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E-File

August 24, 2018

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

Re: En Banc Hearing on Implementation of Supplier Consolidated Billing
Docket No. M-2018-2645254

Dear Ms. Chiavetta:

Enclosed for filing on behalf of PPL Electric Utilities Corporation ("PPL Electric") are PPL Electric's Reply Comments in the above-captioned proceeding. These Reply Comments are being filed in accordance with the Secretarial Letter issued on March 27, 2018 at the above referenced docket.

Pursuant to 52 Pa. Code § 1.11, the enclosed document is to be deemed filed on August 24, 2018, which is the date it was filed electronically via the Commission's E-Filing System.

If you have any questions regarding these comments, please call me at (610) 774-4254 or Deborah Keiser, Manager-Billing Operations for PPL Electric Utilities at (484) 634-4196.

Very truly yours,

Amy E. Hirakis

Amy E. Hirakis

Enclosures

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

En Banc Hearing on Implementation of Supplier Consolidated Billing	: :	Docket No. M-2018-2645254

REPLY COMMENTS OF
PPL ELECTRIC UTILITIES CORPORATION

I. INTRODUCTION & BACKGROUND

On May 4, 2018, pursuant to the Pennsylvania Public Utility Commission's ("Commission") Secretarial Letter issued on March 27, 2018, PPL Electric Utilities Corporation ("PPL Electric" or the "Company") filed Comments in the above referenced proceeding. PPL Electric's Comments provided the Company's position on the legality of supplier consolidated billing ("SCB"), whether SCB is appropriate and in the public's interest as a matter of policy, and whether the benefits of SCB outweigh the costs associated with implementation. The Comments provided PPL Electric's position that SCB is not authorized by the Public Utility Code, raised challenging implementation and process issues, and questioned whether SCB would benefit the competitive market and customers (as opposed to merely benefitting the electric generation suppliers ("EGSs") that have the capabilities to offer SCB).

Since PPL Electric submitted its Comments, the Commission has held two *en banc* hearings for the purpose of learning more about SCB from industry leaders and interested parties. The first hearing was held on June 14, 2018, and consisted of testimony from EGS representatives[1] and consumer advocates[2]. The second hearing was held on July 12, 2018, and consisted of testimony from the electric distribution industry[3] and EGS representatives again.

Although PPL Electric did not testify at the *en banc* hearings, the Company has been closely monitoring this proceeding and was present at both hearings. PPL Electric submits these Reply Comments to primarily address topics discussed at the *en banc* hearing and to urge the Commission not to support or encourage SCB in Pennsylvania.

II. COMMENTS

A. Legal Issues Raised at the *En Banc* Hearings

At the *en banc* hearings, the commissioners asked several questions regarding the legality of SCB in Pennsylvania. The questions included: *How do Chapter 14 and Chapter 28 work together or against each other? Why could the Commission not require EGSs to follow the same requirements as public utilities under Chapter 14 as a precondition for SCB? Are there any legal barriers to approving SCB in Pennsylvania, especially regarding Chapter 14 for termination? Are there other interpretations to the "unbundling" language in Chapter 28?*

PPL Electric addressed the legality of SCB in its comments filed May 4, 2018. In short, it is PPL Electric's position that SCB is neither supported by Chapters 14 or 28 of the Public Utility Code. Chapter 14 and Chapter 28 are compatible as they relate to the functions that are to be performed by the public utility, as opposed to an EGS. Chapter 14 of the Public Utility Code provides provisions directed at public utilities related to consumer protections, billing and payment issues, and termination of service. *See* 66 Pa. C.S. §§ 1401-1419. Chapter 14 specifically places the billing and the related activities of collection and termination of service

[1] The EGS panel consisted of the EGS Coalition for SCB, RESA, Shipley Energy, WGL Energy, Drift Marketplace Inc., and Advanced Energy Management Alliance.

[2] The consumer advocates panel included the Office of Consumer Advocate, the Public Utility Law Project, and Community Legal Services.

