

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

555 Walnut Street, 5th Floor, Forum Place
Harrisburg, Pennsylvania 17101-1923
(717) 783-5048
800-684-6560

FAX (717) 783-7152
consumer@paoca.org

February 29, 2016

Rosemary Chiavetta, Secretary
PA Public Utility Commission
Commonwealth Keystone Bldg.
400 North Street
Harrisburg, PA 17120

Re: Petition of PPL Electric Utilities Corporation
For Approval of a Default Service Program
And Procurement Plan for the Period
June 1, 2017 through May 31, 2021
Docket No. P-2016-2526627

Dear Secretary Chiavetta:

Attached for electronic filing please find the Office of Consumer Advocate's Answer, Notice of Intervention, and Public Statement in the above-referenced proceeding.

Copies have been served per the attached Certificate of Service.

Respectfully submitted,

/s/ Brandon J. Pierce

Brandon J. Pierce
Assistant Consumer Advocate
PA Attorney I.D. #307665
E-Mail: BPierce@paoca.org

Attachment

cc: Office of Administrative Law Judge
Certificate of Service
217800

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of PPL Electric Utilities Corporation :
For Approval of a Default Service Program : Docket Nos. P-2016-2526627
And Procurement Plan for the Period :
June 1, 2017 through May 31, 2021

ANSWER OF THE
OFFICE OF CONSUMER ADVOCATE

I. INTRODUCTION

On January 29, 2016, PPL Electric Utilities Corporation (PPL or the Company) filed a Petition (Petition) with the Pennsylvania Public Utility Commission (Commission) seeking approval of its default service program (DSP IV) and procurement plans for the period June 1, 2017 through May 31, 2021. This filing has been made pursuant to the requirements of Act 129 of 2008 (Act 129), the Commission's Default Service Regulations, the Commission's Policy Statement on Default Service, and related Commission Orders. The Office of Consumer Advocate (OCA) files this Answer to the Company's Petition to help ensure that a reasonable default service plan is approved that fully complies with Act 129 and the Commission's Regulations.

In its Petition, the Company proposes to acquire supply for residential customers through fixed price, load-following, full requirements contracts. Petition at ¶38. The Company proposes to acquire six-month and twelve-month contracts for all new supply needed to meet its residential default service obligation during DSP IV. Petition at ¶37. The procurement will be approximately 50% six-month contracts and 50% twelve-month contracts with the exception of

the long-term 50 MW block product for the residential class. Petition at ¶37. The Company will purchase energy, capacity, transmission (other than Non-market-based Transmission Services), ancillary services, congestion management costs, transmission and distribution losses, and such other services or products that are required to supply default service to PPL's retail customers, including Alternative Energy Credits (AECs). Petition at ¶ 41.

The Company states that it will use a laddered approach so that its procurements are staggered to avoid procuring 100% of the default service products at the same time. Petition at ¶¶ 42, 48. These residential products will all be acquired through biannual procurements occurring in April and October, approximately two months prior to delivery. Petition, at ¶ 37. The Company is proposing DSP IV be in effect for a period of four years. The Company avers that a four year plan will save litigation, time, and costs for PPL, other parties that participate in the DSP proceeding, and the Commission. Petition at ¶ 36.

PPL has proposed to solicit bids for full requirements contracts through a Request for Proposal (RFP) process. The primary change to the RFP process has been a modification to the bidder qualification and proposal process eliminating the requirement that all potential bidders be required to provide two years of audited financial data as part of the Bidder Qualifications and, instead, make this mandatory only for bidders seeking to be granted an unsecured credit line under the Default Service Supply Master Agreement Petition at ¶ 69. The Company states that the RFP to be used incorporates considerable experience obtained in other procurement proceedings and represents a transparent, well-defined, and objective approach. Petition at ¶ 69. The Company proposes to cap the number of contracts that a single supplier can bid on at 85% by customer class, and to limit the amount of supply that a single supplier can provide at 50% by class. Petition at ¶ 77. The Company states that it will enter into a SMA that is

substantially unchanged from the current Commission-approved agreement. Petition at ¶ 79. To oversee the solicitation process, PPL has retained NERA, an independent third-party manager with experience in PPL's prior DSP procurements. Petition at ¶ 80.

The Company has proposed a contingency plan to ensure that power supplies are procured to meet default service load at all times. In the event that bids are not received or are rejected by the Commission, the Company will seek Commission guidance while procuring supply through the PJM markets. Petition at ¶ 87. If a supplier defaults, PPL proposes to offer the tranche or contracts to other suppliers through the SMA's "step-up" process. Petition at ¶ 89.

