

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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July 19, 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 Statement in Support of the Joint Petition for Approval of Partial Settlement in the above-referenced proceeding.

Copies have been served per the attached Certificate of Service.

Respectfully submitted,

/s/ Christy M. Appleby
Christy M. Appleby
Assistant Consumer Advocate
PA Attorney I.D. # 85824

Attachment

cc: Honorable Susan D. Colwell, ALJ
Certificate of Service

223890

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

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

The Office of Consumer Advocate (OCA), a signatory party to the Joint Petition for Approval of Partial Settlement (Partial Settlement) in the above-captioned proceeding, respectfully requests that the terms and conditions of the Partial Settlement be approved by Administrative Law Judge Susan D. Colwell and the Pennsylvania Public Utility Commission (Commission).¹ It is the position of the OCA that the proposed Partial Settlement is in the public interest and in the interests of the residential customers of PPL Electric Utilities Corporation (PPL or Company).

I. INTRODUCTION

On January 29, 2016, PPL filed a Petition with the Commission requesting approval of its Default Service Program and Procurement Plan (DSP IV) for the period June 1, 2017 through May 31, 2021. In the Petition, the Company proposed that the DSP IV program be extended from the current two year program to a period of four years. Petition at ¶ 35. PPL proposed to acquire supply for non-shopping residential customers through the purchase of fixed-price, full-

¹ The issue of shopping options for customers receiving assistance through PPL's low-income Customer Assistance Program (CAP) has been reserved for litigation. The OCA filed its Initial Brief regarding the CAP customer shopping on July 8, 2016. The Reply Brief will be filed on July 19, 2016.

requirements, load-following products. Petition at 12. Pursuant to the Petition, the proposed new contracts for residential products would have staggered 6-month and 12-month contract terms to avoid procuring 100% of the default service products at the same time. Petition at ¶ 12. The Company would procure the 6-month and 12-month twice per year, in April and October, with the first procurement to occur in April 2017 for the June 1, 2017 DSP IV program. Id. at ¶ 37. PPL proposed that exclusive of the existing long-term 50 MW block product for residential customers, the default service procurements would be split approximately 50% 6-month contracts and 50% 12-month contracts. Id. The Company proposed a load cap of 85% for any supplier in any solicitation, and an individual supplier cannot supply more than 50% of the default service load for a customer class during the DSP IV period. Id. at 77.

PPL also proposed to continue its Standard Offer Program (SOP). Petition at 91-92. The SOP is available to all residential customers, including customers enrolled in PPL's low-income Customer Assistance Program (CAP or OnTrack), and to small C&I customers under 25 kW peak demand. Id. at 91. The SOP participants receive competitive electric generation supply at a price of 7% off the Price to Compare (PTC) at the time of enrollment. That price is then fixed for 12 months. Customers may elect to terminate the 12-month contract at any time without any cancellation or termination fees, and customers may also re-enroll in the SOP with a new rate at any time. Id. at 92.

The Petition was assigned to the Office of Administrative Law Judge and was further assigned to Administrative Law Judge Susan D. Colwell for investigation and the scheduling of hearings. On February 29, 2016, the OCA filed its Answer, Notice of Intervention and Public Statement in this proceeding. On February 18, 2016, the Commission's Bureau of Investigation and Enforcement (I&E) filed a Notice of Appearance. On February 29, 2016, the Office of

Small Business Advocate (OSBA) filed its Notice of Intervention and Answer. Petitions to Intervene were also filed by the following: NextEra Energy Power Marketing, LLC (NextEra); the Sustainable Energy Fund of Central Eastern Pennsylvania (SEF); the PP&L Industrial Customer Alliance (PPLICA); Noble Americas Energy Solutions LLC (NAES); Coalition for Affordable Utility Service and Energy Efficiency in Pennsylvania (CAUSE-PA); Exelon Generation Company, LLC; and the Retail Energy Supply Association (RESA).

The OCA retained the expert services of Mr. Richard Hahn² and Ms. Barbara R. Alexander³ to assist the office in its review of the Company's filing. The OCA conducted extensive discovery in this proceeding. The OCA submitted the Direct, Rebuttal, and Surrebuttal testimonies of Mr. Hahn and Ms. Alexander. In their testimonies, Mr. Hahn and Ms. Alexander proposed several modifications to the Company's Petition, designed to improve the plan for residential customers.