[3] The electric distribution industry consisted of the Energy Association of Pennsylvania, PECO Energy Company, First Energy, and Duquesne Light.

with the EDCs. *See* 66 Pa. C.S. §§ 1404, 1405, 1406 and 140. These customer service provisions are only binding on EDCs and not EGSs, which indicates that the General Assembly intended to keep these customer service functions with the EDCs. Chapter 28 similarly places certain customer service functions with, and only with, the EDCs. Per Section 2807(d), EDCs are required to continue to provide customer service functions such as collections. Further, Chapter 28 only identifies two billing options – utility consolidated billing ("UCB") and dual billing. *See* 66 Pa. C.S. § 2807(c)[4]. Specifically, Section 2807(c) permits a customer to choose to receive separate bills from their EGSs (i.e., a dual bill situation where the customer receives separate bills from both the EGS and EDC), but if the customers does not elect this option, the EDC is responsible for billing customers for all electric services (i.e., a UCB situation). SCB is not an option provided under Chapter 28, illustrating the General Assembly's intent to keep the customer billing function with the EDCs. It would be unlawful for the EDCs to delegate these statutory obligations to an EGS.

At the June 14th hearing the EGS Coalition for SCB testified that it was their position that the Commission could require EGSs to comply with the relevant Commission regulations addressing consumer protections (presumably Chapter 56). This led to the question of "why could the Commission not require EGSs to follow the same requirements as public utilities under Chapter 14 as a precondition for SCB?" Amending regulations to incorporate SCB is not the answer. Although it is within the Commission's power to amend its regulations, the barrier to implementing SCB is a statutory barrier and only a change in legislation could make SCB lawful in Pennsylvania. The Commission's regulations must be consistent with the Public Utility Code, so until the Public Utility Code is amended to permit SCB, the regulations should not be revised

4 Section 2807(c) provides that an EDC "may be responsible for billing customers for all electric services," "[s]ubject to the right of an end-use customer to choose to receive separate bills from" the EGS. 66 Pa. C.S. § 2807(c).

to support SCB. As a creature of statute, the Commission only has those powers expressly delegated by the legislature. *See Norfolk S. Ry. Co. v. Pa. PUC*, 875 A.2d 1243, 1249 (Pa. Cmwlth. 2005) (citing *Peoples Natural Gas Co. v. Pa. PUC*, 664 A.2d 664 (Pa. Cmwlth. 1995).

Further, the EGS Coalition for SCB testified that Section 2804(3) authorizes the Commission to implement SCB with one simple sentence - "The Commission may require the unbundling of other services." As stated above, Section 2807 provides the duties EDCs must perform in the restructured environment, and these duties include customer billing, meter reading, complaint resolution, and collections. *See* 52 Pa. Code §§ 2807(c) and (d). If the "unbundling of other services" language is interpreted to mean that the Commission has the discretion to implement SCB, then Section 2804(3) becomes inconsistent with the later provisions at Sections 2807(c) and (d). When interpreting a statute, all provisions should be read as a whole and in a way that avoids conflict between the sections. *See* 1 Pa.CS § 1921. *See also, In re Annexation Ordinance No. 242 of the Borough of Lemoyne*, 107 A.2d 149 (1954) (It is to be presumed that the legislature had no intention of adopting conflicting provisions in the same statute.)

B. State of the Market

From the inception of deregulation PPL Electric has supported customers and their opportunity to seek competitive offers for generation service. As seen in the most recent shopping statistics for PPL Electric, found in Table 1 below, the Company continues to experience strong customer shopping statistics across all three customer classes – Residential, Commercial, and Industrial. To further highlight the success of shopping in PPL Electric's service territory, there are currently over 100 EGSs that offer customers various service options such as fixed and variable price options, time-of-use rates, renewable energy mixes, and more.

Table 1.

Revenue Class	*Total Shopping Customers*	*Shopping as a Percent of Revenue Class*	*Total Customer Accounts*
Residential	526,349	41.80%	1,259,202
Commercial	97,319	53.98%	180,277
Industrial	2,554	70.51%	3,622
TOTAL	626,222	43.39%	1,443,101

