



17 North Second Street
12th Floor
Harrisburg, PA 17101-1601
717-731-1970 Main
717-731-1985 Main Fax
www.postschell.com

Christopher T. Wright

cwright@postschell.com
717-612-6013 Direct
717-731-1985 Direct Fax
File #: 163476

July 18, 2016

VIA ELECTRONIC FILING

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor North
P.O. Box 3265
Harrisburg, PA 17105-3265

**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:

Enclosed please find PPL Electric Utilities Corporation's Statement in Support of the Joint Petition for Approval of Partial Settlement in the above-referenced proceeding. Copies will be provided as indicated on the Certificate of Service.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'CWright', is written over the name Christopher T. Wright.

Christopher T. Wright

CTW/skr
Enclosure

cc: Honorable Susan D. Colwell
Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been served upon the following persons, in the manner indicated, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

VIA E-MAIL AND FIRST CLASS MAIL

Aron J. Beatty
Christy M. Appleby
Office of Consumer Advocate
555 Walnut Street, 5th Floor
Harrisburg, PA 17101-1923

Gina L. Lauffer
Bureau of Investigation & Enforcement
400 North Street, 2nd Floor West
P.O. Box 3265
Harrisburg, PA 17105-3265

Steven C. Gray
Office of Small Business Advocate
300 North Second Street, Suite 1102
Harrisburg, PA 17101

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

Pamela Polacek
Adeolu A. Bakare
Alessandra L. Hylander
McNees, Wallace & Nurick
P.O. Box 1166
100 Pine Street
Harrisburg, PA 17108-1166
Counsel for PPLICA

Kenneth L. Mickens
The Sustainable Energy Fund of Central
Eastern Pennsylvania
316 Yorkshire Drive
Harrisburg, PA 17111

Patrick M. Cicero
Elizabeth R. Marx
Joline Price
Pennsylvania Utility Law Project
118 Locust Street
Harrisburg, PA 17101
Counsel for CAUSE-PA

Charles E. Thomas III
Thomas, Niesen & Thomas, LLC
212 Locust Street, Suite 600
Harrisburg, PA 17101
*Counsel for Noble Americas
Energy Solutions LLC*

H. Rachel Smith
Asst. General Counsel
Exelon Business Services Corp.
100 Constellation Way, Suite 500C
Baltimore, MD 21202
Counsel for Exelon Generation Company

Daniel Clearfield
Deanne M. O'Dell
Sarah C. Stoner
Eckert Seamans Cherin & Mellott, LLC
213 Market St., 8th Floor
Harrisburg, PA 17101
Counsel for RESA

Robert D. Knecht
Industrial Economics Incorporated
2067 Massachusetts Avenue
Cambridge, MA 02140
Consultant for OSBA

Richard Hahn
Daymark Energy Advisors
One Washington Mall
9th Floor
Boston, MA 02108
Consultant for OCA

Barbara Alexander
Consumer Affairs Consultant
83 Wedgewood Drive
Winthrop, ME 04364
Consultant for OCA

John Costlow
1005 Brookside, Suite 210
Allentown, PA 18106
Consultant for SEF

Date: July 19, 2016



Christopher T. Wright

**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
PPL ELECTRIC UTILITIES CORPORATION
IN SUPPORT OF PARTIAL SETTLEMENT**

Paul E. Russell (Pa. Bar I.D. 21643)
Kimberly A. Klock (Pa. Bar I.D. 89716)
PPL Services Corporation
Two North Ninth Street
Allentown, PA 18101
Phone: 610-774-4254
Fax: 610-774-6726
E-mail: perussell@pplweb.com
E-mail: kklock@pplweb.com

David B. MacGregor (Pa. Bar I.D. 28804)
Michael W. Hassell (Pa. Bar I.D. 34851)
Christopher T. Wright (Pa. Bar I.D. 203412)
Post & Schell, P.C.
17 North Second Street, 12th Floor
Harrisburg, PA 17101-1601
Phone: 717-612-6029
Fax: 717-731-1985
E-mail: dmacgregor@postschell.com
E-mail: mhassell@postschell.com
E-mail: cwright@postschell.com

Dated: July 19, 2016

Counsel for PPL Electric Utilities Corporation

TABLE OF CONTENTS

	<u>Page</u>
I. INTRODUCTION.....	1
II. COMMISSION POLICY FAVORS SETTLEMENT	3
III. THE SETTLEMENT IS IN THE PUBLIC INTEREST	4
A. GENERAL – THE DSP III PROGRAM, AS MODIFIED BY THE TERMS AND CONDITIONS OF THE PARTIAL SETTLEMENT, IS IN THE PUBLIC INTEREST	5
B. DEFAULT SERVICE PROGRAM PERIOD	13
C. DEFAULT SERVICE RESIDENTIAL PRODUCT PORTFOLIO	14
D. TIME OF USE.....	16
E. STANDARD OFFER PROGRAM.....	17
1. SOP Enrollment Issues	18
2. SOP Disclosures, Scripts, and Training Materials	21
F. NON-MARKET BASED TRANSMISSION SERVICE CHARGES	22
G. SUPPLIER COORDINATION	23
IV. CONCLUSION	24

I. INTRODUCTION

PPL Electric Utilities Corporation (“PPL Electric”) hereby files this Statement in Support of the Joint Petition for Approval of Partial Settlement (“Settlement”) in the above-captioned proceeding. The Settlement represents a partial settlement to resolve all but one of the issues and concerns raised in the above-captioned proceeding requesting Pennsylvania Public Utility Commission (“Commission”) approval of PPL Electric’s fourth Default Service Program and Procurement Plan (“DSP IV Program”) to establish the terms and conditions under which PPL Electric will acquire and supply default service or provider of last resort service (“Default Service”) from June 1, 2017 through May 31, 2021 (the “DSP IV Program Period”). (See PPL Electric Exhibit No. 1)

