

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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May 8, 2020

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

Re: Petition of PPL Electric Utilities Corporation for
Approval of a Default Service Program for the Period
of June 1, 2021 through May 31, 2025
Docket No. P-2020-3019356

Dear Secretary Chiavetta:

Enclosed please find the Answer of the Office of Consumer Advocate in the above-referenced proceeding.

Copies have been served as indicated on the enclosed Certificate of Service.

Respectfully submitted,

/s/ David T. Evrard
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Enclosures:

cc: The Honorable Elizabeth H. Barnes (**email only**)
Certificate of Service

*288067

CERTIFICATE OF SERVICE

Re: Petition of PPL Electric Utilities Corporation for :
Approval of a Default Service Program for the : Docket No. P-2020-3019356
Period of June 1, 2021 through May 31, 2025 :

I hereby certify that I have this day served a true copy of the following document, the Office of Consumer Advocate's Answer, 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 8th day of May 2020.

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Dated: May 8, 2020
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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of PPL Electric Utilities Corporation :
For Approval of a Default Service Program : Docket No. P-2020-3019356
And Procurement Plan for the Period :
June 1, 2021 through May 31, 2025 :

ANSWER OF THE
OFFICE OF CONSUMER ADVOCATE

I. INTRODUCTION

On March 25, 2020, 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 V) and procurement plans for the period June 1, 2021 through May 31, 2025. 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 ¶37. The Company proposes to acquire six-month and twelve-month contracts for most new supply needed to meet its residential default service obligation during DSP V. Petition at ¶38. The procurement will be approximately 20% six-month contracts and 80% twelve-month contracts with the exception of

two five year 50 MW block products for the residential class. Petition at ¶38. 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, excluding Alternative Energy Credits (AECs). Petition at ¶ 44.

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 ¶¶ 45, 68. The Company is proposing DSP V 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. Petition at ¶ 73. 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 ¶ 74. 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 ¶ 82. To oversee the solicitation process, PPL has retained NERA, an independent third-party manager with experience in PPL's prior DSP procurements. Petition at ¶ 86.

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 ¶ 92. If a supplier defaults, PPL proposes to offer the tranche or contracts to other suppliers through the SMA's "step-up" process. Petition at ¶ 94.

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 ¶ 46. 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 ¶ 48. 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 ¶ 48.

The Company proposes to continue its currently effective Time of Use (TOU) contingency rate option throughout the DSP V. Petition at ¶ 111. The Company avers that it has been operating under its TOU contingency plan and has been since its existing TOU program became effective. Petition at ¶ 111. The contingency plan offers TOU rates based on the applicable Price to Compare (PTC), with a discount to the PTC offered during off-peak hours and a premium added during on-peak hours. Petition at ¶ 111. Over and under-recoveries would be reconciled through the GSC-1. Petition at ¶ 111.

The Company further states that it will ensure continued compliance with the Alternative Energy Portfolio Standards Act. Petition at ¶ 61. In a change from DSP IV, PPL proposes that wholesale suppliers no longer be required to supply AECs as part of the default service auction. Petition at ¶ 61. Instead, PPL proposes to procure all necessary AECs through biannual auctions held in July and January, with costs associated with residential load recovered through the GSC-1. Petition at ¶¶ 61, 65.

In addition, the Company proposes a voluntary Renewable Rate Program, whereby customers who remain on default service can opt-in to receive AEC coverage for 100% of their consumption. Petition at ¶ 113. Customers selecting this option will be charged an

adder based upon the value of PA non-solar Tier I AECs. Petition at ¶ 113. The renewable rate program is proposed to commence December 1, 2021. Petition at ¶ 116.

The Company proposes to extend its current “Standard Offer Referral Program” (SOP) through the DSP V with modifications. Petition at ¶ 98. The modifications include changes to customer education, the automatic transfer of SOP customers to default service upon the expiration of their SOP contract unless the customer affirmatively elects to remain a shopping customer, and changing the EGS enrollment term from quarterly to semi-annually, coinciding with the PPL Electric PTC. Petition at ¶¶ 98-100.

In the Petition, PPL also proposes to eliminate its current Customer Assistance Program (CAP) shopping program, known as CAP SOP. Petition at ¶108. By eliminating this program, CAP customers would be ineligible to shop and all CAP customers would be required to take default service beginning June 1, 2020. Petition at ¶108.

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

As discussed above, the Company proposes to acquire approximately 20% six-month contracts and 80% twelve-month contracts with the exception of two five year 50 MW block products for the residential class. Petition at ¶38. 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 ¶ 48. The OCA submits that the Company's rate design, including the impact its reconciliation methodology has had on rate stability, must be reviewed.

C. AEPS Procurement and Renewable Rate Program

The Petition provides that PPL will ensure continued compliance with the AEPS Act's requirements through biannual procurements of all AECs needed to meet default service load. Petition at ¶¶ 61-65. In addition, the Company proposes to utilize its biannual auctions to secure AECs to supply a new "Renewable Rate Program" for default service customers. Petition at ¶¶ 113-116. 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 ¶¶ 61-65. The Company's plan for AEPS Act compliance and a new Renewable Rate option should be reviewed to ensure that the goals of the Act are met at just and reasonable rates.

D. Time of Use Rates

As discussed above, the Company proposes to maintain its currently effective Time of Use (TOU) contingency rate option throughout the DSP V. Petition at ¶ 111. The Company avers that it has been operating under its TOU contingency plan since its existing TOU program became effective. Petition at ¶ 111. The contingency plan offers TOU rates based on the applicable PTC, with a discount to the PTC offered during off-peak hours and a premium added during on-peak periods. Petition at ¶ 111. 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. Standard Offer Referral Program

The Company proposes to extend its current "Standard Offer Referral Program" (SOP) through the DSP V with significant modifications. Petition at ¶ 98. The OCA supports modifications that would enhance customer education, as well as those changes that improve customer rate protections. Petition at ¶¶ 98-100. 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.

F. CAP Shopping

PPL proposes to eliminate its current Customer Assistance Program (CAP) shopping program, known as CAP SOP. Petition at ¶108. By eliminating this program, CAP customers would be ineligible to shop and all CAP customers would be required to take default service beginning June 1, 2020. Petition at ¶108. The OCA submits that the Commission must continue to ensure that CAP customers maintain affordable rates and that the cost of PPL's CAP programs is contained.

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, 2021 are just and reasonable and otherwise consistent with Pennsylvania law.

Respectfully Submitted,

/s/ Aron J. Beatty

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