**Data effective as of August 21, 2018*

During the *en banc* hearings held on June 14th and July 12th, Commissioner Kennard highlighted the difference between shopping and switching. Specifically, that shopping occurs when customers are looking for suppliers, whereas switching occurs when customers actually move to the EGS. Based upon this understanding, Commissioner Kennard stated that Commission statistics show that switching is down from a high in 2014 of near 40% to a current value of around 30%. Further, hits on the PA PowerSwitch website are also down, indicating shopping is down. From this, Commissioner Kennard asked why this may be and what can be done to improve these statistics. Upon review, PPL Electric finds it is very difficult to pinpoint exactly why shopping and switching statistics having decreased since 2014. Since customers have had the open opportunity to shop in PPL Electric's service territory in January 2010, customer shopping statistics have indicated a healthy retail market. From 2010 through early 2014 shopping levels climbed. However, in January of 2014, Pennsylvania experienced the Polar Vortex – the results of which saw a sharp decline in customers shopping. This, coupled with continuing supplier consolidation over the past 5 years, may have caused a decrease in customer switching. PPL Electric would note however, that the PPL Electric Standard Offer Program ("SOP") has buffered what could have been a more substantial decrease in customer shopping.

It is probable that there are a number of factors beyond those given above, including more sophisticated customers whom have been in the market for 8 years, customers executing longer-term contracts thus decreasing enrollments, and lower market prices due to elements such as Marcellus shale gas and decreased congestion cost. Even supplier consolidation and supplier defaults could contribute to some customers returning to default service rather than bear risks in the market. PPL Electric believes that the retail market is in a strong position, something that customer switching may not solely express. From 2012 through the present day, PPL Electric's shopping load – that is the customer load being served by an EGS – has remained between 70 and 75%. This includes the decrease in customer enrollments as a result of the Polar Vortex in 2014. While some customers may have chosen not to shop, the amount of supply shopping has remained strong.

Another question was whether the PA PowerSwitch website should continue to be hosted by the Commission and if pricing information should be the primary focus when the product is multidimensional. PPL Electric strongly believes it is paramount the Commission continue to host this shopping tool used by customers across the state. Commission hosting ensures that an independent authority appropriately manages and conveys information to customers seeking to better understanding shopping opportunities available in the market. PA PowerSwitch provides customers with quick-access, summary-level information that allows them to compare competitive offers, and if interested, customers are provided information on how to switch to the EGS. Furthermore, options already exist to allow customers to sort various options, be it by price, length of contract, or other variables such as special pricing offers or renewable energy options. PPL Electric has experienced that most customers' first interest is to find the lowest price, and as such, price should remain the key first element displayed. The Company does believe, however that other filters should remain, allowing customers to customize their experience.

Upon reviewing the current retail market and how it has evolved and solidified over the past decade, PPL Electric's primary question is not about how market triggers are not working – as it is clear that the market is operating well – but how SCB will help improve the already flourishing market in PPL Electric's service territory. Further, the Company has a great concern that SCB will actually harm the market. EGSs in their comments and testimony presented at the *en banc* hearings sited numerous reasons why SCB is necessary – to improve market competition, offer new energy services, increase communication with customers, and provide value added services. Each of these reasons, however, are either already supported with currently existing market mechanisms, or offer the potential to harm the market by increasing customer confusion, increasing market costs, and providing a competitive advantage to those EGSs with the ability to implement SCB. It is PPL Electric's experience and understanding of the current market that SCB is not needed and would create more harm than good to customers.

C. Methods for Data Exchange

PPL Electric firmly believes that data, and access to data has been paramount in supporting a customer's option to shop and the ability of EGSs to offer products to customers. This has resulted in the excellent shopping statistics and robust energy market presented above. Contrary to positions put forward by a number of EGSs through the *en banc* hearings and in written comments, PPL Electric has driven its data model to increase the granularity and frequency of data available to EGSs and customers. In large part, this data has been available since the Company came out of rate caps in 2010, and has only improved with the move to Supplier Accelerated Switch and the installation of new meters through its MeterVision Plan.

PPL Electric primarily relies upon the Electronic Data Interchange ("EDI") transaction platform to exchange data with retail suppliers. Electronic Data Exchange Working Group ("EDEWG") is utilized to discuss and resolve issues or take advantage of new opportunities with the EDI, where all parties can present and review changes to EDI, and upon consensus approval, implement those changes. This ensures a transparent and consistent process utilized by all parties. Additionally, PPL Electric utilizes a supplier portal, where EGSs may access customer interval data, bill data, and other forms of customer information to better manage the customer and their products.

