



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

IN REPLY PLEASE
REFER TO OUR FILE

July 19, 2016

Secretary Rosemary Chiavetta
Pennsylvania Public Utility Commission
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 the Bureau of Investigation and Enforcement's (I&E)
**Statement in Support of the Joint Petition for Partial Settlement of PPL Electric
Utilities Corporation's Petition for Approval of a Default Service Program and
Procurement Plan for the Period of June 1, 2017, through May 31, 2021** in the above-
captioned proceeding.

Copies are being served on all active parties of record. If you have any questions,
please contact me at (717) 787-8754.

Sincerely,

Gina L. Lauffer
Prosecutor
Bureau of Investigation and Enforcement
PA Attorney I.D. #313863

GLL/sea
Enclosure

cc: Hon. Susan D. Colwell
Certificate of Service

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

CERTIFICATE OF SERVICE

I hereby certify that I am serving the foregoing **Statement in Support of Partial Settlement** dated July 19, 2016, in the manner and upon the persons listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a party):

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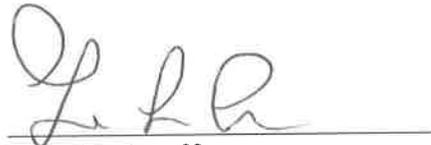
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Gina L. Lauffer
Prosecutor
Bureau of Investigation and Enforcement
PA Attorney I.D. #313863

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

**BUREAU OF INVESTIGATION AND ENFORCEMENT
STATEMENT IN SUPPORT OF THE JOINT PETITION FOR PARTIAL
SETTLEMENT OF PPL ELECTRIC UTILITIES CORPORATION'S PETITION FOR
APPROVAL OF A DEFAULT SERVICE PROGRAM AND PROCUREMENT PLAN
FOR THE PERIOD OF JUNE 1, 2017 THROUGH MAY 31, 2021**

TO ADMINISTRATIVE LAW JUDGE SUSAN D. COLWELL:

The Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”), by and through its Prosecutor, Gina L. Lauffer, hereby respectfully submits that the terms and conditions of the foregoing Joint Petition for Partial Settlement of PPL Electric Utilities Corporation’s Petition for Approval of A Default Service Program and Procurement Plan for the Period of June 1, 2017 through May 31, 2021 (“Joint Petition” or “Partial Settlement”) are in the public interest and represent a fair, just, reasonable and equitable balance of the interest of PPL Electric Utilities Corporation (“PPL”) and its customers. In support of this position, I&E offers the following enumerated Comments:

I. INTRODUCTION AND BACKGROUND

1. I&E is charged with the representation of the public interest in proceedings relating to rates, rate-related services and proceedings affecting the public interest held

before the Commission.¹ Consequently, in all contested proceedings, including those resolved through negotiated settlements, it is incumbent upon I&E to ensure that the public interest is served and to comment on how the amicable resolution of any such proceeding will benefit the public interest. The request for approval of this Joint Petition is based on I&E's conclusion that the Partial Settlement meets all the legal and regulatory standards necessary for approval. "The prime determinant in the consideration of a proposed Settlement is whether or not it is in the public interest."² I&E concludes that the Joint Petition meets this standard.

2. On January 29, 2016, PPL Electric Utilities Corporation ("PPL") filed with the Pennsylvania Public Utility Commission ("Commission") a Petition for Approval of a Default Service Program and Procurement Plan for the Period of June 1, 2017 through May 31, 2021 ("Petition" or "DSP IV"). PPL's DSP IV included a proposal for competitive procurement of Default Service supply and related Alternative Energy Credits during the DSP IV Program Period; an implementation plan; a proposed rate design, including a Time-of-Use ("TOU") rate option for Default Service during the DSP IV Program Period; a proposal to continue the Company's current Standard Offer Referral Program; a proposal to allow CAP customers to shop; and a contingency plan for the DSP IV.³

3. PPL's DSP IV was assigned to the Office of Administrative Law Judge ("OALJ") for the development of an evidentiary record, including a Recommended

¹ 66 Pa. C.S. 308.2(a)(11); Docket No. M-2008-2071852, Final Procedural Order entered on August 11, 2011, p. 10.