Overall, Mr. Hahn supported PPL's proposed DSP IV Plan. OCA St. 1 at 2-3. Mr. Hahn recommended the adoption of the Company's proposal to expand the Plan duration to four years and to propose a load cap of 85% for any supplier in any solicitation. Id. at 9. He also supported the Company's proposal to change residential default service rates every six months in order to comport with the new contracts from the semi-annual procurements. Id. at 10.

² Mr. Hahn is a principal consultant with DayMark Energy Advisors (formerly La Capra Associates) in Boston, Massachusetts. Mr. Hahn has a Bachelor of Science in Electrical Engineering, a Master of Science in Electrical Engineering, both from Northeastern University (1973 and 1974, respectively). He also has a Master 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 1-2, Exh. RSH-1.

³ 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 (1968) and the University of Maine Law School (1976). 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 1-3, Exh. BA-1.

Mr. Hahn recommended modifications to the Company's proposed residential default service portfolio. Mr. Hahn recommended that PPL's residential procurement portfolio be diversified so that three quarters of the total residential default service load would not be procured at one time. OCA St. 1 at 5-8. Mr. Hahn proposed three procurement alternatives, including that the procurement be modified to include a 24-month product to decrease the amount of residential default service power supplies to be procured at any one time. Id.

Ms. Alexander recommended that changes be made to the Company's Standard Offer Program (SOP).⁴ OCA St. 2 at 6-18. In particular, she recommended that PPL change the way that it recommends the program to consumers and the disclosures that are provided by both PPL and its agent, PPL Solutions. Id. at 18. OCA witness Alexander also recommended that PPL undertake additional research into the customer understanding and experience with the program. Id. at 17-18. Ms. Alexander recommended that the program reflect a sunset date of May 31, 2021. Id. at 18.

Throughout the proceeding, the OCA actively participated in settlement discussions with the Company and the parties, leading to its participation in this Partial Settlement. The Partial Settlement addresses issues including the term length, product mix, and Standard Offer Program (SOP). The parties were not able to reach agreement with regard to issues surrounding shopping options of PPL customers receiving assistance through PPL's CAP program. The OCA submits that the Partial Settlement on all other issues is in the public interest and the interest of residential consumers for the reasons set forth below.

⁴ OCA witness Alexander also made recommendations with respect to the Company's CAP shopping program which have been addressed in the OCA's Initial Brief filed on July 8, 2016.

II. PARTIAL SETTLEMENT BENEFITS FOR RESIDENTIAL CUSTOMERS

The OCA submits that the Partial Settlement addresses many of the issues raised by the OCA's witnesses and provides benefits for residential ratepayers. First, under the terms of the Partial Settlement, the plan term will be four years, as proposed by the Company and recommended by OCA witness Hahn. Partial Settlement at ¶ 24; OCA St. 1 at 9. In support of the four year plan duration, Mr. Hahn testified:

I support a plan of four years, and offered similar support in the most recent FirstEnergy default service plan proceeding. A four year plan will eliminate the cost of one filing. And, if the Company believes that changes are appropriate during the plan duration, then it can petition for such a change. A four year plan duration would not lessen the ability to make needed changes to the procurement process.

OCA St. 1 at 9.⁵ The OCA submits that the four year plan term will help ensure a stable, adequate and reliable default service over the term of the default service plan. In addition, implementing a four year plan should reduce the costs associated with the development and litigation of a default service filing. As a result, the OCA submits that a four year plan will help reduce costs while ensuring that default service is least cost to customers over time.

The Partial Settlement also provides for a stakeholder collaborative in November 2017 to discuss the performance of products and programs approved in the default service plan. Partial Settlement at ¶ 24 (a-d). The proposed collaborative will provide parties a venue to present information regarding market conditions, as well as other retail market issues as they relate to PPL Electric's provision of default service. The OCA submits that the proposed collaborative provides an opportunity to ensure that the default service plan is working for the benefit of residential customers, and is an important feature of the Partial Settlement.