PPL Electric has driven data exchange with EGSs forward by allowing suppliers to "self-serve", where EGSs no longer rely upon PPL Electric to access customer data. As a result of its MeterVision Program – also called a Smart Meter Plan – PPL Electric enables EGSs to obtain 15 minute customer interval data for nearly all customers. With few exceptions, such as unmetered accounts, EGSs already have unfettered access to eligible customer data, enabling them to create electric generation products that would most benefit the customer and support shopping with EGSs.

During the e*n banc* hearing, Vice Chairman Place specifically asked EGSs if Time-of-Use ("TOU") was challenging to implement without SCB. Further, Vice Chairman Place asked if TOU could be implemented with more electronically disclosed information, but maintaining utility consolidated billing. EGS TOU programs have existed and continue to exist in the market, utilizing current billing methodologies. PPL Electric allows EGSs to have access to 15 minute data intervals through its Supplier Portal, should the EGS request them. All licensed EGSs have access to this data, showing that there is no limiting factor for EGS created TOU programs, or any other type of program, as a result of data access. The inability of EGSs to use SCB has not hindered the offering of TOU services, and would not hinder the service offering in the future. Additionally, EGSs currently have the ability to utilize a PPL Electric web portal tool that allows EDC to EGS, system-to-system data exchange, reducing manual EGS data requests currently experienced.

As expressed in the "State of the Market" section above, PPL Electric already implements robust data exchange functions which support customer shopping opportunities by data that both EGSs and customers can access to make informed decisions. The implementation of SCB has no impact on the data available.

D. PPL Electric's Experience with Its Previous SCB Pilot

PPL Electric is in the unique position of providing information to the Commission, in addition to the data exchange and market statistics information provided above, about the impact of SCB. In 2011, PPL Electric participated in a voluntary pilot program for Supplier Consolidated Billing with Blue Star Energy. The pilot sought to gather data and information about the efficacy of SCB without fully implementing the program. The SCB pilot ran for 2.5 years, with a maximum of 1,050 customers enrolled in the SCB by Blue Star Energy.

PPL Electric found that the SCB pilot created a series of complexities and issues, some qualitative, others quantitative, that distracted from the success experienced with shopping options for customers, and in fact, reduced the programs available to customers. At the commencement of the program, PPL Electric worked closely with Blue Star Energy to develop an SCB transition plan – seeking a process that was transparent to customers, while remaining effective for PPL Electric and Blue Star. Immediately, PPL Electric found that a great deal of manual work, continuous customer communication, and other program hurdles arose. First, the Company found that it was required to assign customer service representatives to specifically monitor the participating accounts to ensure data exchanges, customer inquiries, and other related items worked properly.

In addition, SCB had inherent complications or flaws that needed to be addressed prior to a customer participating. These included the removal of a customer from PPL Electric's budget billing program, the requirement that all customers pay their balances before transition, and the conclusion of other PPL Electric programs such as automatic bill payments and summary billing. Blue Star Energy specifically did not support, or seek to maintain, customer programs created, such as budget billing, so all customers receiving service from Blue Star were required to immediately true-up bill balances. Furthermore, PPL Electric was required to create special communications for these customers, explaining what was happening, conveying the customer's specific situation based upon the programs and services they received through PPL Electric UCB, and explain who to contact based upon the question or situation they had. In effect, PPL Electric had to terminate customer-centric programs and advise the customer they needed to contact the EGS to determine if it is offering the same options and benefits.

The program was ultimately concluded with AEP Energy's acquisition of Blue Star Energy. AEP chose not to continue using SCB, as it would have required all of AEP's customers to convert to SCB. As such, PPL Electric issued communications to the original Blue Star Energy customers, communicating that they would be transitioning back to UCB through PPL Electric in conjunction with AEP acquiring their generation supply from Blue Star. It is important to note that while the 2010 PPL Electric SCB Pilot was small in its design, the results of the pilot hold true – there was a loss of customer-centric programs, there was increased customer confusion, and increased costs for PPL Electric.

