). The Partial Settlement represents significant progress on the issues identified by RESA regarding the SOP and, importantly, establishes a going forward collaborative process for administrative and other issues related to the program to be addressed. For all these reasons, the Partial Settlement is a reasonable resolution of SOP issues that permits SOP to continue to operate while providing a future opportunity to assess how the program is functioning and how it can be improved.

While agreement regarding the two issues reserved for litigation (i.e. PPL's proposal to change the Commercial and Industrial demand split from 500 kW to 100 kW and assignment of the cost responsibility for non-market based charges) could not be reached, a substantial number of issues raised by the parties were able to be resolved by the Partial Settlement enabling the Commission to narrowly focus on the two remaining issues in the proceeding. Additionally, the terms of the Partial Settlement are supported by the testimony entered into the record, and thus, there is a sound evidentiary basis for the Partial Settlement terms. The Partial Settlement is in the public interest because its procurement plan and other modifications will serve to facilitate

electric competition in PPL's service territory. Importantly, the SOP will continue and will be evaluated with the intent of improving its functioning and ensuring that it operates cost efficiently which benefits all stakeholders as well as consumers. Finally, the Partial Settlement amicably and expeditiously resolves a number of important and contentious issues which narrows the issues reserved for litigation. For all these reasons, the Partial Settlement reduces the administrative burden and costs to resolve the numerous issues in this proceeding and should be adopted as a reasonable outcome that is in the public interest.

III. CONCLUSION

RESA respectfully requests that the Partial Settlement, taken as a whole, is in the public interest and should be approved without modification.

Respectfully submitted,



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Date: September 12, 2014

Attorneys for Retail Energy Supply Association

Appendix K

**COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

**EXELON GENERATION COMPANY, LLC STATEMENT IN SUPPORT OF
JOINT PETITION FOR APPROVAL OF PARTIAL SETTLEMENT**

NOW COMES Exelon Generation Company, LLC (“ExGen”), by and through its counsel, in the above-captioned matter, and hereby offers this statement in support of the Joint Petition for Approval of Partial Settlement (“Partial Settlement”) executed by parties (“Joint Petitioners”)¹ to this proceeding and filed with the Administrative Law Judge (“ALJ”) for the Pennsylvania Public Utility Commission (“Commission”) on September 12, 2014.

In support of the Partial Settlement, ExGen states as follows:

I. BACKGROUND

1. On April 18, 2014, PPL Electric filed its Default Service Program and Procurement Plan² (with supporting testimony from PPL Electric circulated on that same date³) in Docket No. P-2014-2417907, *Petition of PPL Electric Utilities Corporation for Approval of a Default*

¹ The Joint Petitioners are: PPL Electric Utilities Corporation (“PPL Electric”), the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), PP&L Industrial Customer Alliance (“PPLICA”), Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”), the Sustainable Energy Fund (“SEF”), Citizens for Pennsylvania’s Future (“PennFuture”), NextEra Energy Power Marketing, LLC (“NEPM”), Retail Energy Supply Association (“RESA”) and Direct Energy Services, LLC (“Direct Energy”), and Exelon Generation Company, LLC (“ExGen”).

² *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*, Commission Docket No. P-2014-2417907 (Apr. 18, 2014) (“PPL Electric Petition”).

³ *Direct Testimony of PPL Electric Utilities Corporation*, Commission Docket No. P-2014-2417907 (Apr. 18, 2014) (collectively, the “PPL Electric Direct Testimony”).

Service Program and Procurement Plan for the Period June 1, 2015 through May 31, 2017
(filings collectively herein referred to as the “Default Service Plan” or “DSP”).

