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June 1, 2017

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**

**Petition of PPL Electric Utilities Corporation for Approval of a New Pilot Time-of-Use Program
Docket Nos. P-2013-2389572 and M-2016-2578051**

Dear Secretary Chiavetta:

Enclosed please find the Petition of PPL Electric Utilities Corporation for Approval of a New Time-of-Use Program. Copies will be provided as indicated on the Certificate of Service.

Respectfully submitted,

Michael W. Hassell

MWH/skr
Enclosure

cc: 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).

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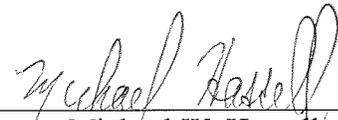
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Date: June 1, 2017



Michael W. Hassell

**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 :

Petition of PPL Electric Utilities : Docket Nos. P-2013-2389572
corporation for Approval of a New Pilot : M-2016-2578051
Time-of-Use Program :

**PETITION OF PPL ELECTRIC UTILITIES CORPORATION
FOR APPROVAL OF A NEW TIME-OF-USE PROGRAM**

I. INTRODUCTION

1. PPL Electric Utilities Corporation (“PPL Electric” or the “Company”) hereby files this Petition seeking approval of a new Time-of-Use (“TOU”) Program, as described herein. PPL Electric files this Petition pursuant to 52 Pa. Code § 5.41 and in compliance with the Pennsylvania Public Utility Commission’s (“PUC” or “Commission”) Secretarial Letter dated April 6, 2017 (“*April 6 Secretarial Letter*”), in *Petition of PPL Electric Utilities Corporation for Approval of a New Pilot Time-of-Use Program*, Docket Nos. P-2013-2389572 and M-2016-2578051, and *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 (“DSP IV”). The *April 6 Secretarial Letter* directed the Company to file a new TOU proposal on or before June 1, 2017.

2. As discussed in detail below, under the proposed new TOU Program, PPL Electric’s Commission-approved tariff will include a primary default service TOU rate option, under which the TOU rates and services will be provided by PPL Electric, as the Default Service Provider, through purchases from a single wholesales supplier selected pursuant to a competitive

bid protocol. Wholesale suppliers participating in the TOU competitive bid protocol will bid an off-peak fixed full requirements price per Megawatt-hour (“Mwh”) for a six-month period. The lowest bid will win the auction. The winning bid, plus certain additional specified costs, will be used to set the off-peak TOU rate. The on-peak rate will be calculated pursuant to a pre-established formula that incorporates a multiple of the off-peak winning bid rate plus certain additional specified costs. The winning supplier, per customer group, will be paid the bid off-peak generation price for all off-peak hours, and the calculated on-peak generation price for all on-peak hours during the supply term. The bidding will be undertaken twice per year, to establish TOU rates to be effective June 1 through November 30 and December 1 through May 31. The proposed new TOU program also includes a contingency procurement and rate mechanism in the event there is no successful bidder in a competitive procurement, or a winning supplier defaults. The contingency plan will procure generation to serve TOU customers from existing wholesales suppliers who provide supplies used to serve all other default service customers. These suppliers will be paid their contractual wholesale supplier prices. PPL Electric will set the contingency on-peak and off-peak TOU rates based upon ratios of the generation portion of the then-current Price to Compare, plus other specified additional costs.

3. The TOU rate option will be made available to net metering customers. Banking of excess generation from net metering customers will be based upon a first in – first out order of kWhs delivered and used, measured on an on-peak and off-peak basis. Cash-out will occur once per year based upon the PJM planning period.

II. BACKGROUND

4. In 2010, PPL Electric proposed a TOU program for Residential and Small Commercial and Industrial (“C&I”) customers that contained an on-peak rate that was higher than the fixed-price default service rate and an off-peak rate that was lower than the fixed-price

default service rate. The Commission approved this program, but also held that PPL Electric could not recover lost or decreased revenues resulting from reduced or shifted demand.¹ The effect of this Order was to require PPL Electric to offer a TOU program under which it would not be able to fully recover its costs, which in the Company's view violated the provisions of Act 129 and the Competition Act that guaranteed the default service provider's full cost recovery.²

5. In response to the Commission's Order, PPL Electric proposed a new TOU program for 2011, in which TOU default service rates were set independently of fixed-price default service rates. This program also was approved by the Commission,³ but quickly proved unworkable and caused a number of serious problems, including a significant undercollection due to unexpected increases in spot market prices, significant customer enrollment when both on-peak and off-peak prices were below the fixed-price default service rate, and rapid and massive customer exits from the TOU program when on-peak and off-peak rates were above the fixed-price default service rate. To avoid exacerbating these problems, in August 2011, PPL Electric requested that the Commission suspend the TOU rates that were to become effective on September 1, 2011, and keep the then-current TOU rates in effect. By order entered August 25, 2011, at Docket No. M-2011-2258733, the Commission granted the Company's request and also ordered the Company to submit a revised TOU plan.

6. In compliance with the Commission's August 25, 2011 Order, the Company, on September 26, 2011, filed a proposed tariff supplement containing a new TOU program ("2012 TOU program"). Prior to any Commission decision on the 2012 TOU Program filing, on May 1,

¹ *Pa. P.U.C. v. PPL Electric Utilities Corporation*, Docket No. R-2009-2122718, 2010 Pa. P.U.C. LEXIS 461 (Order entered March 9, 2010).

² See 66 Pa.C.S. § 2807(e)(3.9) ("The default service provider shall have the right to recover on a full and current basis, pursuant to a reconcilable automatic adjustment clause under section 1307 (relating to sliding scale of rates; adjustments), all reasonable costs incurred under this section and a commission-approved competitive procurement plan.").

³ *PPL Electric Utilities Corporation Supplement No. 94 to Tariff Electric – Pa. P.U.C. No. 201-Time of Use Rates*, Docket No. R-2010-2201138 (Order entered December 2, 2010).

2012, PPL Electric submitted a TOU proposal as part of its Default Service Program and Procurement Plan for the period June 1, 2013 through May 31, 2015 (“DSP 2013-2015”). This TOU proposal was structured to price on-peak service at a percentage premium over the fixed-price default service rate and price off-peak service at a percentage discount off of the fixed price rate, the same as the 2012 TOU program. Under the DSP 2013-2015 proposal, fixed-price default service wholesale suppliers would have been required also to provide power to serve TOU customers, and would have been paid the TOU price for such power. On August 30, 2012, after rebuttal testimony was submitted in the DSP 2013-2015 proceeding at Docket No. P-2012-2302074, and only shortly before the start of hearings, the Commission rejected PPL Electric’s 2012 TOU Program. *Pa. P.U.C. v. PPL Electric Utilities Corporation*, Docket No. R-2011-2264771, *et al.*, 2012 Pa. P.U.C. LEXIS 1383 (August 30, 2012).⁴

7. On January 24, 2013, the Commission approved, with modifications, PPL Electric’s default service plan for the period June 1, 2013 through May 31, 2015. *Petition of PPL Electric Utilities Corporation for Approval of a Default Service Program and Procurement Plan for the Period June 1, 2013 through May 31, 2015*, Docket No. P-2012-2302074 (Order Entered January 24, 2013) (“*January 24, 2013 Order*”). Regarding TOU rate issues, the Commission directed in the *January 24, 2013 Order* that PPL Electric was to file a new TOU rate proposal. *Id.*, p. 115.

8. In the *January 24, 2013 Order*, the Commission further explained its position that Act 129 did not prohibit a default service provider, such as PPL Electric, from utilizing EGSs to satisfy its TOU rate requirement. The Commission encouraged PPL Electric to give further

⁴ In the August 30, 2012 Order, the Commission also definitively held that TOU service is a default service and expressly stated that, “... based upon the language in the statute, we agree with PPL’s position that the TOU program is a form of default service.” *Id.* at 23. Furthermore, the Commission determined that the Company could recover prior period and ongoing undercollections from all Residential and Small C&I customers, respectively. *Id.* at 23.

consideration to a proposal to implement a competitive retail bid process to meet its TOU rate requirement.

9. On August 23, 2013, PPL Electric filed a petition requesting PUC approval of a new pilot TOU Program. Under the proposed pilot, PPL Electric would provide a TOU rate option to customers but, consistent with the *January 24, 2013 Order*, would rely on EGSs to provide TOU service to customers. Retail EGSs that chose to participate in the TOU Program would offer TOU rate options and provide the TOU service to customers in PPL Electric's service territory. By Order entered September 11, 2014, the Commission approved the pilot TOU Program. *Petition of PPL Electric Utilities Corporation for Approval of a New Pilot Time-of-Use Program*, Docket No. P-2013-2389572 (Order entered September 11, 2014) (*September 2014 Order*).