The Company will continue to utilize its Generation Supply Charge-1 (GSC-1) to recover the costs incurred to provide default service to the residential class. Petition at ¶ 43. The GSC-1 will be adjusted every six months to reflect the cost of the default service supply contracts in place for the upcoming six-month period. Petition at ¶ 45. The Company proposes to reconcile its default service rates every six months, by customer class, for over and under recoveries associated with the provision of default service. Petition at ¶ 45.

The Company proposes to continue its current Time of Use (TOU) rate option throughout the DSP IV. Petition at ¶ 105. The Company avers that since the beginning of the current TOU rate option, it has been able to successfully procure EGSs to provide TOU service to Residential customers and, therefore, proposes to continue to rely on the retail market and EGSs to provide TOU service to customers. Petition at ¶ 105.¹

The Company further states that it will ensure continued compliance with the Alternative Energy Act. Petition at ¶ 58. According to the filing, the winning tranche providers must provide their proportional share of Alternative Energy Credits (AECs) to fulfill PPL's legal

¹ As noted by the Company, the status of the current TOU program remains before the courts. Petition at ¶ 104, n. 13.

obligation. Petition at ¶ 58. In addition, the Company previously acquired long-term solar Tier I AECs associated with its ten-year, 50 MW block product in its Commission-approved DSP I Program. PPL also has acquired additional Tier I non-solar AECs to cover the period from June 1, 2015 through May 31, 2021, associated with its ten-year long-term product obligation in its Commission-approved DSP III Program. Petition at ¶ 59. The Company proposes to recover the costs of AECs associated with its block energy purchases through the GSC-1, as it has done throughout the current default service plan. Petition at ¶ 61.

In addition, the Company proposes to extend its current “Standard Offer Referral Program” (SOP) through the DSP IV with limited modifications. Petition at ¶ 96. The Company proposes to invoice EGSs monthly for the fee associated with referred customers, rather than on a quarterly basis. In addition, the Company further proposes that its existing contract for third-party referral services be extended at the current \$28 per referred customer price. Petition at ¶¶ 96-98.

In the Petition, PPL expresses concern over the potential implementation of CAP shopping recommendations on a PPL-only basis. The Company submits that any changes to CAP shopping be done on a statewide basis. Petition at ¶ 120-121. To that end, PPL proposes a statewide collaborative open to all interested stakeholders. In the alternative, PPL proposes that the Commission institute a new rulemaking proceeding addressing CAP shopping issues. Petition at ¶122. The Company proposes in the interim to attempt to mitigate the impacts of CAP shopping by encouraging all OnTrack/CAP customers to participate in the SOP. Petition at ¶ 123.

II. ANSWER

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

A. Procurement Methodology

The Company proposes to acquire 100% of the new supply for residential customers using fixed price, load-following, full requirements supply contracts. Petition at ¶¶ 38, 74. The procurement will be approximately 50% six-month contracts and 50% twelve-month contracts with the exception of the long-term 50 MW block product for the residential class. Petition at ¶ 37. The OCA submits that further consideration must be given to whether the proposed purchasing plan will provide the least cost over time for residential customers in accord with the requirements of Act 129. The OCA intends to examine the type and mix of resources being procured, and the proposed contingency plan, to ensure that the products and plan are designed to meet the requirements of Act 129.

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

B. Rate Design

The Company proposes to maintain its GSC-1 rate design for residential default service with modifications. In particular, the Company proposes to continue to adjust the GSC-1

every six months to reflect the cost of the default service supply contracts in place for the upcoming six-month period. Petition at ¶ 45. The OCA submits that all adjustments and modifications to the default service rate mechanism must be reviewed.

C. AEPS Procurement

The Petition provides that PPL will ensure continued compliance with the AEPS Act's requirements. Petition at ¶ 58. The Company states it will ensure primary compliance through its full requirements contracts terms and conditions. Petition at ¶ 58. The Company proposes to recover the costs of AECs associated with its block energy purchases through the GSC-1, as it has done throughout the current default service plan. Petition at ¶ 61. The Company's plan for AEPS Act compliance should be reviewed to ensure that the goals of the Act are met at just and reasonable rates.

D. Time of Use Rates

The Company proposes to continue its current TOU rate option throughout the DSP IV. Petition at ¶ 105. The Company avers that since the beginning of the current TOU rate option, it has been able to successfully procure EGSs to provide TOU service to Residential customers and, therefore, proposes to continue to rely on the retail market and EGSs to provide TOU service to customers. Petition at ¶ 105. The OCA submits that the TOU program must be examined in order to ensure that it continues to meet the needs of ratepayers while maintaining compliance with existing law and the Commission's regulations.

