



COMMONWEALTH OF PENNSYLVANIA

July 19, 2016

**E-FILED**

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

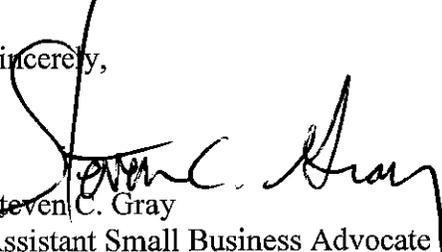
**Re: Petition of PPL Electric Utilities Corporation for Approval of its Default Service Program & Procurement Plan for the Period June 1, 2017 through May 31, 2021  
Docket No. P-2016-2526627**

Dear Secretary Chiavetta:

Enclosed for e-filing is the Statement of the Office of Small Business Advocate in Support of the Joint Petition for Approval of Partial Settlement, in the above-referenced proceeding. As evidenced by the enclosed Certificate of Service, all known parties in this case have been served, as indicated.

If you have any questions, please do not hesitate to contact me.

Sincerely,

  
Steven C. Gray  
Assistant Small Business Advocate  
Attorney ID #77538

*Enclosures*

cc: Honorable Susan D. Colwell  
Parties of Record  
Mr. Robert D. Knecht

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

**CERTIFICATE OF SERVICE**

I hereby certify that true and correct copies of the foregoing have been served via email and/or first-class mail (unless other noted below) upon the following persons, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

The Honorable Susan D. Colwell  
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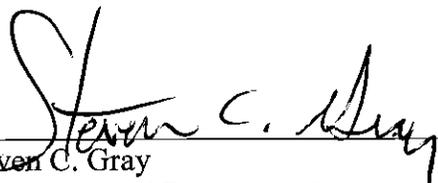
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DATE: July 19, 2016

  
Steven C. Gray  
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Attorney ID No. 77538

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

<b>Petition of PPL Electric Utilities</b>	:	
<b>Corporation for Approval of its Default</b>	:	
<b>Service Program &amp; Procurement Plan</b>	:	<b>Docket No. P-2016-2526627</b>
<b>for the Period June 1, 2017 through</b>	:	
<b>May 31, 2021</b>	:	

**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 January 29, 2016.

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. The *Partial Settlement* states, as follows:

For the Residential and Small C&I Customer Classes, the Signatory Parties agree that PPL Electric will procure layered 6-month and 12-month products twice per year, in April and October, with the first procurement occurring in April 2017 for Default Service beginning June 1, 2017.

*Partial Settlement*, at Paragraph 25. The "products" cited in the *Partial Settlement* refer to the "fixed price, load-following, full requirements" supply contracts that PPL is currently using to procure default service supplies for the Small C&I rate classes. See PPL Statement No. 1, at 16. The specific schedule for Small C&I procurements proposed by the Company in this proceeding is shown in Corrected Exhibit JC-4, which is attached to PPL Statement No. 2-Supp. Exhibit JC-4 states that 6-month supply contracts will supply 45 percent of the Small C&I load, and 12-month contracts will supply 55 percent.

The OSBA has long been a proponent of fixed-price, full requirements contracts for service to Small C&I customers, particularly at PPL where the risk of significant changes in shopping rates has proven to be relatively high. The mix of 6-month and 12-month supplies should provide the Small C&I customers with a C-Factor that is reasonably stable and

predictable. It is also a reasonable balance between being reflective of market conditions and providing rate stability.

Furthermore, the Company's proposal includes a laddering of the 12-month contracts so that half of the 12-month load turns over every six months. This laddering 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 close to the start of service (approximately two months before service commences), which reduces the time-based risks faced by suppliers.

Finally, the Company's proposal in this proceeding for Small C&I procurement is essentially identical to that agreed-upon by the parties in the settlement of PPL's last default service proceeding. In this proceeding, the OSBA found the Company's evidence that this mechanism is functioning reasonably well to be credible, and saw no reason to contest it in direct testimony. *See* OSBA Statement No. 1, at 1. *See also*, PPL Electric Statement No. 2, at 22-23 and Exhibit JC-6.

Therefore, for the reasons set forth above, the OSBA supports the proposed Small C&I procurement schedule as a just and reasonable approach for PPL's Small C&I customers.

## **2. Expanding PPL's Default Service Program to Four Years**

In the Company's original filing, PPL proposed to extend the term of the default service program from two to four years. The OSBA evaluated this proposal and determined that a four-year term was superior to the current approach. The OSBA therefore only responded to this issue in rebuttal to the direct testimony of other parties.

Specifically, in his Rebuttal Testimony, OSBA witness Robert D. Knecht summarized the Company's proposal to modify its default service program so that it will extend to four years, rather than the current two years:

In general, the Company concludes that the default service procurement process has matured during the past four proceedings, and that there is no need for modest tinkering every two years. The Company further concludes that the cost of a default service proceeding, estimated at \$750,000 for external costs plus unspecified internal costs, is not justified by the minimal benefits of regular review. Mr. Rouland also indicates that if PPL Electric were to cease to be the default service provider within the four year term, the proposed plan is structured in such a way as to allow PPL Electric to shift its obligations to a third party.

OSBA Statement No. 1, at 2 (footnote omitted).

Mr. Knecht ultimately concluded, as follows:

I conclude that there is little or no need to conduct default service proceedings every two years, and to saddle default service customers with the non-insignificant costs of those proceedings with little or no obvious benefit. I recommend that the Commission accept the Company's proposal for a four-year term.

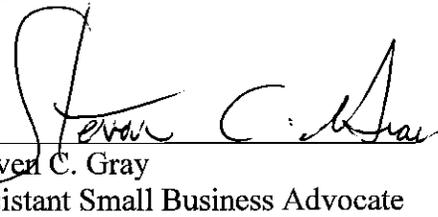
OSBA Statement No. 1, at 6.

The *Partial Settlement* proposes that PPL's default service program shall be in effect for four years. See *Partial Settlement*, at Paragraph 24. The OSBA supports this proposal of the *Partial Settlement* as it is both a reasonable result and complies with the testimony of Mr. Knecht.

**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,



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Dated: July 19, 2016