PPL Electric furnishes electric distribution, transmission and default supply services to approximately 1.4 million customers throughout its certificated service territory, which includes all or portions of twenty-nine counties and encompasses approximately 10,000 square miles in eastern and central Pennsylvania. PPL Electric is a “public utility,” an “electric distribution company” (“EDC”), and a Default Service provider as defined in Sections 102 and 2803 of the Pennsylvania Public Utility Code, 66 Pa.C.S. §§ 102, 2803. (PPL Electric Ex. 1, p. 3)

Consistent with its obligations as a Default Service provider under Act 129 of 2008,¹ on January 29, 2016, PPL Electric filed a Petition requesting Commission approval of its DSP IV Program. The DSP IV Program, *inter alia*, consists of a proposal for competitive procurement of Default Service supply and related Alternative Energy Credits (“AECs”) during the DSP IV Program Period; an implementation plan; a proposed rate design; a proposal to continue the

¹ Act 129, among other provisions, amended the Electricity Generation Customer Choice and Competition Act to require EDCs, in their role as Default Service providers, to procure default generation supply through competitive processes utilizing a “prudent mix” of contracts, and to offer a TOU rate option to customers with smart meters. 66 Pa.C.S. § 2807.

Company's current Standard Offer Referral Program ("SOP"); and a contingency plan for the DSP IV Program. Copies of a *pro forma* Default Service Supply Master Agreement ("Default Service SMA") and a *pro forma* Request for Proposals ("RFP") Process and Rules were included with the Petition. The filing also contained *pro forma* tariff pages to implement rates under the DSP IV Program. (See PPL Electric Exhibit No. 1, Appendices A through C)

A Notice of Appearance was filed by the Commission's Bureau of Investigation and Enforcement ("I&E") on February 18, 2016. Notices of Intervention and Answers were filed by the Office of Consumer Advocate ("OCA") and the Office of Small Business Advocate ("OSBA") on February 29, 2016. Petitions to Intervene were filed by: PP&L Industrial Customer Alliance ("PPLICA"), Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania ("CAUSE-PA"), the Sustainable Energy Fund ("SEF"), NextEra Energy Power Marketing, LLC ("NextEra"), Retail Energy Supply Association ("RESA"), Exelon Generation Company, LLC ("ExGen"), and Noble Americas Energy Solutions LLC ("Noble").²

The Parties engaged in extensive discovery, held several settlement conferences, and exchanged several settlement proposals and counter-proposals. As a result of these efforts, the Parties were able to achieve a partial settlement in principle prior to the June 16, 2016 evidentiary hearings. PPL Electric, I&E, OCA, OSBA, PPLICA, RESA, and ExGen are all signatory parties to the Settlement (hereinafter "Signatory Parties").³ The partial settlement in principle resolved all of the issues and concerns among the Parties, except shopping by customers enrolled in PPL Electric's Customer Assistance Program ("CAP"), which was reserved for litigation.

² Collectively, PPL Electric and the Intervenors in this proceeding are hereinafter referred to as the "Parties."

³ CAUSE-PA, NextEra, SEF, and Noble are not parties to the Partial Settlement but have indicated that they do not object.

On July 8, 2016, the active parties submitted Initial Briefs on the CAP shopping issue reserved for litigation. Concurrent with the filing of Reply Briefs on the CAP shopping issue, the Signatory Parties filed the Partial Settlement, along with their respective Statements in Support or letters of non-opposition. PPL Electric submits that the Partial Settlement is in the public interest and should be approved. For the reasons explained below, PPL Electric respectfully requests that Administrative Law Judge Susan D. Colwell (“ALJ”) and the Commission approve the proposals set forth in PPL Electric’s above-captioned Petition subject to the terms and conditions of the Partial Settlement and a decision on the issue reserved for litigation.

II. COMMISSION POLICY FAVORS SETTLEMENT

Commission policy promotes settlements. *See* 52 Pa. Code § 5.231. Settlements lessen the time and expense that parties must expend litigating a case and, at the same time, conserve precious administrative resources. The Commission has indicated that settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding. *See* 52 Pa. Code § 69.401. The Commission has explained that parties to settled cases are afforded flexibility in reaching amicable resolutions, so long as the settlement is in the public interest. *Pa. PUC v. MXenergy Electric Inc.*, Docket No. M-2012-2201861, 2013 Pa. PUC LEXIS 789, 310 P.U.R.4th 58 (Opinion and Order entered Dec. 5, 2013). In order to accept a settlement, the Commission must first determine that the proposed terms and conditions are in the public interest. *Pa. PUC v. Windstream Pennsylvania, LLC*, Docket No. M-2012-2227108, 2012 Pa. PUC LEXIS 1535 (Opinion and Order entered Sept. 27, 2012); *Pa. PUC v. C.S. Water and Sewer Assoc.*, Docket No. R-881147, 74 Pa. PUC 767 (Opinion entered Jul. 22, 1991). As explained in the next section of this Statement in Support, PPL Electric believes that the Partial

Settlement is just, reasonable, in the public interest, and should be approved without modification.

III. THE SETTLEMENT IS IN THE PUBLIC INTEREST

The Partial Settlement reflects a carefully balanced compromise of the competing interests of all of the Signatory Parties in this proceeding. The Signatory Parties unanimously agree that the Partial Settlement is in the public interest. The fact that the Partial Settlement is unopposed in this major Default Service proceeding in and of itself provides strong evidence that the Partial Settlement is reasonable and in the public interest, particularly given the diverse interests of these Parties and the active role they have taken in this proceeding.

Moreover, the Partial Settlement was achieved only after a comprehensive investigation of PPL Electric's proposals set forth in its DSP IV Program. PPL Electric responded to numerous discovery requests, many of which had multiple subparts, and the Parties filed five rounds of written testimony, including PPL Electric's direct testimony, other parties' direct testimony, rebuttal testimony, surrebuttal testimony, and rejoinder testimony. Further, the Parties participated in several settlement discussions and formal negotiations that ultimately led to the Partial Settlement.