E. Supplier Master Agreement

The Company is proposing to continue its current Commission-Approved SMA. Petition at ¶ 79. The OCA submits that the current SMA must be thoroughly analyzed to ensure

its continued compliance with the Public Utility Code and to ensure that such a plan does no harm to default service, consumers, or the retail competitive market.

F. Standard Offer Referral Program

The Company proposes to continue to offer its current SOP to residential customers with limited modifications. Petition at ¶ 96. The Company proposes to invoice EGSs monthly for the fee associates with referred customers, rather than on the current quarterly schedule. Petition at ¶ 96. As part of its proposal to continue with the existing program, PPL further proposes to extend its current vendor at the same \$28 per referral cost through DSP IV. Petition at ¶¶ 97-98. The OCA submits that the Commission should review the proposed program and the costs that may arise from the continuation of such a referral program to ensure that such a program is still reasonable, cost-justified, and that the costs are still allocated appropriately among stakeholders.

G. CAP Shopping

PPL expresses concern over CAP shopping recommendations resulting from a collaborative held as part of the settlement in Company's last base rate proceeding and requests a statewide collaborative open to all interested stakeholders or in the alternative a rulemaking proceeding to address these CAP shopping concerns. Petition at ¶ 120-122. The Company proposes in the interim to try to mitigate the impacts of CAP shopping by encouraging all OnTrack/CAP customers to participate in the SOP. Petition at ¶ 123. The OCA submits that this issue warrants further examination by the Commission prior to approving the Company's DSP IV.

WHEREFORE, the Office of Consumer Advocate respectfully submits that the Company's default service filing must be thoroughly reviewed to ensure that the default service rates that will be charged starting June 1, 2017 are just and reasonable and otherwise consistent with Pennsylvania law.

Respectfully Submitted,

/s/ Brandon J. Pierce
Aron J. Beatty
PA Attorney I.D. # 86625
E-Mail: ABeatty@paoca.org
Senior Assistant Consumer Advocate

Brandon J. Pierce
Assistant Consumer Advocate
PA Attorney I.D. #307665
E-Mail: BPierce@paoca.org

Counsel for:
Tanya J. McCloskey
Acting Consumer Advocate

Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923
Phone: (717) 783-5048
Fax: (717) 783-7152

Dated: February 29, 2016

217511

CERTIFICATE OF SERVICE

Petition of PPL Electric Utilities Corporation :
For Approval of a Default Service Program : Docket Nos. P-2016-2526627
And Procurement Plan for the Period :
June 1, 2017 through May 31, 2021

I hereby certify that I have this day served a true copy of the following documents, the Office of Consumer Advocate's Answer, Notice of Intervention and Public Statement, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code Section 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 29th day of February 2016.

SERVICE BY HAND DELIVERY and FIRST CLASS MAIL

Gina L. Lauffer, Esquire
Bureau of Investigation & Enforcement
400 North Street
Harrisburg, PA 17120

SERVICE BY E-MAIL and FIRST CLASS MAIL

David B. MacGregor, Esquire
Christopher T. Wright, Esquire
Michael W. Hassell, Esquire
Post & Schell PC
17 North Second Street
12th Floor
Harrisburg, PA 17101

John Evans, Small Business Advocate
Office of Small Business Advocate
Commerce Building, Suite 1102
300 North Second Street
Harrisburg, PA 17101

Paul E. Russell, Esquire
Kimberly A. Klock, Esquire
PPL Electric Utilities Corporation
2 North Ninth Street
Allentown, PA 18101

Todd S. Stewart, Esquire
Hawke McKeon and Sniscak, LLP
100 North 10th Street
Harrisburg, PA 17101
*Counsel for NextEra Energy Power
Marketing, LLC*

Kenneth L. Mickens, Esquire
316 Yorkshire Drive
Harrisburg, PA 17111
Counsel for Sustainable Energy Fund

/s/ Brandon J. Pierce
Brandon J. Pierce
Assistant Consumer Advocate
PA Attorney I.D. #307665
E-Mail: BPierce@paoca.org

Aron J. Beatty
Senior Assistant Consumer Advocate
PA Attorney I.D. # 86625
E-Mail: ABeatty@paoca.org

Counsel for
Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923
Phone: (717) 783-5048
Fax: (717) 783-7152
217805