E. Customer Impact Concerns

PPL Electric's primary objectives when evaluating customer programs are to consider their impact on other customer programs, their cost to implement and maintain, a need to remain transparent and clear to reduce confusion, and ultimately to ensure they're in the best interest of the customer. A chief concern with SCB as highlighted throughout EDC and Advocate comments and testimony during the *en banc* hearings is that SCB does little in the way of protecting the customer, improving communication, and providing improved electric generation services. Instead, SCB serves to offer EGSs opportunities to utilize EDC branding when offering customers value-added services, increasing the potential for customer confusion, and creates a risk of large EGSs gaining competitive advantage over EGSs that are unable to take advantage of SCB.

SCB bears the risk of reducing, if not outright eliminating, a number of customer protections EDCs are legally required to provide. Furthermore, it is unclear if the Commission has the ability to control and oversee EGSs concerning the enforcement of these programs should they offer them. This includes programs such as PPL Electric's Customer Assistance Program ("CAP") called OnTrack, the Customer Assistance Program Standard Offer Program ("CAP SOP"), budget billing, specialized bill payment arrangements, and Low-Income Home Energy Assistance Program ("LIHEAP").

PPL Electric is required to maintain an approved triennial Universal Service and Energy Conservation Plan ("USECP"), which incorporates four of its programs, OnTrack, WRAP, Operation Help, and CARES. It is unclear how these programs would be managed through SCB, with PPL Electric having little, if any, information on customer total bill costs. For instance, PPL Electric's CAP, OnTrack, is the Company's largest program. This special payment program is for low-income households, at or below 150 percent of the federal poverty level, who have trouble paying the full cost of their electric bill. As of December 2017, PPL Electric had just short of 52,000 customers enrolled in the program with annual costs of approximately $81 million.

In the Company's latest default service plan, the topic of allowing OnTrack customers to shop for an alternate EGS was addressed. As a result, the CAP SOP was formed. This new program allows OnTrack customers to take advantage of the benefits of shopping without the risk of paying prices that exceed the Company's price to compare ("PTC"). By offering SCB, EGSs serving OnTrack customers could now have the added responsibility of managing the CAP program, since PPL Electric would have no insight into the customer costs. Further, these vulnerable customers bear the risk of being targeted by suppliers for value added services, which may actually increase their bills, thus putting them at greater risk by using up their CAP credits more quickly. Simply put, approving SCB and permitting EGSs to handle the billing is likely to disrupt the intent of OnTrack and the CAP-SOP, to the detriment of those customers participating in these programs.

Taken one step further, PPL Electric prepares customized bill statements, which details credits and arrearage forgiveness amounts, for its CAP customers. Since all utilities have unique CAP programs for their customers, it would be a considerable challenge for an EGS to meet the billing requirements for each utility's individual program. PPL Electric also maintains a dedicated group of representatives who answer CAP calls and related inquiries. This accounts for approximately 37 agents on a daily basis. With the variations in each utility's CAP plans, suppliers would need to employ a significant staff to handle the volume and become experts for how each EDCs CAP operates to ensure the best service and opportunity for these at risk customers. Failure to address and handle customer concerns quickly and accurately would jeopardize each EDC's program.

Lastly, PPL Electric has considerable concern surrounding the potential impact to LIHEAP. LIHEAP is a federally funded program that protects the basic needs for heating and cooling in more than 6 million households annually across the United States. PPL Electric's records show that approximately 42,000 customers received LIHEAP funding, totaling $7.8M during the 2016-2017 LIHEAP season. While LIHEAP continues to be discussed with regard to SCB, Pennsylvania's plan explicitly excludes EGSs from receiving LIHEAP grants. Because PPL Electric would not have insight into the customer bills, it is unclear how this program would be managed, jeopardizing customers participating in this program.

SCB does more than endanger low-income customers. As seen in PPL Electric's SCB pilot, customers lose the ability to maintain PPL Electric's budget billing option. While EGSs have the potential to offer this type of a program, it is unclear if an EGS utilizing SCB would do so and what the terms would be. Further, every time a customer switches from one EGS to another EGS, or if a customer sought to return to default service, they would have to seek new budget billing options, and may have a hardship in paying off outstanding amounts to make the EGS whole. This essentially puts a constraint on the customer and their ability to move within the retail space – or reduces a customer's desire to shop if budget billing is not offered by an EGS.