² *Pennsylvania Public Utility Commission v. Philadelphia Electric Company*, 60 PA PUC 1, 22 (1985).

³ Petition at 1.

Decision. The OALJ assigned the proceeding to Administrative Law Judge (“ALJ”) Susan D. Colwell for investigation and scheduling of hearings to consider, inter alia, whether the DSP IV will provide default service that is adequate, reliable, and will result in the least cost to customers over time.⁴

4. I&E filed its Notice of Appearance on February 18, 2016. On February 29, 2016, Notices of Appearance, Answers, and Formal Complaints were filed by the Office of Consumer Advocate (“OCA”) and the Office of Small Business Advocate (“OSBA”). Intervention petitions were submitted by the following entities: NextEra Energy Power Marketing, LLC (“NextEra”), the Sustainable Energy Fund of Central Eastern Pennsylvania (“SEF”), Noble Americas Energy Solutions LLC (“Noble Americas”), the PP&L Industrial Customer Alliance (“PPLICA”), the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”), Exelon Generation Company, LLC (“Exelon”) and Retail Energy Supply Association (“RESA”).

5. A Prehearing Conference was held on March 9, 2016, at which time all interventions were granted. At the Prehearing Conference, a procedural schedule and the procedures applicable to this proceeding were adopted and subsequently memorialized in the Second Prehearing Order. After the Prehearing Conference, I&E, the parties engaged in a substantial amount of discovery and participated in settlement discussions.

6. In accordance with the procedural schedule outlined in the Second Prehearing Order, the parties exchanged direct, rebuttal, surrebuttal, and rejoinder testimony. I&E introduced the following statements of testimony:

⁴ 66 Pa. C.S. §2807(e).

- I&E Statement No. 1, the Direct Testimony of D.C. Patel, who addressed PPL's CAP shopping data and PPL's Standard Offer Program;
- I&E Statement No. 1-SR, the Surrebuttal Testimony of D.C. Patel and its corresponding exhibit, I&E Exhibit No. 1-SR.

7. In accordance with the Commission's policy favoring settlements over costly and time consuming litigation,⁵ PPL, I&E, OCA, OSBA, PPLICCA, and RESA ("Joint Petitioners"),⁶ were successful in achieving a partial settlement by reviewing both discovery and testimony and by engaging in the settlement negotiation process.

8. On June 16, 2015, an evidentiary hearing was held in Harrisburg. At the Hearing, the parties moved for the admission of their evidence into the record. I&E entered the above-referenced testimony into the record.⁷ During the Hearing, PPL accurately reported that the parties reached a partial settlement on all issues other than Customer Assistance Program shopping, which PPL, the OCA, CAUSE-PA and RESA agreed to address through briefs, with ALJ Colwell's permission.⁸

9. I&E submits that the proposed Partial Settlement is in the public interest and should be approved by the ALJ and the Commission for the following reasons:

⁵ 52 Pa. Code §5.231.

⁶ CAUSE-PA, NextEra, SEF, Noble Americas and Exelon do not oppose the Partial Settlement, but do not join in it as Joint Petitioners.

⁷ Hearing Tr. at 44-45.

⁸ Hearing Tr. at 21.

II. SETTLEMENT

A. GENERAL (Joint Petition, ¶¶22-23).

The I&E review of PPL's DSP IV filing included a full analysis of PPL's default service program and procurement plan. While I&E did not submit testimony on any facet of the DSP IV other than CAP shopping, I&E conducted an extensive review of the entire default service program and procurement plan. Accordingly, I&E opines that PPL's DSP IV, as modified by this Partial Settlement, includes both prudent steps necessary to negotiate favorable generation supply contracts and prudent steps necessary to obtain least cost generation supply contracts on a long-term, short-term and spot market basis, as required by the Public Utility Code.⁹

B. DEFAULT SERVICE PROGRAM AND PROCUREMENT PLAN (Joint Petition, ¶¶24-26).

As part of its analysis, I&E scrutinized PPL's proposal to extend the two-year term of past its past DSPs to the four- year term contemplated for the DSP IV. I&E agrees with the OCA that the longer plan term would eliminate the need of one filing but would still allow for PPL to make any needed changes to the plan because it has the option to file petition with the Commission to make any changes that may be warranted.¹⁰ Furthermore, by eliminating one filing, PPL will save the resources and time that it would otherwise devote to preparing, presenting, and possibly litigating another DSP proceeding. Additionally, PPL's ratepayers will save the expenses that they would otherwise incur to pay costs associated with another DSP filing. Accordingly, extending the DSP term and

⁹ 66 Pa.C.S § 2807.