2. On June 5, 2014, a Prehearing Conference was held, with Administrative Law Judge Susan D. Colwell presiding. At the Prehearing Conference, the ALJ adopted the procedural schedule (“Procedural Schedule”) agreed to by the parties.
3. Timely Petitions to Intervene, Appearances, Answers or Protests were filed by OCA, OSBA, BI&E, PPLICA, SEF, CAUSE-PA, FES, PennFuture, NEPM, Noble, RESA, Direct Energy, and ExGen.
4. Pursuant to the Procedural Schedule, direct testimony was submitted by parties on July 1, 2014. Subsequently, rebuttal testimony was submitted by parties on July 28, 2014, and surrebuttal testimony was filed on August 8, 2014.
5. In accordance with the Procedural Schedule, ExGen submitted and circulated to parties only direct testimony for consideration, in order to propose improvements to the DSP.
6. Parties engaged in settlement discussions throughout the proceeding, resulting in the Partial Settlement being reached by the Joint Petitioners. Through the Partial Settlement, the Joint Petitioners were able to develop revised default service programs consistent with PPL Electric’s Petition, subject to certain agreed upon revisions (“Revised DSP”).
7. A hearing was held on August 19, 2014, at which time: pre-filed written testimony and exhibits were admitted into the record; parties advised the ALJ that the Partial Settlement of certain DSP issues had been achieved.

II. EXGEN’S SUPPORT FOR THE PARTIAL SETTLEMENT

8. ExGen’s support of the Partial Settlement does not imply ExGen’s agreement for each of the aspects of its terms, individually. Though not all of ExGen’s substantive issues are

addressed fully by the Partial Settlement, ExGen supports the Partial Settlement's terms taken together, and believes that the Commission should approve the Revised DSP as it is in the public interest as a reasonable settlement of the issues presented by the Joint Petitioners in this proceeding.

9. The Partial Settlement reasonably meets the necessary characteristics required by *Act 129 of 2008*,⁴ namely that it promotes “the least cost to customers over time.”⁵
10. The Partial Settlement reasonably meets the necessary characteristics required by the *Electric Generation Customer Choice and Competition Act*⁶ as well as the Commission's directives to date in its *Investigation of Pennsylvania's Retail Electricity Market*⁷ (“Retail Markets Investigation” or “RMI”) and its February 15, 2013 *Final Order* in that proceeding (“End State Order”).⁸
11. The Revised DSP specifically utilizes competitive bid processes (“CBPs”) to procure its default service requirements for all supply products.
12. The Revised DSP as structured represents a reasonable settlement, balancing the characteristics of various customer classes and the types of products used to supply their respective load requirements.⁹

⁴ *Press Release, Governor Rendell Signs Energy Conservation Bill to Save Consumers Millions on Electricity; Urges Legislature to Pass Rate Mitigation Bill*, Pennsylvania Office of the Governor (Oct. 15, 2008) (http://www.portal.state.pa.us/portal/server.pt?open=512&objID=2999&PageID=431162&mode=2&contentid=http://pubcontent.state.pa.us/publishedcontent/publish/global/news_releases/governor_s_office/news_releases/governor_rendell_signs_energy_conservation_bill_to_save_consumers_millions_on_electricity_urgues_legislature_to_pass_rate_mitigation_bill.html) (“Act 129”).

⁵ Act 129 at 66 Pa.C.S. § 2807(e)(3.4).

⁶ 66 Pa. C.S. §§ 2801, et seq. (“Competition Act”).

⁷ *See, generally, Investigation of Pennsylvania's Retail Electricity Market*, Commission Docket No. I-2011-2237952.

⁸ *Final Order*, Commission Docket No. I-2011-2237952 (Feb. 14, 2013) (“End State Order”).

⁹ *See* Partial Settlement at ¶¶ 22-23.