Finally, the Parties in this proceeding, and their counsel, have considerable experience in Default Service proceedings. Their knowledge, experience and ability to evaluate the strengths and weaknesses of their litigation positions provided a strong base upon which to build a consensus in this proceeding on the settled issues.

For these reasons and the more specific reasons set forth below, the Partial Settlement is just, reasonable, and in the public interest. Therefore, the proposals set forth in PPL Electric's DSP IV Program should be approved subject to the terms and conditions of the Partial Settlement and a decision on the issue reserved for litigation.

A. GENERAL – THE DSP III PROGRAM, AS MODIFIED BY THE TERMS AND CONDITIONS OF THE PARTIAL SETTLEMENT, IS IN THE PUBLIC INTEREST

The Partial Settlement initially provides that, subject to the terms and conditions of the Partial Settlement and a decision on the issue reserved for litigation, the proposals set forth in PPL Electric’s DSP IV Program are acceptable and should be adopted by the Commission. (Partial Settlement ¶ 22) The Partial Settlement further provides that Signatory Parties agree that PPL Electric’s DSP IV Program, as modified by the terms and conditions of the Partial Settlement, includes and/or addresses all of the elements prescribed by Section 2807 of the Public Utility Code, the Commission’s regulations, and the Commission’s policies for a Default Service plan. (Partial Settlement ¶ 23)

The requirements for a Default Service plan appear in Section 2807 of the Public Utility Code. 66 Pa.C.S. § 2807.⁴ Also applicable are the Commission’s Default Service Regulations, 52 Pa. Code §§ 54.181-54.189, and a Policy Statement addressing Default Service plans, 52 Pa. Code §§ 69.1802-69.1817. Finally, the Commission has directed EDCs to consider incorporating certain program changes into their Default Service plans in order to foster a more robust retail competitive market. *See Proposed Policy Statement Regarding Default Service and Retail Electric Markets*, Docket No. M-2009-2140580, 2011 Pa. PUC LEXIS 65 (Final Policy Statement entered Sept. 23, 2011) (hereinafter “*DSP Policy Statement*”); *Investigation of Pennsylvania’s Retail Electricity Market: End State of Default Service*, Docket No. I-2011-2237952, 2013 Pa. PUC LEXIS 306; 303 P.U.R.4th 28 (Final Order entered Feb. 15, 2013)

⁴ These requirements include that the Default Service provider follow a Commission-approved competitive procurement plan; that the competitive procurement plan include auctions, requests for proposal, and/or bilateral agreements; that the plan include a prudent mix of spot market purchases, short-term contracts, and long-term purchase contracts designed to ensure adequate and reliable service at the least cost to customers over time; and that the Default Service provider shall offer a TOU program for customers who have smart meter technology. 66 Pa.C.S. §§ 2807(e), 2807(f).

(hereinafter “*End State Order*”). PPL Electric submits that the proposed DSP IV Program, as modified by the terms and conditions of the Partial Settlement, is in the public interest because it includes and/or addresses all of the elements prescribed by Section 2807 of the Public Utility Code, the Commission’s regulations, and the Commission’s policies for a Default Service plan.

Pursuant to Section 2807(e)(3.1) of the Public Utility Code, a Default Service provider shall provide Default Service pursuant to a Commission-approved competitive procurement plan that includes auctions, RFPs, and/or bilateral agreements. 66 Pa.C.S. § 2807(e)(3.1). Under the proposed DSP IV Program, PPL Electric will acquire the Residential and Small Commercial and Industrial (Small “C&I”) Customer Class default service supply, other than TOU supply, through a series of fixed-price, load-following, full-requirements supply contracts. (PPL Electric Statement No. 1, pp. 15-16) For the Large Commercial and Industrial (“Large C&I”) Customer Class, PPL Electric will enter into annual contracts with suppliers for the provision of the default service spot market, load-following, full-requirements supply. (PPL Electric Statement No. 1, p. 18)

The Company will obtain its default service supply needs through transparent competitive solicitations, with all qualified wholesale suppliers being eligible to participate. PPL Electric will implement the DSP IV Program by holding solicitations pursuant to a series of RFPs to obtain the default service products from competitive wholesale generation suppliers. Separate bids will be solicited for the Residential, Small C&I, and Large C&I Customer Classes. (PPL Electric Statement No. 1, p. 23)

Section 2807(e)(3.2) of the Public Utility Code provides that electric power procured by a Default Service provider shall include a prudent mix of spot market purchases, short-term contracts, and long-term purchase contracts. 66 Pa.C.S. § 2807(e)(3.2). PPL Electric’s proposed

DSP IV plan consists of a prudent mix of products that include spot market purchases, short-term contracts, and long-term purchase contracts. For both the Residential and Small C&I Customer Classes, PPL Electric's DSP IV Program proposes to use fixed-price, full-requirements, load-following products with 6 and 12 month contract terms. (PPL Electric Statement No. 1, pp. 15-16) PPL Electric's DSP IV Program also proposes to continue to obtain Default Service supply on a real-time hourly basis through the PJM spot market for Large C&I Customer Class. (PPL Electric Statement No. 1, p. 18) In addition, PPL Electric previously acquired long-term solar Tier I Alternative Energy Credits ("AECs") associated with its 10-year, 50 MW block product in its Commission-approved DSP I Program. (PPL Electric Statement No. 1, p. 20) PPL Electric also has acquired additional Tier I non-solar AECs to cover the period from June 1, 2015 through May 31, 2021, associated with its 10-year long-term product obligation in its Commission-approved DSP III Program. (PPL Electric Statement No. 1, p. 20) Clearly, PPL Electric's DSP IV Program will include spot market purchases, short-term contracts, and long-term purchase contracts. Thus, PPL Electric's DSP IV Program as a whole contains a prudent mix of products as required by Section 2807(e)(3.2) of the Public Utility Code. Indeed, based upon a review of these products and giving consideration to the relatively high level of shopping on PPL Electric's system, PPL Electric's independent, outside expert concluded that PPL Electric's DSP IV Program procurements are consistent with the "prudent mix" requirement. (PPL Electric Statement No. 2, pp. 19-25)