10. Thereafter, Dauphin County Industrial Development Authority appealed the *September 2014 Order*. In *Dauphin County Industrial Development Authority v. Pa. PUC*, 123 A.3d 1124 (Pa. Cmwlth. 2015) (*DCIDA*), the Commonwealth Court of Pennsylvania ("Commonwealth Court") reversed and remanded the Commission's Order. On December 2, 2016, the Commission issued a Secretarial Letter inviting interested parties to submit written comments regarding the Commission's intent to initiate a proceeding to comply with the directives arising from the Commonwealth Court's *DCIDA* Order. Subsequently, the Commission issued its *April 6 Secretarial Letter*, which provided guidance to PPL Electric regarding the terms of a new TOU design, and directed PPL Electric to submit a new TOU proposal no later than June 1, 2017.

III. COMMISSION PROPOSED TOU DESIGN

11. In its *April 6 Secretarial Letter*, the Commission offered the following guidance⁵ for PPL Electric's new TOU program:

- a) PPL will hold semi-annual wholesale auctions, one auction for a summer season TOU product and another for a winter season TOU product.
- b) The exact time-period for winter and summer seasons will be appropriately determined by PPL to best reflect the distinction between winter and summer peaks, as well as any shoulder season load profile characteristics.
- c) Participating auction bidders will be held to the same eligibility criteria used for PPL's existing fixed price full-requirements auctions and/or spot price full-requirements auctions, including, *inter alia*, authorization to sell power to Load Serving Entities at wholesale rates within PJM.
- d) PPL will designate on and off-peak hours that appropriately reflect summer and winter peak consumption profiles.
- e) PPL will design on and off-peak multipliers (or ratios) which will appropriately motivate shifting of consumption from on-peak to off-peak periods.
- f) TOU auction participants will bid an off-peak fixed-price full requirements price per Megawatt-hour (MWh). The lowest bid(s) win the auction. The on-peak price will be formulaically calculated based on the on/off peak multiplier (or ratio) established by PPL.
- g) The TOU rate option will be available to all default service procurement class customers who are not eligible for PPL's spot-market only default service

⁵ "PPL's filing should be consistent with the Commonwealth Court's decision in *DCIDA* while also using the Commission's proposed TOU design as guidance." *April 6 Secretarial Letter* at p. 4.

portfolio. Any existing Commission-approved limitations on customer shopping shall apply to this TOU product option as shall all consumer protections contained in the Commission's regulations.

- h) A webpage will be established by PPL dedicated to the TOU product. The page will include educational material regarding the product.
- i) PPL's TOU design will address reconciliation of costs in the event of TOU-specific under-collections or over-collections.
- j) If any PPL TOU auction fails to result in full subscription, PPL will apply a contingency on-peak/off-peak multiplier to its Price-to-Compare (PTC).
- k) PPL's contingency on and off-peak multiplier(s) will be designed to appropriately motivate shifting of consumption from on-peak to off-peak periods for each TOU product and season.
- l) PPL will provide all TOU product eligible customers generation-weighted net-metering. Specifically, PPL will calculate the value of any excess generation based on the time period it was generated. Off-peak generation will receive the off-peak rate while on-peak generation will receive the on-peak rate.

12. PPL Electric has taken the Commission's guidance into account in developing its proposed new TOU program. The details of PPL Electric's new TOU proposal are set forth next.

IV. PPL ELECTRIC'S TOU PROPOSAL

A. PROGRAM TERM

13. The Company proposes that the program term be from June 1, 2018 through May 31, 2021, which is the end of the Company's current DSP IV. The June 1, 2018 start date presumes prompt action on this Petition. PPL Electric estimates that it would need 9 months to develop educational material, create a webpage for the TOU product, make necessary

information technology changes to its systems (including billing systems, meter data management system, customer sign-up webpages, customer service representative applications, information technology changes needed to accommodate net metering customer banking and cash-out changes and supplier billing systems) to implement the proposed new TOU program, and to prepare for and undertake the competitive procurement process, as described herein. In the event sufficient time is not available to implement the new TOU program by June 1, 2018, the Company would delay the start of the new TOU program to the next semi-annual period (December 1-May 31, or June 1-November 30) that would allow sufficient time to implement the new TOU program.

B. PROCUREMENT AND RATE DESIGN

14. In accordance with the Commission's *April 6 Secretarial Letter*, PPL Electric will hold semi-annual wholesale procurements for the TOU product. The Company will separately procure Residential and Small Commercial and Industrial ("Small C&I")⁶ TOU products. The period from June 1-November 30 shall be designated the Summer season product, and the period from December 1-May 31 will be designated the Winter season product.

15. On-peak hours for Residential TOU customers during both the Summer season and the Winter season will be 4 p.m. – 8 p.m., Monday through Friday, excluding weekends and PJM holidays. On peak hours for Small C&I TOU customers during the Summer season shall be 10 a.m. – 4 p.m., Monday through Friday, excluding weekends and PJM holidays. On peak hours for Small C&I customers during the Winter season shall be 8 a.m. – 3 p.m., Monday through Friday, excluding weekends and PJM holidays. All other hours shall be off-peak hours. These hours were selected based upon the respective customer class usage patterns. The charts attached as Appendix A provide a graphic demonstration of class peak hours. The Summer on-

⁶ Define class by rate schedules.

peak hours also were selected to coincide with a portion of the PPL Electric system usage pattern, and PJM Interconnection LLC's system peak periods, as defined by historic experience.

16. The off-peak TOU rate charged to customers for the respective customer classes shall be equal to the sum of: a) the winning wholesale supplier bid price for the respective customer classes; b) default service administrative costs for the respective customer classes; c) default service E-Factor for the respective customer classes; d) the applicable Merchant Function Charge; e) the applicable transmission charge ("TSC"); and f) the State Tax Adjustment Surcharge ("STAS"). Administrative costs and E-Factor amounts will be established based upon the entire Residential and Small C&I default service classes respectively, and will not be TOU-specific.

17. The on-peak Summer TOU rate for the Residential and Small C&I customer classes shall be the sum of: a) 1.56 times (1.56 X) the winning Summer off-peak period bid price for the respective customer classes; b) default service administrative costs for the respective customer classes; c) default service E-Factor for the respective customer classes; d) the applicable Merchant Function Charge; e) the applicable TSC; and f) the STAS.⁷

18. The on-peak Winter TOU rate for the Residential and Small C&I customer classes shall be the sum of: a) 1.33 times (1.33 X) the winning Winter Period off-peak bid price for the respective customer classes; b) default service administrative costs for the respective customer classes; c) default service E-Factor for the respective customer classes; d) the applicable Merchant Function Charge; e) the applicable TSC; and f) the STAS.

19. The on-peak multipliers are set to be equal to the multiplier to be used in the TOU Contingency plan. This ensures that the Primary and Contingency plan operate in a similar

⁷ The on peak rate is not a simple multiple of the off peak rate, as this would distort recovery of other components in the rate.

manner, allows customers to more easily understand the rates if there is a transition from the Contingency to the Primary program, or vice versa, and simplifies the overall approach of both programs.

C. TOU PROGRAM RFP PROCESS

20. PPL Electric will implement the TOU procurement by holding solicitations pursuant to a Request for Proposal (“RFP”) process to obtain the Default Service TOU products described above from competitive wholesale power suppliers.

21. The form of RFP shall be based on the documents approved by the Commission in the Company’s DSP IV Program proceeding. The Company is currently preparing revisions to the RFP document to reflect its use in TOU procurement, and shall file the RFP as soon as it is available. Bid assurance collateral shall be \$75,000 per bid, which is equivalent to the bid assurance collateral required for bidders on the Large C&I product in DSP IV. The RFP incorporates considerable experience obtained in other procurement proceedings and represents a transparent, well-defined and objective approach.

22. Separate bids will be solicited for the Residential and Small C&I TOU products. The Company proposes to hold solicitations the first week in May and the first week in November, following the issuance of the fixed-price PTCs for the June 1 – November 30 and December 1 – May 31 periods, respectively.

23. PPL Electric requests that the Commission approve the results of each competitive solicitation. The Company proposes that at least two bids must be received per product in order for the bid to be competitive. The results for each solicitation will be presented to the Commission within one business day of the bid proposal due date for that solicitation. At that time, the Commission will have one business day to review those results and render a final

decision. The Commission may either accept or reject the winning bids presented for each customer group. This is the same approval procedure used in the DSP IV Program.

24. After receiving Commission approval of the solicitation results, PPL Electric will then execute transaction confirmations with the winning supplier(s). The prices in the resulting wholesale supply agreements will form the basis of the TOU rates charged to each of the customer classes, as described previously. This is the same process used in the DSP IV Program.