13. By relying largely on full requirements default service supply products, the Revised DSP reduces market risks to consumers through fixed-price products – whether for short or long terms – and, in this way, provides both adequate and reliable service to meet their needs.¹⁰
14. The Revised DSP ensures that customers will receive adequate and reliable service in that it relies on obtaining wholesale supply from the PJM Interconnection, L.L.C. (“PJM”) wholesale market.¹¹
15. The Revised DSP rightly relies on the use of competitive procurements to obtain generation supply contracts required to meet default service obligations.¹²
16. For the Revised DSP’s procurement of generation supply contracts, the Revised DSP relies on a CBP structure such that winning bidders are able to be determined on the basis of “least cost” alone.¹³
17. The Revised DSP represents a reasonable settlement to encourage further retail market development, particularly through the procurement of different products for different classes of customers.¹⁴
18. The Revised DSP also promotes more competitive results for customers’ benefits by revising Alternative Energy Credit (“AEC”) transfers to occur at least less frequently than monthly.¹⁵
19. The Revised DSP also promotes more competitive pricing by wholesale suppliers in its CBPs by making certain improvements to the Supplier Master Agreement (“SMA”),

¹⁰ See Partial Settlement at ¶¶ 22-23.

¹¹ See Partial Settlement at ¶¶ 22-23.

¹² See Partial Settlement at ¶¶ 22-23.

¹³ See Partial Settlement at ¶¶ 22-23.

¹⁴ See Partial Settlement at ¶¶ 22-23.

¹⁵ See Partial Settlement at ¶ 28.

including, but not limited to, deleting Section 16.3(b), remove the reference to ‘pursuant to FERC Order No. 745’ in Section 2.4(c), replacing “sole discretion” with “reasonable discretion” throughout, and reconciling Mobile-Sierra language therein.¹⁶

20. The Revised DSP further supports retail market development by continuing and revising its proposals for certain retail market enhancement programs, including but not limited to the Standard Offer Program.¹⁷

III. CONCLUSION

21. WHEREFORE, ExGen supports the Partial Settlement as it is in the public interest and respectfully urges the ALJ and the Commission to expeditiously review and approve the Partial Settlement and the Revised DSP.

Respectfully Submitted,



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Counsel for Exelon Generation Company, LLC

Dated: September 11, 2014

¹⁶ See, Partial Settlement at ¶¶ 38-43.

¹⁷ See Partial Settlement at ¶¶ 44-51.

Appendix L



September 12, 2014

VIA E-FILE

David P. Zambito

Direct Phone 717-703-5892
Direct Fax 215-989-4216
dzambito@cozen.com

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 Its Default Service Program for the Period from June 1, 2015 through May 31, 2017; Docket No. P-2014-2417907; LETTER RE: NON-OPPOSITION OF FIRSTENERGY SOLUTIONS CORP. TO JOINT PETITION FOR PARTIAL SETTLEMENT

Dear Secretary Chiavetta:

By this letter, please be advised that FirstEnergy Solutions Corp. ("FES") does not oppose the Joint Petition for Partial Settlement, filed on September 12, 2014, in the above-referenced proceeding. This letter is being served and filed as an appendix to the Joint Petition for Partial Settlement. Thank you for your attention to this matter.

Sincerely,

COZEN O'CONNOR

A handwritten signature in black ink, appearing to read 'David P. Zambito', written over a large, stylized circular flourish.

By: David P. Zambito
Counsel for *FirstEnergy Solutions Corp.*

DPZ/kmg
Enclosure

Appendix M

Deanne M. O'Dell
717.255.3744
dodell@eckertseamans.com

September 12, 2014

Hon. Susan Colwell
Administrative Law Judge
PA Public Utility Commission
PO 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, 2015 through May 31, 2017,
Docket No. P-2014-2417907

Dear Judge Colwell:

The purpose of this letter is to inform you that Direct Energy Services, LLC. does not oppose the Joint Petition for Partial Settlement that is being submitted by PPL Electric Utilities Corporation ("PPL Electric"), the Office of Consumer Advocate ("OCA"), the Office of Small Business Advocate ("OSBA"), PP&L Industrial Customer Alliance ("PPLICA"), Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania ("CAUSE-PA"), the Sustainable Energy Fund ("SEF"), Citizens for Pennsylvania's Future ("PennFuture"), NextEra Energy Power Marketing, LLC ("NEPM"), Retail Energy Supply Association ("RESA"), and Exelon Generation Company, LLC ("ExGen") with regard to the above-referenced matter.

Sincerely,



Deanne M. O'Dell

DMO/lww