Consistent with the requirements of 66 Pa.C.S. § 2807(e)(3.4), PPL Electric's DSP IV Program will provide adequate and reliable service to customers. As explained above, PPL Electric's Default Service supply will be procured through load-following, full requirements contracts. These products obligate a wholesale electricity supplier to provide a fixed-percentage

(referred to as a “tranche”) of PPL Electric’s default service hourly load during every hour of a product’s term. By assuming this obligation, wholesale suppliers are responsible for managing the acquisition of energy, capacity, transmission (other than defined non-market based transmission services), ancillary services, AECs, and any other related products (net of transmission and distribution losses) to meet Default Service customers’ hourly load. (PPL Electric Statement No. 1, p. 30) These contracts will ensure that PPL Electric will be able to provide sufficient and reliable Default Service to customers.

Pursuant to Section 2807(e)(3.4) of the Public Utility Code, Default Service providers are to obtain Default Service supply at the “least cost to customers over time.” 66 Pa.C.S. § 2807(e)(3.4). The fixed-price, load-following supply for Residential and Small C&I Default Service customers will be procured through widely advertised, well-defined solicitations where the overarching objective is to seek out the lowest-cost suppliers. By obtaining the Residential and Small C&I Default Service supplies through competitive solicitations in the form of an auction, PPL Electric is able to obtain default supplies at the lowest possible cost for the product being procured. (PPL Electric Statement No. 2, pp. 27-28) By using 12-month, full-requirements, load-following, spot market products to obtain Large C&I Default Service supplies, the DSP III Program ensures that these customers receive price-reflective energy costs. Wholesale competition among suppliers of the spot market-priced product will ensure that PPL Electric provides this default service at the lowest possible cost available at the time. ((PPL Electric Statement No. 2, p. 28) Based upon a review of these products, PPL Electric’s independent, outside expert concluded that PPL Electric’s DSP IV Program procurements are consistent with the “least cost to customers over time” requirement. (PPL Electric Statement No. 2, pp. 25-28)

Section 2807(f)(5) of the Public Utility Code provides that a Default Service provider shall offer TOU rates to all customers that have been provided smart meter technology. 66 Pa.C.S. § 2807(f)(5). The Company's TOU rate option is addressed in the Partial Settlement as further explained below.

The Alternative Energy Portfolio Standards Act ("AEPS Act"), 73 P.S. §§ 1648.1 – 1648.8, and the Commission's implementing regulations further require EDCs to obtain AECs in an amount equal to certain percentages of electric energy sold to retail customers in this Commonwealth. *See* 52 Pa. § Code 54.182. The Company proposes to procure certain AECs to meet its obligation under the AEPS Act as a component of its load-following fixed-price and spot market default service supply contracts. Under this proposal, each Default Service wholesale supplier will provide its proportional share of AECs to fulfill PPL Electric's AEPS obligation, in accordance with the terms of the Default Service SMA. (PPL Electric Statement No. 1, p. 20)

In addition, with respect to the Company's long-term 50 MW block contract used for Residential Default Service supply, the Company previously has entered into contracts to procure Tier I Solar AECs. PPL Electric also has acquired additional Tier I non-solar AECs to cover the period from June 1, 2015 through May 31, 2021, associated with its 10-year long-term product obligation in its Commission-approved DSP III Program. Notably, PPL Electric has proposed to continue the long-term AEC products, which will remain in place throughout the DSP IV Program period. (PPL Electric Statement No. 1, p. 20)

The Commission's Default Service Regulations require that a default service plan include copies of agreements or forms to be used in the procurement of electric generation supply for Default Service customers. *See* 52 Pa. Code § 54.185(e)(6). PPL Electric's *pro forma* DSP IV

RFP and SMA are attachments to PPL Electric's DSP IV Petition. Other than a few minor modifications, the DSP IV RFP and SMA are largely unchanged from the DSP III Program. (See PPL Electric Statement No. 1, pp. 23-24, 31; PPL Electric Exhibit No. 1, Attachments A and B) As explained below, the Signatory Parties have agreed in the Partial Settlement to make a minor modification to the SMA. (Partial Settlement ¶ 26)

Section 69.1807(8) of the Commission's Default Service and Electric Retail Markets Statement of Policy provides that the competitive bid solicitation process should be monitored by an independent evaluator to achieve a fair and transparent process for each solicitation. 52 Pa. Code § 69.1807(8). The Default Service and Electric Retail Markets Statement of Policy also states that the independent evaluator should have expertise in the analysis of wholesale energy markets, including methods of energy procurement. *Id.* Consistent with these requirements, PPL Electric has retained NERA Economic Consulting as the independent third-party manager to administer each procurement, analyze the results of the solicitations for each customer class, select the supplier(s) that will provide services at the lowest cost and submit all necessary reports to the Commission. (PPL Electric Statement No. 1, p. 32)

The Commission's Default Service Regulations require that a Default Service plan include contingency plans to ensure the reliable provision of default service if a wholesale generation supplier fails to meet its contractual obligations. See 52 Pa. Code § 54.185(e)(5). In this proceeding, PPL Electric proposed to continue the contingency plan from the DSP III Program. (PPL Electric Statement No. 1, pp. 34-35)