25. Each solicitation will be designed to procure all of the TOU Default Service load for each customer class from a single supplier per customer class. There will be no tranches. In the event of a tie for the winning bid, the Auction Manager shall select the winning bidder by random draw, which is the same process used in the event of a tie between bidders in DSP IV procurements.

26. The winning bidder shall be the bid with the lowest off-peak price. Bids shall be submitted as a percentage of the generation portion of the PTC price for the applicable period (i.e., the bids for the period June 1 – November 30, 2018 shall be stated as a percentage of the generation portion of the announced PTC price to be effective June 1, 2018). This process is to assure that customers have an opportunity to save money, as compared to the PTC price, by shifting load to off-peak hours.

27. Each winning supplier must provide the products and services required by the Company to fulfill its obligations as Default Service provider, including 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 Electric's retail customers, including AECs. Supply must be load following. As a result, each supplier will become the load-serving

entity (“LSE”) in PJM for its share of PPL Electric’s Default Service TOU load. PPL Electric, however, will remain the Default Service supplier for its retail TOU customers.

28. All qualified suppliers, including the Company’s affiliates,⁸ will have an opportunity to respond to PPL Electric’s RFPs. Qualification is straightforward and requires primarily that the supplier be a member of PJM in good standing, and meet certain fundamental credit-worthiness criteria. TOU load shall not be considered with respect to percentage limits on load that may be supplied for fixed price default service products during the DSP IV period. These limitations will not apply because it is unknown what portion of customer load may elect TOU service from time to time.

29. As has been required under prior DSP Programs, PPL Electric proposes that suppliers selected to serve any portion of PPL Electric’s TOU load be required to provide performance assurance. Such assurance will provide a source of funds to recover costs arising from a supplier default. Performance assurance collateral shall be \$75,000 for each product, mirroring the bid assurance collateral for this program.

30. If an auction for a TOU product fails, the contingency mechanism set forth in Subsection IV.F. shall be implemented for the upcoming six-month term. New bids will be received as scheduled for the following six-month term. In addition, in the event a winning supplier defaults, the contingency mechanism will be implemented, as described in Subsection IV.F.

D. SUPPLY MASTER AGREEMENT

31. PPL Electric’s proposed SMA will be substantially the same as the current SMA approved by the Commission as part of PPL Electric’s DSP IV Program. The major

⁸ The Company has no affiliates that are currently qualified as wholesale generation suppliers.

modifications expected in the SMA will include definitional changes - which will now include TOU service – and how TOU load will be settled and reconciled with the PJM market. PPL Electric is currently preparing revisions to the proposed *pro forma* SMA, and the proposed *pro forma* SMA will be filed as soon as it is available.

E. THIRD-PARTY MANAGER

32. PPL Electric will retain NERA as the independent third-party to administer each TOU procurement, analyze the results of the solicitations for each Customer Class, select the winning supplier(s), and submit all necessary reports to the Commission.

33. NERA has administered all of PPL Electric’s DSP Program procurements to date, and is the administrator for DSP IV. NERA also is the administrator for other Default Service programs in Pennsylvania and elsewhere, and has substantial expertise in this arena. Based on NERA’s proven track record and significant experience, the Company proposes to continue to retain NERA to administer the TOU Program.

F. TOU CONTINGENCY PLAN

34. The Commission’s *April 6 Secretarial Letter* recommends that PPL Electric include a Contingency plan in the event the RFP process fails to attract a successful bidder. The guidance recommends that PPL Electric apply on-peak and off-peak multipliers to its PTC. There is no direction concerning how load will be procured.

35. The Contingency TOU program to be applied in the event the RFP fails for one of the procurement groups (Residential or Small C&I), or in the event a winning supplier defaults, is structured to follow, to the extent possible, the Primary TOU program. This is proposed in order to make the transition between the Primary and Contingency TOUs as seamless as possible.

36. The Summer and Winter periods for the Contingency TOU program will be identical to the Primary TOU program. In addition, the on-peak and off-peak hours for the two groups (Residential and Small C&I) under the Contingency TOU program will be the same as the Primary TOU program.

37. For the Residential and Small C&I Classes, the off-peak Summer Period TOU rate will be developed based upon six components: a) an amount equal to 90% of the generation component for the respective customer classes' fixed price default service rate to be in effect for the applicable period when the Contingency TOU is in effect; b) default service administrative costs for the respective customer classes; c) default service E-Factor for the respective customer classes; d) the applicable Merchant Function Charge; e) the applicable TSC; and f) the STAS. The Summer Period on-peak rate will include the same six components, with the exception that it will include an amount equal to 140% of the generation component of the fixed price default service rate in effect for the period (1.56 X the off-peak component).

38. For the Residential and Small C&I classes, the off-peak Winter Period TOU rate will be developed based upon 6 components: a) an amount equal to 90% of the generation component for the respective customer classes' fixed price default service rate to be in effect for the applicable period when the Contingency TOU is in effect; b) default service administrative costs for the respective customer classes; c) default service E-Factor for the respective customer classes; d) the applicable Merchant Function Charge; e) the applicable TSC; and f) the STAS. The on-peak Winter Period rate will include the same six components, with the exception that it will include an amount equal to 120% of the generation component of the fixed price default service rate in effect for the period (1.33 X the off-peak component).

39. The Company developed the on-peak and off-peak ratios based upon a 6 year examination of the relationship of forward and actual on-peak spot market prices to off-peak spot market prices. By mirroring past experience, the Company’s selected ratios provide appropriate market signals to TOU participants.

40. The table below provides examples of the on-peak and off-peak generation rates that would have been produced by the contingency formula if it were in effect, using recent Residential and Small C&I PTC rates.⁹ These rates would then have the E-factor, administrative charge, MFC, TSC, and STAS applied to them to get the weighted PTC-equivalent rate charged to customers.

Historic PTC Term	Residential Generation Rate w/ GRT (cents per kWh)	Residential TOU rate (peak/off-peak) (cents per kWh)	Small C&I Generation Rate w/ GRT (cents per kWh)	Small C&I TOU rate (peak/off-peak) (cents per kWh)
June – November 2015	7.48	10.472/6.732	7.735	10.829/6.9615
December 2015 – May 2016	6.672	8.0064/6.0048	6.903	8.2836/6.2127
June – November 2016	5.826	8.1564/5.2434	5.389	7.5446/4.8501
December 2016 – May 2017	5.641	6.7692/5.0769	5.6514	6.7847/5.0863
June – November 2017	5.795	8.113/5.2155	5.759	8.0626/5.1831

41. Supply to serve the Contingency TOU program will be provided by wholesale suppliers providing default service supply under DSP IV for the respective customer classes, based upon their tranche responsibilities. The wholesale suppliers will continue to be paid their bid price, and not the on-peak and off-peak contingency prices set by PPL Electric.

⁹ The Company cannot provide a similar table for the Primary TOU proposal, because it is unknown what wholesale suppliers may bid as a percentage of the PTC generation component.

42. In the event a TOU supplier defaults during the term of its contract, PPL Electric will immediately implement procurement pursuant to the terms of the Contingency TOU. The Company also will notify affected TOU customers of the default, and will inform the affected TOU customers of the contingency rate to be placed in effect. Affected TOU customers will be provided at least 21 days' notice of the rate change. The Company will not move affected TOU customers off of the TOU rate in the event the Contingency TOU is placed into effect; however, the customer will be free to return to the fixed price default service rate or to competitively shop for supply at any time in accordance with the Company's standard switching rules.

43. As with the Primary TOU program, all over/undercollections and implementation costs resulting from the operation of the Contingency TOU program shall be included in the over/undercollection for the entire respective Default Service class (Residential or Small C&I). This recognizes that TOU is part of default service, and is necessary to avoid a situation in which customer switching on or off TOU service could create substantial over/undercollections relative to the class load that is electing TOU service from time to time. Large over/undercollections specific to TOU could distort the relationship of default service TOU rates to the fixed price default service rates, which could further drive customer shifting on or off TOU rates, without relation to the on-peak and off-peak ratios that are built into the rates.

G. CUSTOMER ELIGIBILITY

44. All residential and Small C&I customers are eligible to elect the TOU rate, with the exception of OnTrack customers. Customers may switch between fixed price default service and TOU default service, and between TOU default service and competitive shopping, in accordance with established 3 day switching rules.

45. OnTrack is PPL Electric's Customer Assistance Program. OnTrack customers have not been eligible for TOU service under the prior TOU program and PPL Electric proposes

to continue that restriction. TOU service is generally designed for customers who have the tools and ability to control usage. Whether a residential customer can save money by switching to TOU rates is very customer-specific. Because an OnTrack customer's required payments are set based upon ability to pay, TOU rates will not alter the customer's payment arrangement. However, failure to shift load will likely result in accelerated use of the customer's CAP credits, which increases the CAP program costs paid by non-CAP residential customers, and risks the customer's exhaustion of their allowed CAP credits, which would result in dismissal from the OnTrack program.