Another major concern is how the customer termination process would work if SCB were implemented. PPL Electric makes extensive efforts to help payment troubled customers, often developing payment plans to reduce the customer's burden to avoid termination. Not only could the number of customer programs, mainly payment plans, be eliminated, but this could lead to the prospect of increased customer terminations. The Commission must consider the risks associated with this and the fact that customers could be stranded with an EGS, unable to return to default service and payment options available to them through PPL Electric, resulting in termination of electric service.

In the *en banc* hearings, Commissioner Coleman asked EGSs what impediment to communication with customers exists that would be resolved by SCB. NRG Retail responded that all customers look at their bills, so EGSs would utilize SCB to be more transparent with customers on the products they are receiving and utilize the bill to communicate other information that direct mailings are not currently offering. Further, ENGIE Resources stated that current billing practices do not allow for complex, solution-oriented products. For PPL Electric, customer communications expand far beyond customer bills. Bills are one touch-point with customers; however, the Company employs many other means to communicate with customers such as text messaging and phone calls to communicate outages and restoration, a Connect newsletter, a comprehensive website, and a customer-specific web portal. EGSs already have the opportunity to utilize nearly all of these methods of communication, including direct mailings, mobile apps, robust websites, and customer portals should they choose to develop and employ them. Furthermore, EGSs also already have the opportunity to employ dual-billing should "billing" being their sole source of communication, yet very few EGSs employ it. Currently 15 different EGSs utilize the dual bill option, amounting to 17,185 total customers receiving a dual bill – 244 of whom are residential customers. SCB provides nothing new to EGSs.

Ultimately, a key concern Chairman Brown asked in the *en banc* hearing was, what could the unintended consequences of SCB be? PPL Electric has expressed above that there are a number of consequences, some likely and others unintended, that would arise as a result of SCB. PPL Electric must first assert that SCB requires an "all or nothing" implementation for any EGS that seeks to employ it. More specifically, if an EGS were to use SCB, all customers served by that EGS must use SCB or there is a significant concern that EGSs would pick and choose who they want to serve to the detriment of customers. Based upon this presupposition, another consequence as a result of SCB, beyond those described previously, could be a decrease in EGS participation in the successful SOP, as explained next.

The PPL Electric SOP requires rate-ready billing, and does not allow for SCB. With the understanding that SCB requires an all or nothing implementation, any EGS currently participating in the SOP would be prohibited from continuing as a supplier through the PPL Electric SOP as it is not permissible. Furthermore, while an argument could be made to change this provision in the SOP, it must be noted that the key descriptor in the SOP is "standard" – that all EGSs participating have the same standard terms and conditions. If some EGSs offered SCB and others utilized rate ready billing, the offer would no longer be standard, breaking down the very premise of the program.

Another unintended consequence of SCB is the strides PPL Electric has made to provide net metering customers with more information on its bill, regardless of shopping status. PPL Electric would no longer have control over the bill layout and information provided to net metering customers, thus it is conceivable that shopping net metering customers could have less information about the status of their excess generation bank in relation to their future cash-out for this bank. This could lead to increased customer confusion and different sets of information provided to customers billed by PPL Electric versus those billed by an EGS.

These situations highlight additional negative consequences resulting from SCB which may impact customers and the greater energy market. The risks are great, including disruption in the retail market, losses in customer programs, increased risks to low-income customers, reduced customer satisfaction, increased customer confusion, and fewer customer protections. These risks are not worth the minimal opportunities presented by EGSs in this proceeding. PPL Electric prides itself with its strong customer focus, desire to create customer programs to help protect their interest, and flexibility to support at risk customers. This is highlighted by the strong customer satisfaction numbers PPL Electric has realized over the past 20 years, culminating in 26 JD Power awards. The Company achieved these results by putting the customer first, expanding customer programs, ensuring safety is a key priority, continually work to improve restoration times, and driving a customer-centric model. To co ntinue this trend, PPL Electric does not recommend the implementation of SCB.

F. Required Supplier and EDC Coordination Requirements

In addition to customer impacts, PPL Electric has concerns regarding the implementation of SCB and the required coordination efforts between EDCs and EGSs. Specifically, the Company believes a robust set of new regulations would be required concerning the necessary data and information exchanges that must be in place for an EGS to utilize SCB.