The Commission's Default Service Regulations require that a Default Service plan include a rate design plan recovering all reasonable costs of Default Service, including a schedule of rates, rules and conditions of default service in the form of proposed revisions to its

tariff. *See* 52 Pa. Code § 54.185(e)(3). The costs incurred by PPL Electric to provide Default Service to the Residential and Small C&I Customer Classes will be recovered through the Generation Supply Charge-1 (“GSC-1”), which is separately computed with respect to each Customer Class. The proposed GSC-1 remains unchanged from the GSC-1 tariff provisions approved in the DSP III Program. Costs recovered in the GSC-1 will include, among other costs, both costs incurred under the various supplier contracts and costs incurred to acquire the supply and administer the DSP IV Program. (PPL Electric Statement No. 1, pp. 16-17; PPL Electric Exhibit No. 1, Attachment C) The costs incurred by PPL Electric to provide Default Service to the Large C&I Customer Class will be recovered through the Generation Supply Charge-2 (“GSC-2”), which remains unchanged from the GSC-2 tariff provisions approved in the DSP III Program. Costs recovered in the GSC-2 will include PJM spot market energy, PJM capacity charges, the suppliers’ charge for all other services (including AECs) based upon winning bids in the annual solicitation and PPL Electric’s costs to acquire the supply and administer the DSP IV Program. (PPL Electric Statement No. 1, pp. 18-19; PPL Electric Exhibit No. 1, Attachment C)

The Commission’s Default Service Regulations require that a Default Service plan be consistent with the legal and technical requirements pertaining to the generation, sale and transmission of electricity of the RTO or other entity in whose control area the default service provider is providing service, and that the default service procurement plan’s period of service must align with the planning period of that RTO or other entity. *See* 52 Pa. Code § 54.185(e)(4). The Company will provide Default Service within the control area of PJM Interconnect, LLC (“PJM”), which is an RTO approved by the Federal Energy Regulatory Commission (“FERC”). PPL Electric’s DSP IV Program is aligned with PJM’s planning period, *i.e.*, begins June 1 and ends May 31. Further, the Default Service RFP Rules and accompanying SMA require that both

PPL Electric and any bidder in the procurement process must be in compliance with PJM requirements. Finally, a potential bidder must certify that it has been authorized by FERC to make sales of energy, capacity, and ancillary services at market-based rates. (PPL Electric Statement No. 1, p. 33)

In its Final Order in *Investigation of Pennsylvania's Retail Electricity Market: Intermediate Work Plan*, Docket No. I-2011-2237952, 2012 Pa. PUC LEXIS 324 (Final Order entered March 2, 2012), the Commission identified a number of design elements that EDCs were directed to consider, and later implement, in their Default Service plans. As such, the Company implemented the SOP as part of its DSP II plan. In its DSP III Program, the Company expanded the promotion of the SOP to include a Web Self Service application and continued the SOP with certain modifications approved in the DSP III Program proceeding. The SOP began on August 1, 2013, and is currently still in place. (PPL Electric Statement No. 1, p. 35) Given the success of the SOP, PPL Electric proposed to continue to offer the SOP without any changes or modifications during the DSP IV Program period, or until the Commission eliminates EDCs' Default Service obligation. (PPL Electric Statement No. 1, pp. 37-38) As explained below, the Signatory Parties have agreed in the Partial Settlement to slightly modify the SOP. (Partial Settlement ¶¶ 31-36)

As summarized above, PPL Electric's DSP IV Program, as modified by the terms and conditions of the Partial Settlement, includes and/or addresses all of the elements prescribed by Section 2807 of the Public Utility Code, the Commission's regulations, and the Commission's policies for a Default Service plan. Approval of the DSP IV Program, as modified by the Partial Settlement, is in the public interest.

B. DEFAULT SERVICE PROGRAM PERIOD

In this proceeding, PPL Electric proposed that the DSP IV Program be in effect for a period of four years, from June 1, 2017 through May 31, 2021. The Company proposes a four-year plan because the proposed DSP IV Program is largely unchanged from its predecessor, the DSP III Program. (PPL Electric Statement No. 1, pp. 12-13)

RESA was the only party to oppose the Company's proposal to extend the term of the DSP IV Program from two years to four years, arguing that increasing the DSP Program term "would eliminate any near term opportunity to adapt the default service plan and procurement structure to changing market conditions." (RESA Statement No. 1, pp. 3-4) In the Partial Settlement, the Signatory Parties agreed that the DSP IV Program shall be in effect for a period of four years, from June 1, 2017 through May 31, 2021, and that the Company will hold a collaborative to discuss concerns or issues with changing market conditions. (Partial Settlement ¶ 24)

Extending the term of the DSP IV Program from two years to four years will save litigation time and costs for PPL Electric, other parties that participate in DSP proceedings and the Commission. (PPL Electric Statement No. 1, p. 13) Further, extending the DSP IV Program Period to four years will reduce the number of and associated costs for Default Service Plan filings, which the Company estimates will save customers approximately \$750,000. (PPL Electric Statement No. 1-R, p. 10) Finally, the Company will hold a collaborative to provide a forum to address any issues or concerns with the products or programs approved and in place during in the four-year DSP IV Program Period. (Partial Settlement ¶ 24)

PPL Electric submits that extending the DSP IV Program from two years to four years, as modified by the above-described terms of the Partial Settlement, is in the public interest and should be approved.

C. DEFAULT SERVICE RESIDENTIAL PRODUCT PORTFOLIO

For its Residential Customer Class Default Service supply, PPL Electric proposed to procure a portfolio of laddered fixed-price, full-requirements, load-following supplies for its DSP IV Program. In particular, the proposed procurement of Residential Customer Class Default Service supply for the DSP IV Program relies on the purchase of fixed-price, full-requirements, load-following products with 6- and 12-month contract terms using a laddering approach. The proposed DSP IV Residential product portfolio is a continuation of the default service procurement program successfully used to obtain Residential Customer Class Default Service supply during the DSP III Program. (PPL Electric Statement No. 1-R, pp. 4-5; PPL Electric Statement No. 2-R, pp. 2-3)

The OCA opposed the Company's proposed use of 12- and 6-month laddered contracts to procure Residential Default Service load during the DSP IV Program. Despite the fact that the same Residential product portfolio has been successfully used during the DSP III Program (PPL Electric Statement No. 1-R, p. 5), the OCA raised concerns that the proposed DSP IV Residential product portfolio could expose the Residential Default Service load to price risk because the Company will be procuring 70% to 75% of the total Residential Default Service load in each solicitation. (OCA Statement No. 1, p. 6) The OCA therefore recommended that the Company add 24-month contracts and a small amount of spot products to the DSP IV Residential Default Service load procurements. (OCA Statement No. 1, pp. 7-8)