46. A customer must actively select the TOU rate by contacting PPL Electric. Enrollment may be made by calling PPL Electric's Customer Contact Center or by enrolling online. A customer will remain on TOU until they shop for a new rate, or contact PPL Electric to request return to fixed price default service rates. A customer will not be automatically transferred from default service TOU rates to fixed price default service rates upon the end of a Summer or Winter season, when rates change. This is the same approach applied with respect to changes to fixed price default service rate changes.

H. NET METERING CUSTOMERS

47. Customers who are eligible for net metering may elect TOU rates, under both the Primary and Contingency TOU programs.

48. Each month, PPL Electric will separately track the on-peak and off-peak usage of net metering customers. On-peak purchases by the customer from PPL Electric will be netted against on-peak energy delivered by the customer to PPL Electric, and off-peak purchases will be netted against off-peak deliveries. If purchases in the month exceed deliveries from the customer, the customer will be billed for the difference at the applicable on-peak or off-peak rate. If deliveries in a month exceed purchases, then the kWh difference will be banked.

Banking of excess generation will operate on a first in, first out order. Cash out will occur once per year, based upon the PJM planning period of June 1 through May 31. Compensation for any end of year net excess will be based upon the separate net on-peak and off-peak generation in the bank, valued at the time produced. The cash out valuation rates applied will be the applicable generation portion of the on-peak and off-peak TOU rates. The generation component of the TOU rates is the appropriate cash out rate, as it compensates for the component, generation, provided by the net metering customer.

49. Cash out payments will be reflected as a cost in the respective default service class over/undercollection calculation. Because the on-peak generation rate multipliers are expected to result in on-peak rates that are higher than the generation component of fixed price default service rates, it is expected that TOU customers who generate substantial excess load on an on-peak basis will receive payments at prices that exceed the generation component of fixed price default service rates. In other words, purchases from fixed price default service wholesale providers will be reduced to accommodate higher priced on-peak purchases from TOU net metering customers who produce on-peak generation.¹⁰ The Commonwealth Court's *DCIDA* decision envisions such a result. (*DCIDA* pp. 1135-36.)

50. Management of excess TOU customer generation on a class basis is complicated, particularly under the Primary TOU proposal. If a customer class on TOU rates has net negative "load" at any hour, because generation from net metering TOU customers exceeds the load requirements of other TOU customers in the same customer class, the PJM Settlement A load submission process for the class TOU wholesale supplier must be set initially at zero. This is

¹⁰ Off-peak generation purchased from net metering TOU customers will also reduce purchases from fixed price default service wholesale providers, but at a price below the average wholesale price.

because PJM will not permit scheduling negative “load.”¹¹ The negative amount will then be spread to other suppliers, both wholesale and shopping. During the Settlement B process through PJM, which occurs 60 days later, the TOU wholesale supplier load values will be reconciled by PPL Electric for the negative load that actually occurred, with appropriate corrections made to the load of all other previously impacted suppliers. At this point, the TOU wholesale supplier will pay PPL Electric the respective contractual on-peak and off-peak prices for the net negative generation. Payments received from the wholesale supplier would be credited to the class over/undercollections, as a reduction to cost.¹²

I. TOU PROGRAM PROMOTION

51. PPL Electric will establish a webpage dedicated to the TOU product. The webpage will include education material regarding the TOU product. The webpage will be designed following Commission approval of the TOU design. The Company will consult with interested stakeholders and the Commission with regard to the webpage design.

J. IMPLEMENTATION COSTS OF NEW TOU PROGRAM

52. As explained in Paragraph 13 of this Petition, the Company needs to develop education material, create a webpage and make necessary information technology (“IT”) changes to its systems in order to offer the TOU Primary and Contingency programs set forth in this Petition. The IT changes include changes to the billing system, the meter data management system, customer sign-up webpages, customer service representative applications, systems to accommodate the proposed net metering option for TOU customers and supplier billing systems. The IT changes are expected to take nine months to complete. The Company initially estimates that the cost to undertake these IT changes will be approximately \$1,000,000. This cost is

¹¹ Because the Contingency TOU procures generation from wholesale suppliers providing generation under DSP fixed price procurements, there should not be negative “load” for any individual wholesale supplier.

¹² No payments would be received from wholesale suppliers under the Contingency TOU.

proposed to be recovered through the Residential and Small Commercial & Industrial Generation Service Charge (GSC-1). In addition, the Company anticipates incurring approximately \$150,000 in annual expenses to undertake the RFP process and to execute contracts for TOU. These administrative costs will be reflected as part of total default service costs and recovered from all default service rates, on a class basis.

V. ADDITIONAL REQUESTED RULING PURSUANT TO 66 PA.C.S. § 2102

53. In addition to approving all aspects of the DSP IV Program and the requested waivers, PPL Electric respectfully requests that the Commission approve the SMA as an affiliated interest agreement under 66 Pa.C.S. § 2102 and include such approval in its final order.

54. Under 52 Pa. Code § 54.186(b)(5), an affiliated supplier may participate in a Default Service provider's competitive bid solicitations for generation service. PPL Electric currently does not have any affiliated suppliers.¹³ However, in the event any suppliers were to become affiliated with PPL Electric during the new TOU Program Period, any such unregulated affiliates will be permitted to participate in the supply solicitations. If one of those affiliates is the successful bidder to provide TOU supply for one or both customer classes, PPL Electric would enter into a SMA with that affiliate.

55. It would not be practical or efficient, in light of the procurement schedule noted above, for the Commission to review the SMA under 66 Pa.C.S. § 2102 following the solicitation processes. Rejection or significant modification of these agreements after a

¹³ See *Joint Application of PPL Interstate Energy Company and PPL Electric Utilities Corporation for All of the Necessary Authority, Approvals, and Certificates of Public Convenience (1) for the Transfer of PPL Corporation's Ownership Interest in PPL Interstate Energy Company to Talen Energy Corporation, and Certain Post Closing Transactions Associated therewith; (2) for the Transfer of Certain Property Interests Between PPL Electric Utilities Corporation and PPL Energy Supply, LLC, and its Subsidiaries in Conjunction with the Transfer of All of the Interests of PPL Energy Supply, LLC and its Subsidiaries to Talen Energy Corporation; (3) for any Modification or Amendment of Associated Affiliated Interest Agreements; and (4) for any Other Approvals Necessary to Complete the Contemplated Transactions*, Docket Nos. A-2014-2435752, A-2014-2435833, 2015 Pa. PUC LEXIS 157 (Order entered April 15, 2015).

solicitation has concluded, and winning bidders have been selected, could significantly disrupt the Company's TOU Default Service procurement process.

56. The Company notes that prior DSP Program's SMAs were approved by the Commission under 66 Pa.C.S. § 2102(b) in advance of execution of contracts with PPL Electric's affiliate.

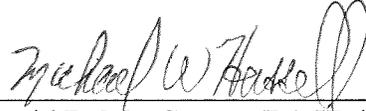
VI. THE NEW TOU PROPOSAL IS IN THE PUBLIC INTEREST

57. PPL Electric believes that the proposed new TOU Program is in the public interest and should be approved. The proposed program is consistent with the Commission's guidance in the April 6 Secretarial Letter and conforms to the *DCIDA* decision. Pricing of the TOU product is linked, in part, to the generation component of the fixed price default service PTC for both the Primary and Contingency TOU, to avoid concerns that the on-peak and off-peak TOU rates would both be above, or both be below, the PTC, which would likely cause the program to fail, as was previously experienced by PPL Electric under a prior TOU model. The TOU allows for participation by customers who are eligible for net metering.

VII. CONCLUSION

For the reasons set forth above, PPL Electric Utilities Corporation requests that the Commission approve the new Time-of-Use Program described above.