¹⁰ OCA St. No. 1 at 11.

eliminating one filing benefits both PPL and its ratepayers, and is therefore in the public interest.

Additionally, the Joint Petition provides additional protection to address concerns about the extended term. Specifically, PPL has committed to holding a collaborative session in November of 2017 to address DSP IV products and programs. At the collaborative session, stakeholders can discuss aspects of the products and programs approved in this proceeding as well as other retail market enhancement issues as related to PPL's default service. Through the collaborative, parties who believe that market conditions have changed will have an opportunity to present their positions. PPL has also agreed to issue a report at the instant docket within 60 days of the collaborative, and I&E submits that the pending report will help to ensure that the collaborative is productive and it will promote transparency. I&E submits that the collaborative process and resulting report are in the public interest because the process provides an avenue to address any potential issues arising under the DSP IV, providing an opportunity to evaluate and possibly increase its effectiveness.

Finally, I&E also opines that the modifications and product portfolio and procurement schedule for the Residential Customer Class are in the public interest. The modifications, exclusive of the long-term 50 MW block product, result in 20% of procurements being obtained under 6-month contracts and 80% of the procurements being obtained under 12-month contracts. The modification results in a decrease in the total amount of default service supply being procured at one time, thereby broadening PPL's opportunity to procure supply at the lowest cost.

C. TIME OF USE (Joint Petition at 27-30)

Though I&E did not take a position on PPL's Time of Use ("TOU") rate option in this case, I&E does support the TOU provision in the Joint Petition. I&E opines that PPL's agreement to withdraw its proposal to continue its existing TOU rate option for the DSP IV program term is reasonable in light of the fact that the program has been remanded to the Commission by the appellate courts for further proceedings. The parties to this proceeding have reserved their right to fully participate in the remand proceeding and will therefore have an opportunity to address TOU issues in that forum. The Joint Petitioners have agreed that PPL will comply with the Commission's order in the remand proceeding for the remaining duration of the DSP IV term.

It is important to note that PPL does have a contingency plan in place to address the possibility that a new TOU program may not be approved by the Commission in the remand proceeding prior to the May 31, 2017 expiration of the current TOU program. If this scenario materializes, PPL has committed to promptly notifying both the customer and supplier participants of its TOU program that the TOU rate option will expire on May 31, 2017. I&E submits that PPL's plan to make prompt notification to those impacted by a potential TOU rate expiration is in the public interest, as both TOU customers and suppliers must be advised of the expiration as soon as practicable so that they can pursue alternative options.

D. STANDARD OFFER PROGRAM (Joint Petition at ¶31-36)

While I&E did not take a position on either the script revisions or the survey process for PPL's Standard Offer Program ("SOP"), I&E does not oppose these terms. The script

changes to the SOP are intended to provide more explicit disclosures to customers, and they will enable customers to make more informed decisions about participation in the SOP. Facilitating informed decision making for ratepayers furthers the public interest because when customers fully understand the terms and costs of available program options, they are empowered to make better choices.

Additionally, while I&E did not oppose the one-time random survey of customers participating in the SOP, I&E was a strong advocate of containing the costs of the survey to a reasonable level. I&E did not oppose the survey because its goal has been identified as assessing the functioning of the SOP to inform future processes and procedures, and I&E agrees that this goal furthers the public interest. Initially, I&E objected to the fact that while the survey costs would be recovered through PPL's Competitive Enhancement Rider, no estimation of those costs was originally provided. However, through the Joint Petitioners' continued negotiation, and by using data provided by PPL, the Joint Petitioners were able to agree that an effective survey could be conducted for an amount at or below \$30,000. Accordingly, this term furthers the public interest because it will enable PPL to conduct a survey that may help to improve its SOP, but that survey will be done at a cost that will not overburden ratepayers who fund the Competitive Enhancement Rider.