PPL Electric acknowledges that, although the historical data for DSP III does not support the OCA's concern, customers could potentially be exposed to increases in the price paid for Default Service supply if the market prices were to spike at the time of the solicitation. However, this is one of the reasons that the Company has moved to 12- and 6-month contracts

using a laddered or staggered approach so that all of the products are not procured at the same time. (PPL Electric Statement No. 1-R, p. 6)

The Signatory Parties agreed that, for the Residential and Small C&I Customer Classes, PPL Electric will continue to 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 ¶ 25) This provision is in the public interest because it recognizes that, over the course of the three previous DSP proceedings, the Company, with the approval of the Commission, has moved to 12- and 6-month contracts using a laddered or staggered approach so that all of the products are not procured at the same time. (PPL Electric Statement No. 1-R, pp. 6-7; PPL Electric Statement No. 2-R, p. 4) This approach will continue to help mitigate the risk that prices could potential spike at the time of any given solicitation. (PPL Electric Statement No. 1- R, p. 6)

The Company also explained that the OCA's proposed DSP IV Residential product portfolio should be rejected because: (i) it would essentially implement the procurement plan used for DSP I, ignoring the experience PPL Electric has gained over the past several years (PPL Electric Statement No. 1-R, p. 7; PPL Electric Statement No. 2-R, p. 8); (ii) the concern about market price spikes would still be present under the OCA's proposal (PPL Electric Statement No. 1-R, p. 6; OCA Statement No. 1-SR, p. 3); and (iii) the OCA's proposal would be less responsive to wholesale market conditions, likely increase wholesale supplier costs, and introduce additional reconciliation requirements (PPL Electric Statement No. 2-R, pp. 5-8).

The Signatory Parties agreed to modify the DSP IV Residential product portfolio so that, exclusive of the long-term 50 MW block product for the Residential Customer Class, the procurements will be approximately 20% 6-month contracts and 80% 12-month contracts.

(Partial Settlement ¶ 25 and Appendix A) This provision results in a decrease in the total amount of Residential default service supply being procured at one time, which will further mitigate any concerns regarding the potential risk of exposure to volatile market prices by procuring a significant amount of Residential default service supply at one time.

D. TIME OF USE

Section 2807(f)(5) of the Public Utility Code provides that a Default Service provider shall offer TOU rates to all customers that have been provided smart meter technology. 66 Pa.C.S. § 2807(f)(5). Under its Commission-approved DSP III Program, the Company provides a TOU rate option to Residential and Small C&I customers through its tariff, which relies on the retail market and EGSs to provide TOU service to customers. (PPL Electric Statement No. 1, pp. 41-42) Because the TOU program was on appeal at the time the Company filed its DSP IV Program, the Company proposed to continue the TOU rate option as approved in DSP III. (PPL Electric Statement No. 1, pp. 43-44)

Subsequent to the Company's filing of the DSP IV Program, the Commonwealth Court entered an Order remanding the TOU rate option back to the Commission for further proceedings. *See The Dauphin County Industrial Development Authority v. Pennsylvania Public Utility Commission*, 123 A.3d 1124 (Pa. Cmwlth. 2015). At this time, the outcome of the TOU program is entirely unknown and will need to wait until the Commission has undertaken further proceedings on remand as directed by the Commonwealth Court. Indeed, it is entirely unknown whether the Commission will direct the Company to implement the TOU contingency plan, implement a modified contingency plan, or to file an entirely new TOU proposal. (PPL Electric Statement No. 1-RJ, pp. 3-4)

Based on these new developments that were entirely beyond the Company's control, the Signatory Parties agreed that the Company's proposal to continue the TOU program as approved

in DSP III is withdrawn. (Partial Settlement ¶ 27) The Signatory Parties also agreed that the Company will comply with the Commission's direction/order in the TOU remand proceeding for purposes of the entire or remaining duration of the DSP IV Program period (depending on when a TOU program is approved). (Partial Settlement ¶ 29) Finally, the Signatory Parties agreed that, in the event a new TOU program has not been approved by the Commission before the May 31, 2017 expiration of the current TOU program, PPL Electric will promptly notify both customers and suppliers participating in the TOU program that the TOU rate option will expire on May 31, 2017. (Partial Settlement ¶ 30)

These provisions of the Partial Settlement are in the public interest because they properly recognize that, as a result of the Commonwealth Court's Order, the TOU program to be implemented during the DSP IV Program period cannot be decided here and, instead, will be the subject of the Commission's proceeding on remand. Notably, the Parties to this proceeding will be able to fully participate in the Commission's TOU remand proceeding. (Partial Settlement ¶ 28) Finally, the Partial Settlement ensures that both customers and EGSs are properly notified in the event that the TOU rate option expires on May 31, 2017. PPL Electric submits that these settlement provisions are in the public interest and should be adopted.

E. STANDARD OFFER PROGRAM

PPL Electric's SOP has a series of core elements: the program is marketed to Residential and Small C&I Default Service customers who call the PPL Electric Customer Contact Center, but is available to all Residential and Small C&I customers (shopping and non-shopping); it sets a standard 7% discount off the then-current PTC and is held at that initial rate for 12 months; customers may leave the program at any time without penalty; and, EGSs opt in to participate in the program on a quarterly basis during which time they are equally allocated customers who

choose to participate in the program. EGSs are charged a fee of \$28 per referred customer. (PPL Electric Statement No. 1, pp. 35-36)

As part of the Commission-approved DSP III Program, the Company implemented a new SOP web access. Through the SOP web access feature, customers may review information on the SOP terms and conditions, and elect to enroll in the SOP should they so choose. If a customer is referred to an EGS through the web access, there is no referral fee. (PPL Electric Statement No. 1, p. 36)