Respectfully submitted,



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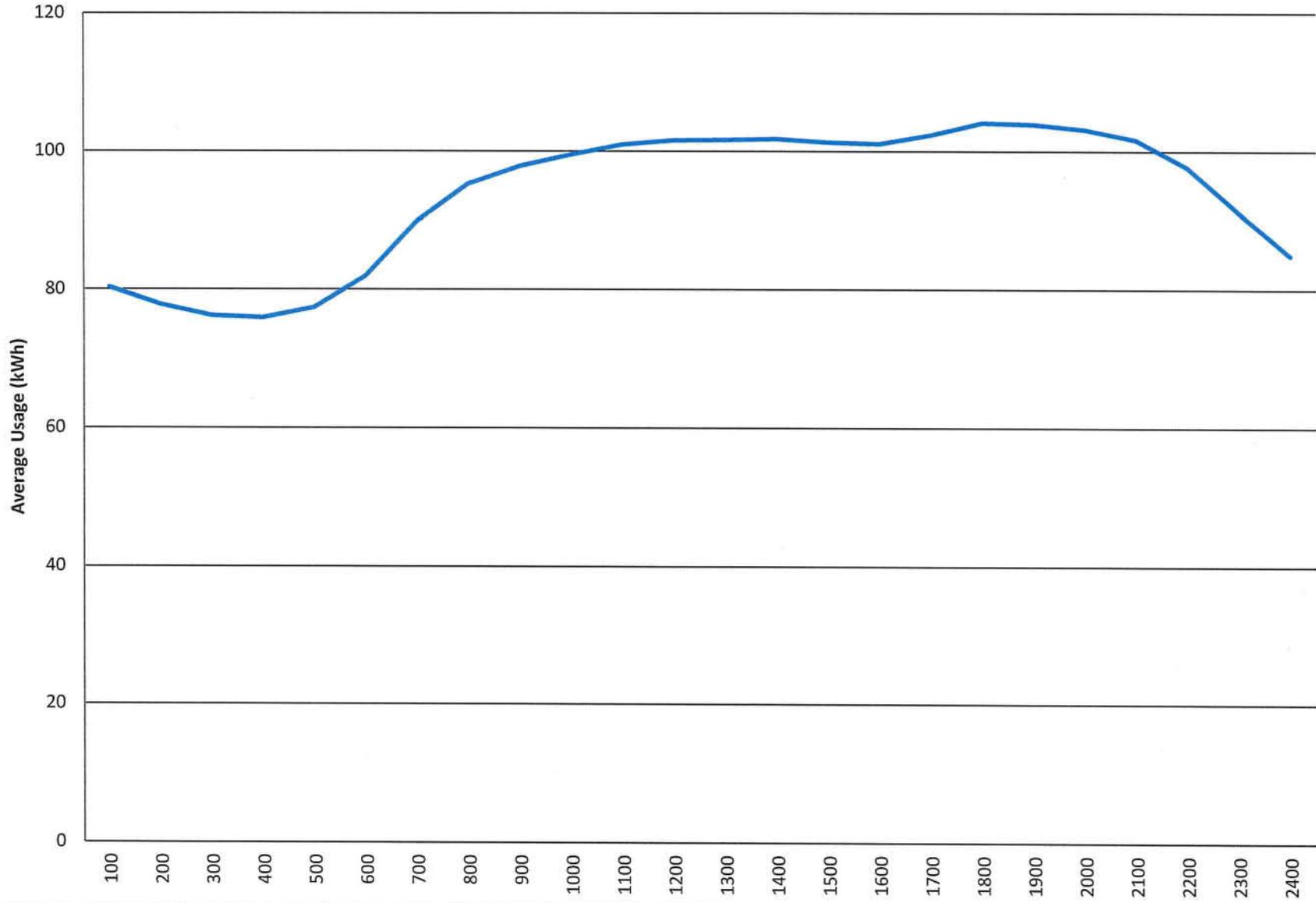
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Dated: June 1, 2017

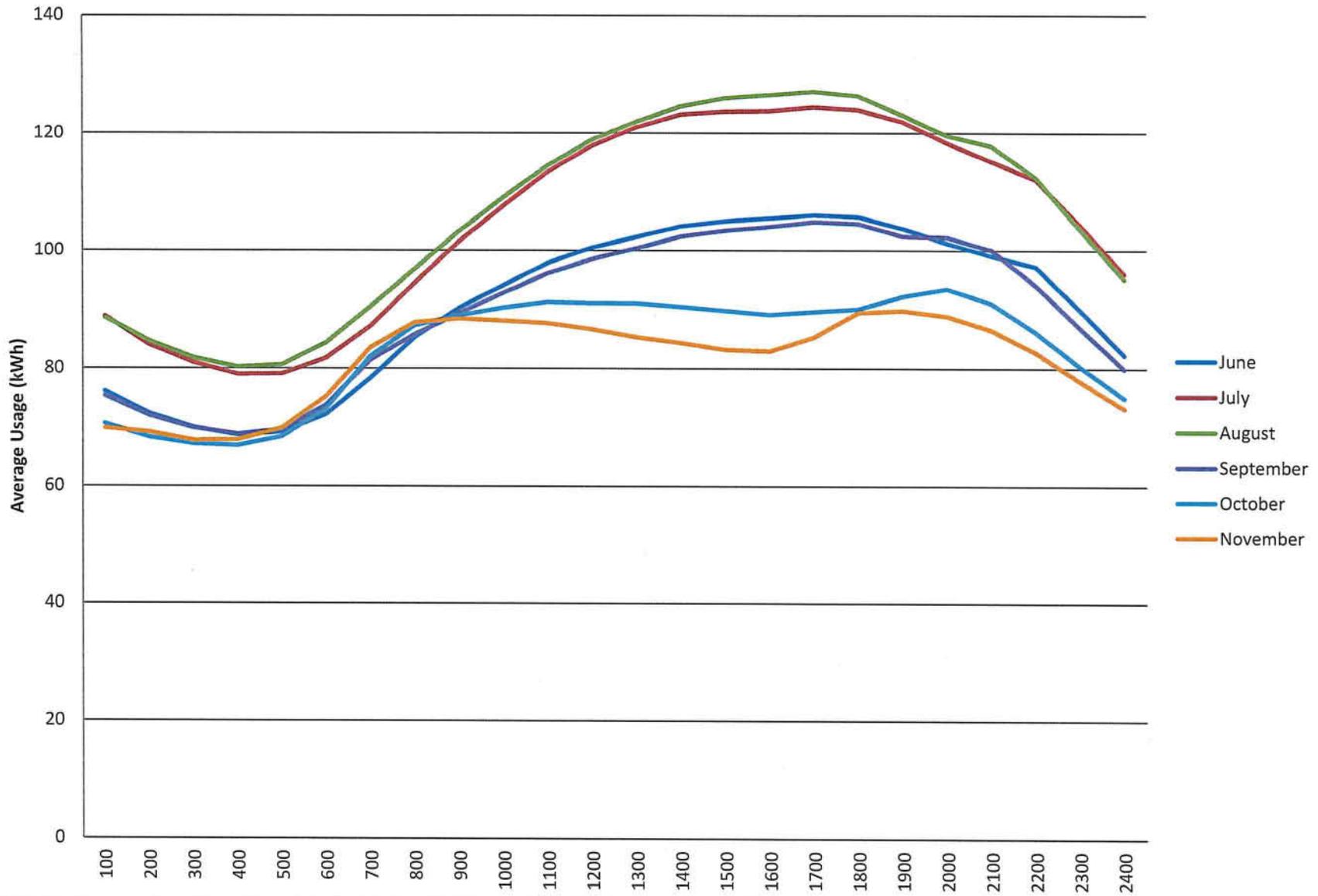
Attorneys for PPL Electric Utilities Corporation