E. NON-MARKET BASED TRANSMISSION SERVICE CHARGES (Joint Petition, ¶37).

While I&E took no position regarding non-market based transmission service charges, RESA addressed these issues,¹¹ and PPL responded. Specifically, RESA

¹¹ RESA St No. 1 at 6-9.

recommended that PPL provide EGSs and default suppliers with information about the charges in the interest of transparency.¹² Ultimately, PPL agreed to provide notice to EGSs and default suppliers of any of its Federal Energy Regulatory Commission filings that modify the definition or application of Non-Market Based Transmission Service charges. Although I&E did not advocate or oppose any particular position, I&E supports the ultimate outcome because these matters were essential elements RESA and PPL's agreement to partially resolve this proceeding.

F. SUPPLIER COORDINATION TARIFF (Joint Petition, ¶38).

As part of the Partial Settlement of this case, PPL has agreed to update its Supplier Coordination Tariff. The update is being made to accurately reflect the current Purchase of Receivables ("POR") discount rate and to ensure that the Supplier Coordination Tariff is updated with any future Commission-approved charges. The need for the update was identified by RESA. Specifically, RESA indicated that while the currently applicable POR rates were set during PPL's 2015 base rate case,¹³ the rates listed in PPL's Supplier Coordination Tariff did not reflect those rates.¹⁴ Instead the Supplier Coordination Tariff listed the POR rates that were effective on January 1, 2011 and those rates included an administrative charge that PPL is no longer charging.¹⁵ RESA opined that the out-of-date

¹² RESA St. No. 1 at 8.

¹³ *Pa. PUC v. PPL Electric Utilities Corporation*, Docket No. R-2015-2469275, *Final Order* entered November 19, 2015.

¹⁴ RESA St. No. 1 at 15.

¹⁵ RESA St. No. 1 at 15.

tariff information could present an obstacle for EGSs that wish to serve in PPL's service territory.¹⁶

I&E submits that PPL's agreement to update its Supplier Coordination Tariff is in the public interest. The public interest is served because the update will correct an existing inaccuracy. Tariff accuracy is essential because tariffs have the force of law and are binding on both a utility and its customers.¹⁷ Additionally, PPL's agreement to update the Supplier Coordination Tariff will enable EGSs to make an informed decision about serving in PPL's service territory.

III. CONCLUSION

10. The Joint Petitioners are in agreement that PPL's purchasing plan, as modified by the Joint Petition, provides reasonable protections for ratepayers and enables PPL to adhere to the regulatory requirements in acquiring supplies for its customers.

11. I&E avers that, outside of the litigated CAP shopping issue in this proceeding, all other issues have been satisfactorily resolved through discovery and discussions with PPL and are incorporated in the settlement. Line by line identification of the ultimate resolution of every averment is not necessary, as I&E represents that the Partial Settlement maintains the proper balance of the interests of all parties. I&E is satisfied that no further action is necessary and considers its investigation of this filing complete.

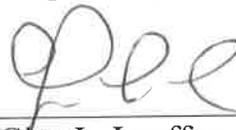
¹⁶ RESA St. No. 1 at 15.

¹⁷ *Pennsylvania Elec. Co. v. Pennsylvania Pub. Util. Comm'n*, 663 A.2d 281, 284 (Pa.Cmwth. 1995).

12. Based upon I&E's analysis of the filing, acceptance of this proposed Partial Settlement is in the public interest because the provisions adequately protect the interests of all affected parties, including the signatories to this Joint Petition.

WHEREFORE, the Commission's Bureau of Investigation and Enforcement represents that it supports the *Joint Petition For Partial Settlement of PPL Electric Utilities Corporation's Petition for Approval of A Default Service Program and Procurement Plan for the Period Of June 1, 2017 Through May 31, 2021* as being in the public interest and respectfully requests that Administrative Law Judge Susan D. Colwell recommend, and the Commission subsequently approve, the foregoing Partial Settlement, including all terms and conditions contained therein, without modification.

Respectfully Submitted,



Gina L. Lauffer

Prosecutor

PA Attorney I.D. #313863

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Dated July 19, 2016