First, rules and processes must be enacted to ensure the timely update of EDC costs on the customer bills. If EDCs are responsible for the full calculation of the distribution charges, EGSs must be capable of retrieving these charges any time they are changed – up to daily – and ensuring the same granularity of pricing is provided on the EGS bill as is currently found on the EDC bill. If EGSs are responsible for calculating all elements of the customer's bill, EGSs must be capable of retrieving daily rates from the EDC, prorating customer bills based upon the effective date of the rates, and ensuring the same granularity of pricing is provided on the EGS bill as is currently found on the EDC bill.

As explained previously, a primary concern PPL Electric has is related to customer programs and customer termination protocols. If items such as budget billing, customer bill payment plans and collection agreements, OnTrack, LIHEAP, and other similar programs are to be enabled and maintained by EGSs through SCB, firm rules must be put in place to govern the exchange. This will likely require exchanges that do not currently exist. These customer programs are vital to ensure customers have an equal opportunity to utilize the options available to them. A clear and transparent understanding of the rules surrounding them is mandatory.

To support customer programs and the need for concise communications between EDCs and EGSs, additional EGS training and qualifications are required. With the implementation of new EDI requirements and other complimentary data exchanges, suppliers must complete EDI test recertification. Beyond simple system certification, the Company would be required to train each EGS offering SCB on programs the EGS would now be responsible for, if no longer provided by PPL Electric. In the event EDCs would retain some services, EDCs must have direct input into EGS scripting and talking points. This is imperative to ensure customers are properly directed to PPL Electric when appropriate, instead of the EGS fielding the questions.

The Purchase of Receivables ("POR") program would also have to be reworked in instances where SCB is enacted. Currently, EDCs propose changes to the POR program through their respective rate case proceedings. It is unclear through what process POR would be reviewed and adjusted. This requires Commission oversight and direction, likely through a special proceeding.

During the *en banc* hearings, Chairman Brown asked the question "How would SCB change the customer service dynamic?" Simply put, nearly every facet of the customer service dynamic would change for an EGS adopting SCB. Customers will rightfully continue to view their EDC as the entity that delivers their power, and as such, their first point of contact for questions related to billing, usage, collections and safety matters, regardless of who is sending them their bill. EGS personnel must be trained to adequately answer questions about utility service depending on the products and services the EGS is required to provide. This could include budget billing, customer assistance programs, and energy efficiency and conservation programs. Because EGSs are likely to be operating in many service territories across Pennsylvania, EGSs would have to train its personnel to answer all of those questions for each applicable EDC. Considering each EDC has its own tariff and policies, such training would need to be extensive and thorough.

As described in the Customer Impact section above, these nuances will increase customer confusion and dissatisfaction as customers are handed off back and forth between EGSs or back to the EDC. Some EGSs will utilize SCB, some will not. Some EGSs will offer special services such as budget billing, whiles others may not. No longer can a shopping customer understand that for all shopping rate questions, they should contact their EGS, but for all other questions they should contact the EDC. SCB simply creates increased complexity, resulting in the EDC acting as a backup to EGSs. In many instances, customers will look to the EDCs to provide that same level of customer care that they always have.

G. EDC Impacts – Cost and Benefits

A key qualifier that must be taken into consideration when discussing the potential implementation of SCB is the costs and benefits as they relate to the EDCs that are set to help shepherd the programs into place, and that will rely as the back-up should issues arise. PPL Electric has summarized above the legal and regulatory concerns it has, the risk to the energy market, risks to customers through both rates they pay and programs they rely upon, and the litany of process and rule changes that would be needed to ensure all situations are covered. This said, there are a suite of both cost increases and cost reductions that would likely result from the implementation of SCB.

First, the concept of POR, or in this case, reverse POR must be investigated and fully vetted. It is unclear exactly how EDC POR would work under SCB; however, in an effort to reduce the lag associated with collections from customers by EGSs and their payment of the distribution charges to EDCs, a new form of POR must be developed. EDCs are governed by a strict set of rules dictating discount rates, timing of payments, and recovery. These yet-to-be developed rules will play a direct role into the cash working capital of EDCs, and the impact that has on the overall operating costs for EDCs to manage month to month transactions.