Appendix A

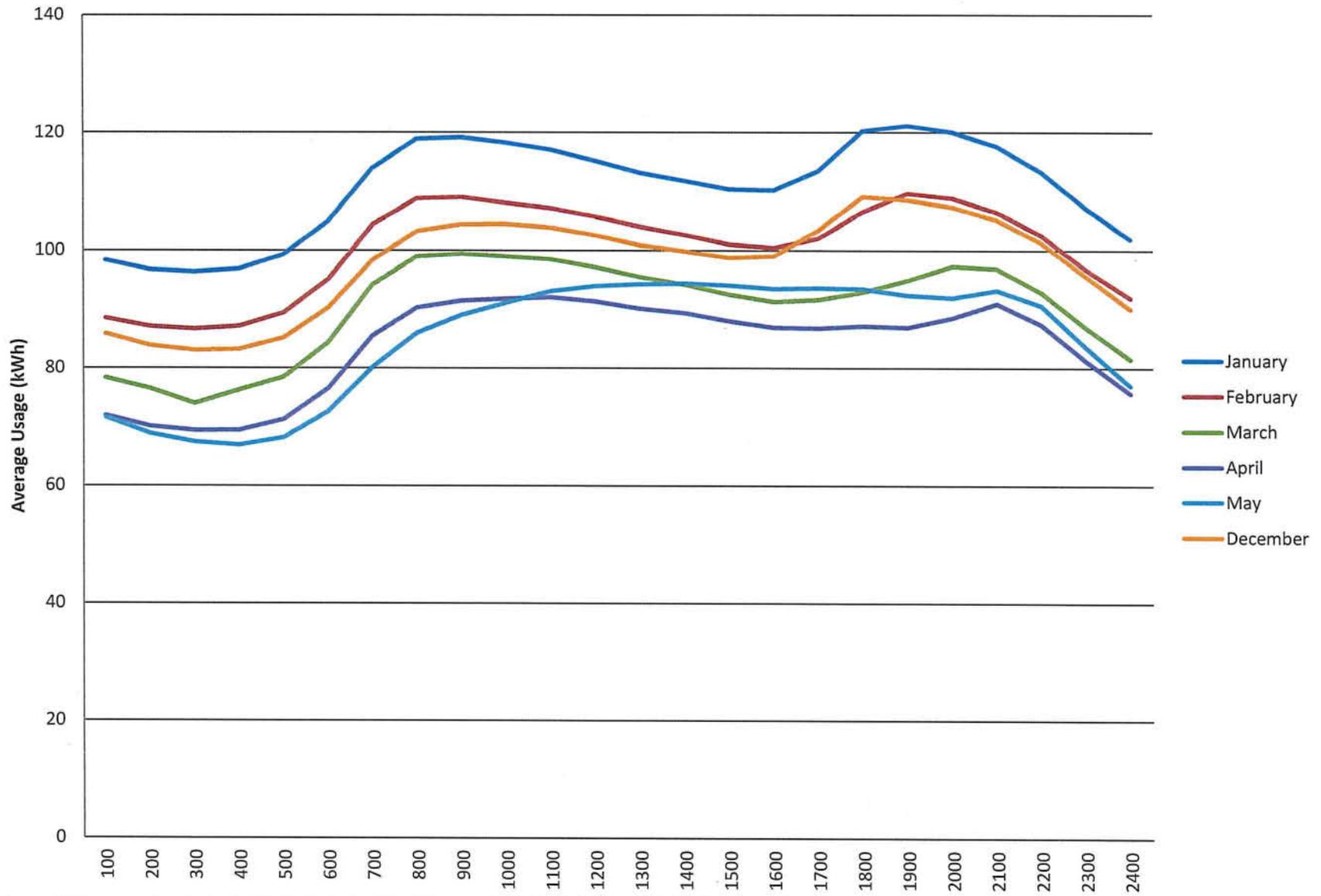
PPL Electric - Total System Average Usage per Customer



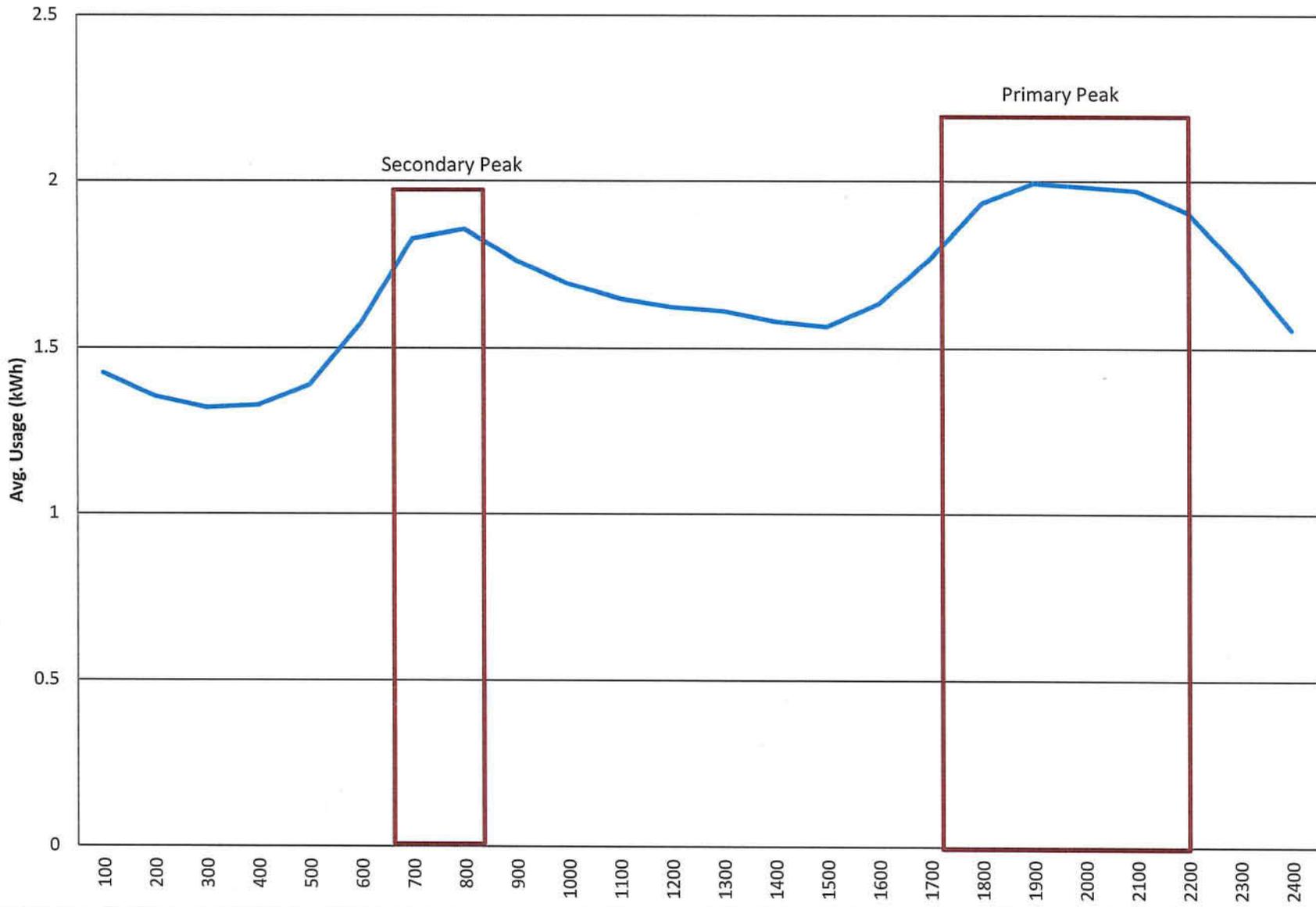
PPL Electric - Total Summer Term System Average Usage per Customer



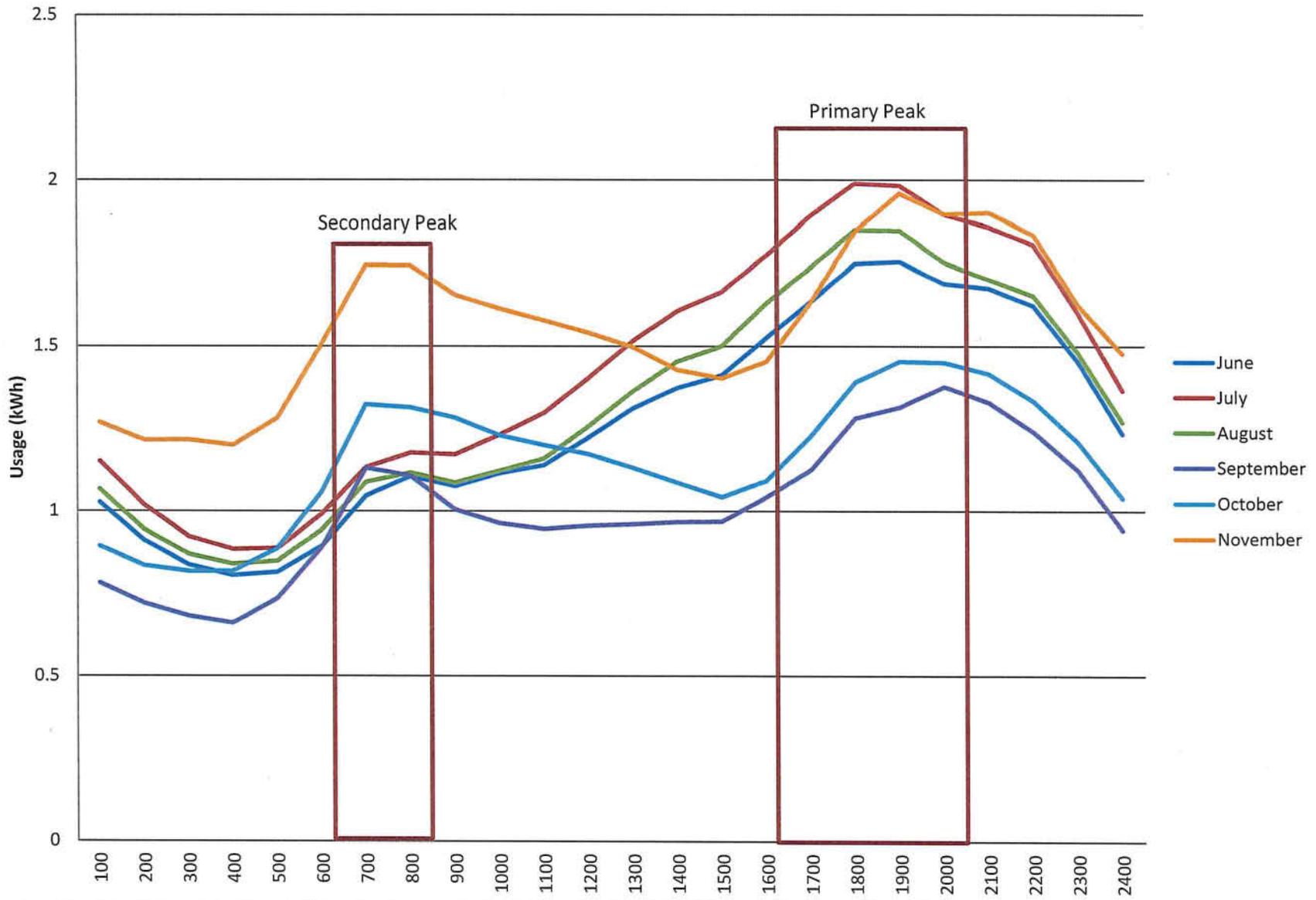
PPL Electric - Total Winter Term System Average Usage per Customer