PPL Electric's SOP has been highly successful. (PPL Electric Statement No. 1, p. 37; PPL Electric Statement No. 1-R, p. 13) Given the current success of the SOP, the Company proposed that the DSP IV Program continue the SOP approved under the DSP III Program with only two limited modifications. First, commencing June 1, 2017, PPL Electric proposed to invoice EGSs monthly for the fee associated with referred customers, rather than on a quarterly basis. This change is in response to recommendations raised by various EGSs during a collaborative. (PPL Electric Statement No. 1, p. 39) Second, the Company proposed a minor modification to the SOP Binding Agreement that requires electric generation suppliers ("EGSs") to submit an EDI 814 rate code change transaction anytime a customer enrolls or re-enrolls in the SOP program. (PPL Electric Statement No. 1, p. 39) The Company did not propose any other changes or modifications to the SOP approved under the DSP III Program. (PPL Electric Statement No. 1-R, p. 10)

1. SOP Enrollment Issues

The Signatory Parties agree that PPL Electric will modify the SOP Binding Agreement to make it clear that, for all customers that enroll or re-enroll in SOP, EGSs participating in the SOP must send an EDI 814 rate code change transaction by no later than 3 business days after the rescission period for enrollment or re-enrollment. (Partial Settlement ¶ 34) PPL Electric has

found that not all EGSs are submitting EDI 814 rate code change transactions for customers that re-enroll in the SOP. (PPL Electric Statement No. 1-R, p. 22) This provision of the Partial Settlement will modify the SOP Binding Agreement to ensure that any assignment of a customer to any EGSs voluntarily participating in the SOP, whether the customer is new or returning, is formally and properly executed through a new EDI 814 rate code change transaction. (PPL Electric Statement No. 1-R, p. 22) This provision is in the public interest because it will ensure that all SOP enrollments are formally and properly executed.

Customers participating in the SOP may, at any time and for any reason, terminate the SOP without any penalty. Further, eligible customers may enroll in the SOP at any time and for any reason, including a change in the PTC. There is nothing that currently prevents a customer that previously terminated its SOP contract from re-enrolling in the SOP. The ability of customers to terminate and re-enroll in the SOP has been unchanged since the SOP was first implemented. (PPL Electric Statement No. 1-R, p. 21) If a customer terminates an SOP contract and later seeks to re-enroll in SOP, and if the EGS that originally provided SOP service to the customer is still voluntarily participating at the time of re-enrollment, PPL Electric assigns the customer to the same EGS at the time of re-enrollment. (PPL Electric Statement No. 1-R, p. 22)

RESA raised concerns that EGSs participating in the SOP could be forced to serve SOP customers at a changing SOP rate if the customers are permitted to terminate an SOP contract and later re-enroll in SOP. (RESA Statement No. 1, pp. 12-14; RESA Statement No. 1-SR, pp. 7-12) RESA's concern arises from the Company's practice of assigning a customer that re-enrolls in SOP to the same SOP supplier if the supplier continues to participate in the SOP for that upcoming quarter.

In the Partial Settlement, the Signatory Parties agreed that all customers that request enrollment in the SOP, both new and re-enrollments, will be placed into the SOP “pool” and randomly assigned to EGSs that are voluntarily participating in the SOP at that time. (Partial Settlement ¶ 35) This provision is in the public interest because it reduces the possibility that a SOP supplier is forced to re-enroll the customer at a rate that could potentially be lower than the customer received under the prior, now terminated SOP contract. The Signatory Parties also agreed that customers seeking to enroll in the SOP, both new and re-enrollments, will continue to be permitted to request service from a specific SOP supplier. (Partial Settlement ¶ 35) PPL Electric submits that this provision is in the public interest because it recognizes that customers may have positive shopping experience with a particular SOP supplier and/or supplier contract, or the customer has preference for a particular SOP supplier.

RESA also raised concerns regarding EGSs’ inability to enroll customers through the SOP if the customer’s account is in a “pending active status.” (RESA Statement No. 1, pp. 10-11) Customers are placed in this status for a number of reasons. For example, if they have a pending and unresolved PUC Complaint, they have an unpaid bill, or they are moving but their new account has not yet been activated. Customers in this status are unable to shop and, thus, are unable to participate in the SOP. RESA’s concern relates to the lapse in time between when these customers are referred to SOP and when they are actually enrolled in SOP. During this time, EGSs with pending active customers must maintain the SOP rate and continually seek to enroll the customer in SOP. (PPL Electric Statement No. 1-R, p. 19)

In the Partial Settlement, the Signatory Parties have agreed that PPL Electric will implement any processes and protocols developed by the Seamless Moves and Instant Connect Electronic Data Exchange Working Group where and if applicable, including, to the extent

feasible, the SOP. (Partial Settlement ¶ 36) The Seamless Moves and Instant Connect protocols and processes currently are being evaluated by the Electronic Data Exchange Working Group to develop standardized processes. This provision recognizes that it is entirely unknown at this time exactly what EGS/EDC notifications and communications will be part of the finalized processes. (PPL Electric Statement No. 1-R, p. 20) If applicable, the final Seamless Moves and Instant Connect protocols and processes will be applied to the SOP, which potentially may reduce the lapse in time between when customers in a “pending active status” are referred to SOP and when they are actually enrolled in SOP.

2. SOP Disclosures, Scripts, and Training Materials

The OCA proposed numerous modifications to the SOP customer disclosures, scripts, and training materials. (OCA Statement No. 2, pp. 16-18) In support of these modifications, the OCA stated that it “cannot support a program that has the potential to enroll customers in a program that appears to emphasize a 7% discount and that does not deliver that level of savings or any savings at all pursuant to the terms and conditions of the EGS agreement.” (OCA Statement No. 2-SR, p. 12) PPL Electric and RESA both opposed OCA’s proposed modifications to the SOP customer disclosures, scripts, and training materials. (See PPL Electric Statement No. 1-R, pp. 13-16; RESA Statement No. 1-R, pp. 6-11)

In the Partial Settlement, the Signatory Parties agreed that PPL Electric will implement revised SOP scripts attached as Appendix B to the Partial Settlement. (Partial Settlement ¶ 31) The revised SOP scripts will further clarify the descriptions of the program and the operation of the 7% discount. The revised SOP scripts agreed to in the Partial Settlement are a carefully balanced compromise of vastly different and competing interests and, therefore, are in the public interest.