Upon review, PPL Electric has found that implementation of SCB has the potential to reduce EDC mailing expense through decreased postage expenses associated with direct bill mailings. While approximately 350,000 out of PPL Electric's 1.4 million customers utilize paperless billing, any customer not utilizing paperless billing and being served through SCB would result in decreased costs for the Company. Taken in context however, PPL Electric would seek to continue to maintain its strong connection to its customers, maintaining its practice of sending the PPL Connect newsletter and any other important customer notices. While PPL Electric traditionally used the bill to insert these notices and communications, the Company would continue employ direct mailings, simply without the bill – thus these costs would not be eliminated.

It could be argued that EDCs may see a decrease in the amount of time call center representatives are interacting with customers; however, this is highly dependent upon the programs an EGS would pick-up, and what phase of SCB roll-out EDCs are in. Regarding costs at the onset of the program, EDCs could see a substantial uptick in the communication-related costs inherent with program implementation. Special arrangements must be made for customers on PPL Electric programs – OnTrack, LIHEAP, budget billing, payment plans, etc. – to ensure the customer understands the program changes and what they are required to do to maintain them, should an EGS maintain their own versions of the programs. If enough EGSs utilize SCB at its onset, the Company expects a significant increase in call volume, increasing its call center expenses. PPL Electric also expects significant technical costs, including changes to the EDI transaction process, supplier portal changes to communicate different sets of data with EGSs, a newly created link to EGS platforms to collect customer billing information, and so on.

Customer mailings, web updates, customer calls, and other forms of notice to communicate the changes transpiring with SCB will result in increased customer contact center work, resulting in increased expenses, not decreased expenses.

In addition to program implementation costs, there will be continuing costs associated with SCB as well. PPL Electric will be required to maintain staffing to handle calls from shopping customers with EGSs not utilizing SCB. Additionally, should any EGS choose SCB after the initial implementation phase; the Company will have to repeat the start-up activities with this EGS – training, communication with customers, etc. Of particular note is the fact that as customers move between default service and retail supply, some EGSs may utilize SCB while others do not. The confusion this could cause for customers would likely lead the customer to first contacting PPL Electric for answers and guidance. As stated previously, customers look to EDCs for answers, which will require EDCs to always ensure that staff is available to help answer customer questions and guide them through the process.

In summary, while some costs savings may exist should SCB be implemented, the requisite costs are great. A question not highlighted thus far through this process is who will pay for these costs? PPL Electric firmly believes that costs for SCB should be fully borne by EGSs who utilize SCB. In the end, however, it is inevitable that not all costs would be able to be broken out. As such, customers will ultimately bear the burden of these costs, which PPL Electric finds troubling. Before any actions are taken, PPL Electric requests the Commission investigate the potential cost impacts to customers.

III. CONCLUSION

The primary goal of electric restructuring was to allow retail customers access to the competitive market for the generation of electricity. 66 Pa. C.S. §§ 2802(3) & (12), 2804(2). The purpose was to lower electricity costs while ensuring that customers received safe, affordable, and reliable electric service at the same levels they enjoyed prior to deregulation. 66 Pa. C.S. §§ 2802(6),(7),(11), & (12); 2804(1) & (14). PPL Electric has been, and continues to be, supportive of the competitive market.

As detailed above, the likely risks far outweigh any potential benefits. SCB seems to be a solution in search of a problem, as it does not solve the issues EGSs state it does. It does not improve communications with customers, as the means for EGS to customer communication already exist through dual-billing or EGS direct mailings. If anything, communication is likely to suffer through customer confusion. It does not enhance market competition. In fact, it has the potential to harm it by driving out smaller EGSs that cannot afford to do SCB, and driving confused customers back to default service. It does not provide an increase in the number of electric service programs for customers - they'll likely decrease. And while value-added services could be added to bills through SCB, the means to do that already exist through dual billing. As was stated at the beginning of these comments – it is unclear what issue is actually resolved through the implementation and utilization of SCB.

For all of the reasons stated throughout these Reply Comments, PPL Electric does not support SCB. PPL Electric appreciates the Commission providing it with the opportunity to provide comments on this important issue, and requests that the Commission take into consideration the issues raised herein when determining how to proceed in its exploration of SCB.

Respectfully submitted,

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Date: August 24, 2018

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