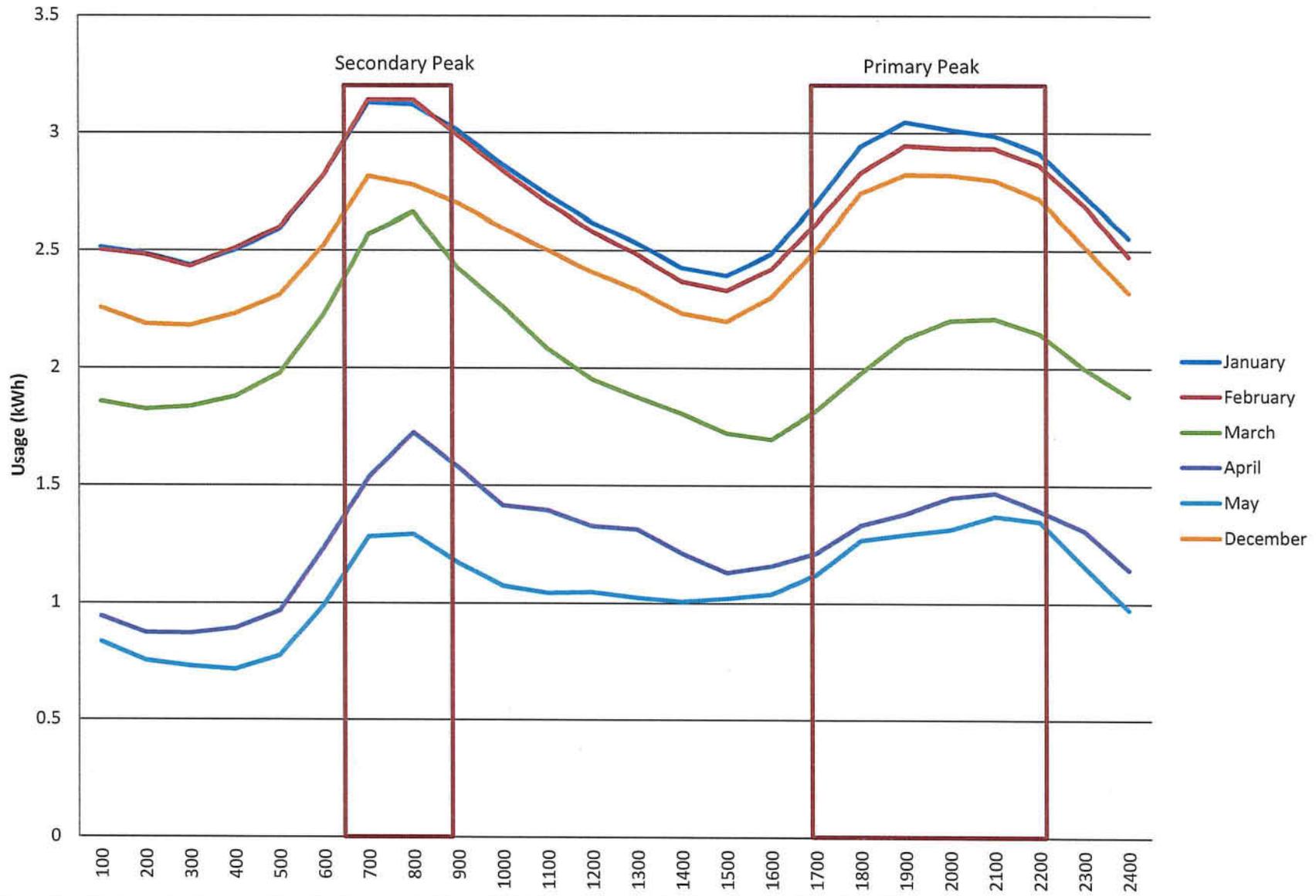
Average Residential Customer Usage (annual)



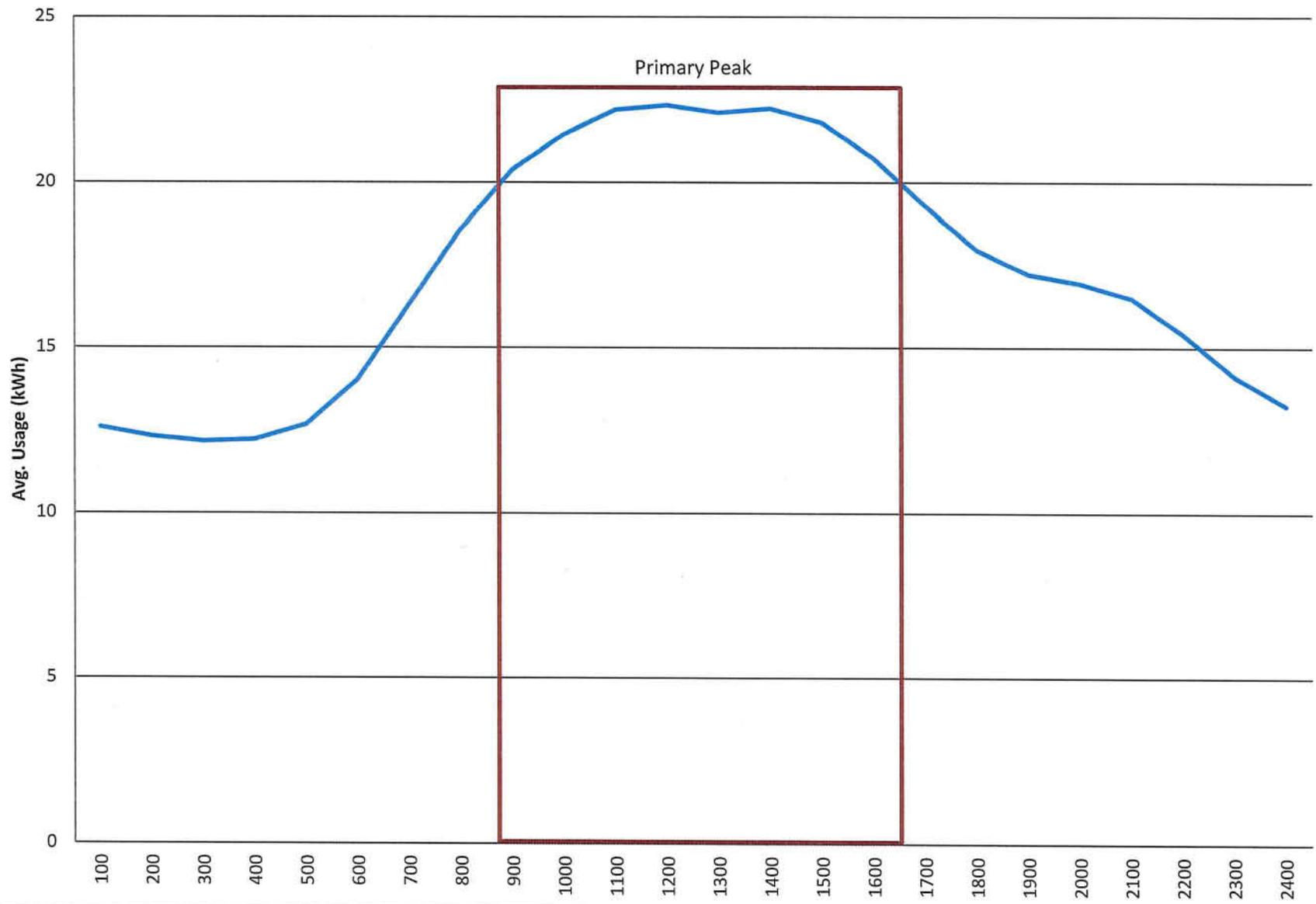
Average Residential Usage - Summer Term (weekday)