The OCA also recommended that PPL Electric be required to conduct a survey or focus group of customers participating in SOP. (OCA Statement No. 2, p. 18) The Signatory Parties agreed that PPL Electric will conduct a one-time survey of a random selection of customers participating in SOP using an independent survey company. The costs of the survey are capped at \$30,000 and will be recovered through the Company's Competitive Enhancement Rider ("CER"). (Partial Settlement ¶ 32) The SOP survey is in the public interest because it will assess the functioning of the SOP and the information may be used to inform future SOP procedures, disclosures, and scripts. (Partial Settlement ¶ 32) Further, PPL Electric submits that recovery of the SOP survey costs through the CER is reasonable and appropriate because the purpose of the CER is to permit the Company to recover its miscellaneous annual costs associated with competitive retail enhancement measures.⁵

F. NON-MARKET BASED TRANSMISSION SERVICE CHARGES

The definition and treatment of Non-Market Based ("NMB") transmission service charges was fully litigated in the Company's DSP III Program. The Company did not propose any changes to the definition or treatment of Non-Market Based ("NMB") transmission service charges under the DSP IV Program. (PPL Electric Statement No. 1-R, p. 45) Likewise, no other parties proposed any changes or modifications to NMB charges in this proceeding. (PPL Electric Statement No. 1-R, p. 46) Notwithstanding, RESA proposed that PPL Electric implement a program to monitor proceedings for potential changes to NMB charges. (RESA Statement No. 1, pp. 8-9)

⁵ PPL Electric notes that the recovery of the SOP survey costs through the CER will have little incremental rate impact to customers. As approved in the Company's 2012 base rate case, the CER is a per dollar charge applied to all PPL Electric customers to recover miscellaneous annual costs, if any, associated with competitive retail enhancement measures and programs. Recovery of the capped \$30,000 SOP survey costs from all customers through the CER will, by itself, have a \$0.00 rate impact.

The Signatory Parties agreed that PPL Electric will monitor its own filings with the Federal Energy Regulatory Commission (“FERC”) and will provide notice to EGSs and default service suppliers of any such filings that modify the definition or application of NMB charges. (Partial Settlement ¶ 37) Importantly, because such notices will be provided via an e-mail correspondence issued through the existing PPL Electric Supplier Portal and posted on the Company’s Default Service webpage (Partial Settlement ¶ 37(a)), the Company is not likely to incur any additional incremental costs. This provision is in the public interest because, according to RESA, efficient and reasonable access to the underlying data utilized to calculate the NMB charges would facilitate a competitive market. (RESA Statement No. 1-SR, p. 17)

G. SUPPLIER COORDINATION

PPL Electric’s POR discount rate was updated as the result of the Company’s 2015 base rate case, which was approved by the Commission in a Final Order entered on November 19, 2015, at Docket No. R-2015-2469275. (PPL Electric Statement No. 1-R, p. 47) However, as noted by RESA, PPL Electric inadvertently failed to reflect this updated Purchase of Receivables (“POR”) discount rate in its Supplier Coordination Tariff after the conclusion of the 2015 base rate case. (RESA Statement No. 1, p. 15; PPL Electric Statement No. 1-R, p. 47)

The Signatory Parties agreed that PPL Electric will update its Supplier Coordination Tariff to reflect the current POR discount rate and to ensure that the Supplier Coordination Tariff is updated with any future Commission-approved changes. (Partial Settlement ¶ 38) On June 15, 2016, PPL Electric filed Supplement No. 6 to Electric Generation Supplier Tariff - Electric Pa. P.U.C. No. 1S at Docket No. R-2015-2469275, which updated the POR discount as approved in the 2015 rate case. A copy of this tariff filing was served on all parties to this proceeding. By Secretarial letter dated July 1, 2016, the Commission accepted Supplement No. 6 as filed.

IV. CONCLUSION

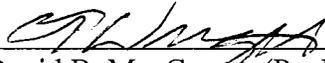
Settlements are the result of a compromise of competing interests. In this case, a diverse group of interested parties have reached an agreement that resolves nearly all of the issues in this case. Therefore, PPL Electric respectfully requests as follows:

(a) That the Honorable Administrative Law Judge Susan D. Colwell recommend approval of, and the Commission approve, this Joint Petition for Approval of Partial Settlement including all terms and conditions thereof without modification; and,

(b) Subject to the terms and conditions set forth herein, and a decision on the issue reserved for litigation, that the Honorable Administrative Law Judge Susan D. Colwell recommend approval of, and the Commission approve, the proposals set forth in PPL Electric's DSP IV Program, including the Default Service SMA, RFP, Program Product Procurement Schedule, and Tariff provisions for the GSC-1, GSC-2, and TSC.

Respectfully submitted,

Paul E. Russell (Pa. Bar I.D. 21643)
Kimberly A. Klock (Pa. Bar I.D. 89716)
PPL Services Corporation
Two North Ninth Street
Allentown, PA 18101
Phone: 610-774-4254
Fax: 610-774-6726
E-mail: perussell@pplweb.com
E-mail: kklock@pplweb.com


David B. MacGregor (Pa. Bar I.D. 28804)
Michael W. Hassell (Pa. Bar I.D. 34851)
Christopher T. Wright (Pa. Bar I.D. 203412)
Post & Schell, P.C.
17 North Second Street, 12th Floor
Harrisburg, PA 17101-1601
Phone: 717-612-6029
Fax: 717-731-1985
E-mail: dmacgregor@postschell.com
E-mail: mhassell@postschell.com
E-mail: cwright@postschell.com

Dated: July 19, 2016

Counsel for PPL Electric Utilities Corporation