⁵ The Commission approved the Settlement in the FirstEnergy Companies' default service proceeding which included a four year DSP IV term. Petition of Metropolitan Edison Company for Approval of a Default Service Program for the Period Beginning June 1, 2017 through May 31, 2019, et al., Docket Nos. P-2015-251133, et al., Order (May 19, 2016)

Under the Partial Settlement, the total amount of default service supply being procured at one time will also be reduced. Partial Settlement at ¶ 25. The product portfolio and procurement schedule for the Residential Customer Class will be modified so that, exclusive of the 50 MW block product for the Residential Customer Class, the procurements will be approximately 20% 6-month contracts and 80% 12-month contracts. Id. In his Direct Testimony, OCA witness Hahn had expressed concerns regarding the Company's proposal to procure 70-75% of its residential default service supply in each solicitation. OCA St. 1 at 6-7. OCA witness Hahn testified that the Company's proposal would potentially expose "residential default service customers to significant price risk if market prices spike at the time of that procurement." Id. The Partial Settlement addresses this concern and provides for greater diversification of the default service supply portfolio to reduce unnecessary residential customer price volatility due to price spikes at a particular moment in time.

In addition, the Partial Settlement also improves the consumer education of the current Standard Offer Program. Partial Settlement at ¶ 31, App. B. OCA witness Alexander testified regarding the need for more explicit disclosures in the Call Center scripts for PPL and for its third party agent, PPL Solutions. OCA St. 2 at 4-17. The OCA submits that the revised Call Center scripts address many of the OCA's concerns. Under the revised scripts, PPL will provide customers with an accurate description of the program and how it works relative to the price to compare. See, Partial Settlement at App. B. For customers interested in hearing more about the SOP, PPL's scripts will be modified to clearly state as follows, "The Standard Offer Program offers a fixed price of [*SOP Rate*] cents/kWh for one year provided by an Electric Generation Supplier. The fixed Standard Offer Program price provides a 7% discount off of today's Price to Compare which is [*PTC Rate*] cents/kWh. PPL Electric's Price to Compare changes on June 1st

and December 1st each year. The Standard Offer Program price will not change during the 12 monthly bills, but the Price to Compare could be higher or lower than the Standard Offer Program during this period when it changes.” Partial Settlement at ¶ 31, App. B. The OCA submits that the revised scripts clarify the potential benefits and risks of selecting service under the SOP and are an incremental improvement to the program.

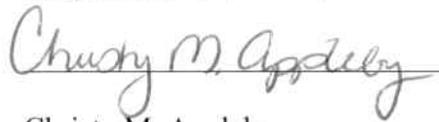
The Partial Settlement also adopts OCA witness Alexander’s recommendation for a survey of the Standard Offer Program. Partial Settlement at ¶ 32. Within 90 days of the Commission approval of the Partial Settlement, the Company will conduct a one-time survey of SOP customers. The survey will examine: (1) the customers’ understanding of the SOP; (2) customers’ understanding that the PTC could change and impact the level of savings realized by customers during their enrollment in the SOP; (3) whether customers are aware of the difference between the fixed SOP prices and the PTC during their enrollment in the SOP; and (4) whether customers are aware of their right to terminate an SOP without penalty. Partial Settlement at ¶ 32. The Partial Settlement’s identified topic areas were the specific topic areas identified by OCA witness Alexander in her Direct Testimony. See, OCA St. 2 at 18. As Ms. Alexander testified, “[t]his information would be very valuable for the evaluation...and a determination of whether it would be appropriate to continue beyond 2021 and, if so, under what change in terms or reforms to respond to customer participation experiences.” OCA St. 2 at 18. The Partial Settlement will also provide the opportunity for interested parties to offer input on the proposed questions, will provide the results of the survey to the parties, and will cap the costs of the survey at \$30,000. Partial Settlement at ¶ 32(a)-(c). The OCA submits that the proposed survey is in the public interest because it will provide greater insight into customers’ understanding of the

SOP and will identify specific areas of customer satisfaction with the program and where improvements or changes of program terms may be necessary.

III. CONCLUSION

The OCA submits that the Partial Settlement provides a reasonable resolution to the Company's DSP IV filing by increasing the plan term to four years, diversifying the default supply procurement, providing for improved customer disclosures in the Call Center scripts for the Standard Offer Program, and providing for a survey to better understand customer perceptions of the Standard Offer Program. For the foregoing reasons, the Office of Consumer Advocate submits that the proposed Partial Settlement is in the public interest and in the best interest of the Company's ratepayers.

Respectfully Submitted,



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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 foregoing document, the Office of Consumer Advocate's Statement in Support of the Joint Petition for Approval of Partial Settlement, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 19th day of July 2016.

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