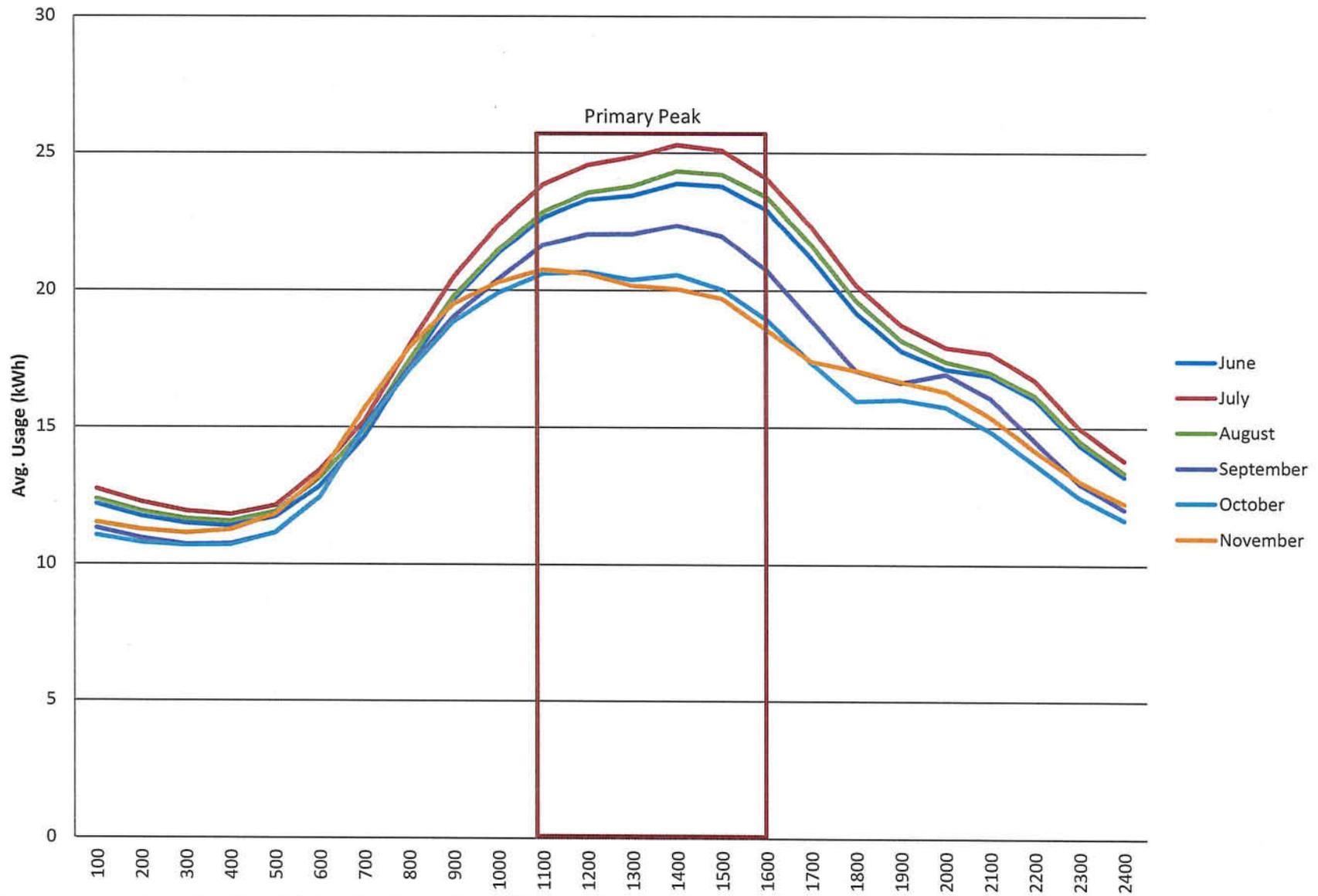
Average Residential Usage - Summer Term (weekday)



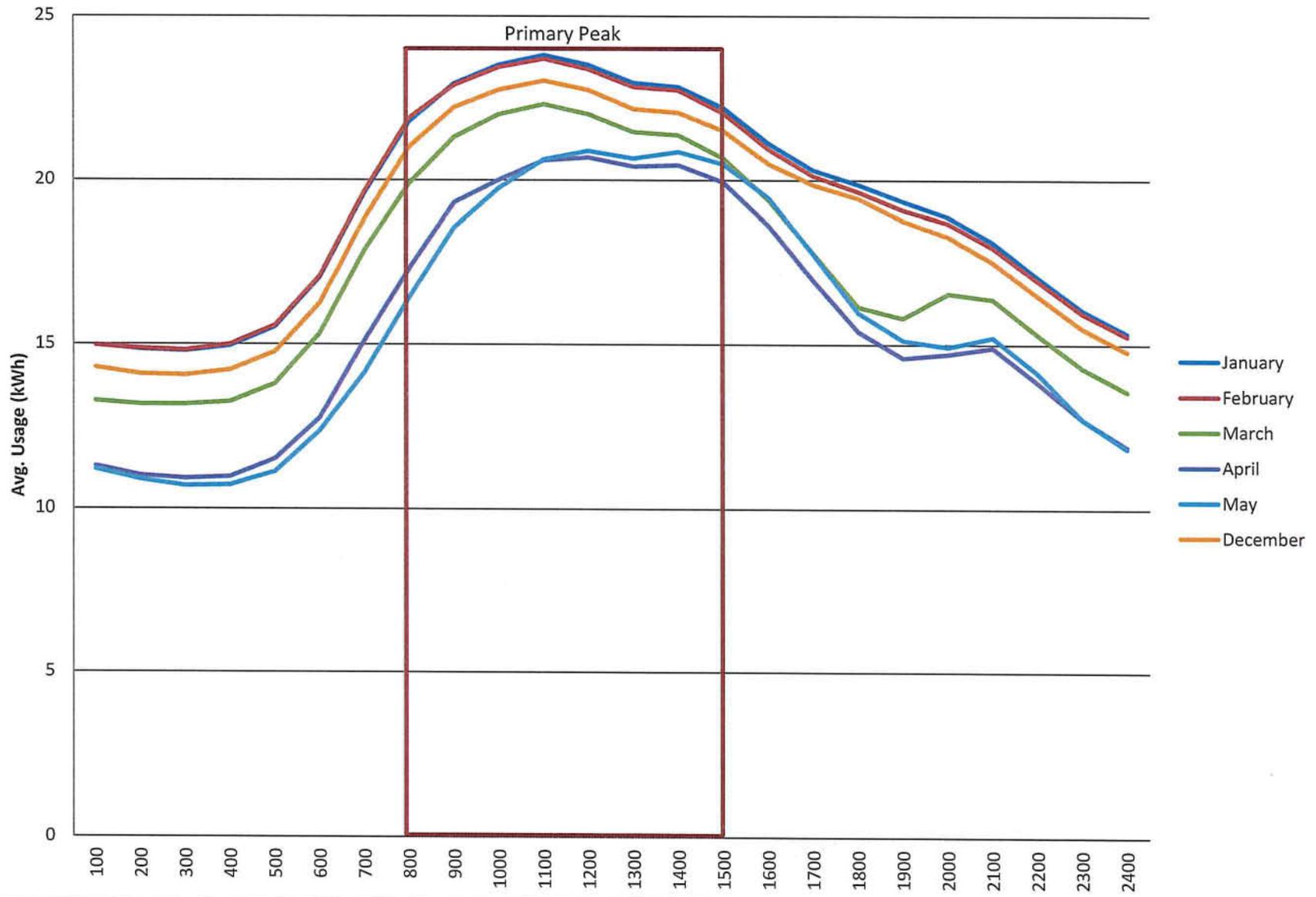
Average Small C&I Customer Usage (annual)



Average Small C&I Usage - Summer Term (weekday)



Average Small C&I Usage - Summer Term (weekday)



VERIFICATION

I, James M. Rouland, being Supervisor of Energy Procurement, Settlement & Scheduling at PPL Electric Utilities Corporation ("PPL Electric"), hereby state that the facts above set forth are true and correct to the best of my knowledge, information and belief and that I expect PPL Electric to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 relating to unsworn falsification to authorities.

Date: June 1, 2017


James M. Rouland