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E-File

October 16, 2018

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

**Re: Petition of the Retail Energy Supply Association (“RESA”) to Simplify the
 Financial Security 5% Renewal Process
 Docket No. P-2017-2608078**

Dear Ms. Chiavetta:

Enclosed for filing on behalf of PPL Electric Utilities Corporation (“PPL Electric”) is an original of PPL Electric’s Comments in the above-captioned proceeding. These Comments are being filed pursuant to the Tentative Order issued on September 20, 2018 in the above captioned proceeding.

Pursuant to 52 Pa. Code § 1.11, the enclosed document is to be deemed filed on October 16, 2018, which is the date it was filed electronically using the Commission’s E-filing system.

If you have any questions regarding these comments, please call me at (610)774-5696 or Bethany Johnson, Manager – Regulatory Operations for PPL EU Services at (610) 774-7011.

Very truly yours,

Kimberly A. Klock

Enclosures

cc via email: Tanya J. McCloskey, Esquire
 Mr. John R. Evans
 R. Kanaskie, Esquire
 Mr. Dan Mumford
 Deanne M. O’Dell, Esquire (RESA)

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of the Retail Energy Supply Association to Simplify the Financial Security 5% Renewal Process :
: Docket No. P-2017-2608078

**COMMENTS OF
PPL ELECTRIC UTILITIES CORPORATION**

I. INTRODUCTION & BACKGROUND

On June 6, 2017, Retail Electric Supply Association (“RESA”) filed with the Pennsylvania Public Utility Commission (“Commission” or “PUC”) its Petition of the Retail Energy Supply Association to Simplify the Financial Security 5% Renewal Process at Docket No. P-2017-2608078 (“Petition”), requesting that the annual process for an EGS to renew its security level be simplified and streamlined. The objective of the filing was modify the process EGSs use to renew their security reduction requests each year, allowing EGSs that have already been approved for a reduced security instrument to submit a compliance template to continue at the reduced amount, as opposed to submitting a formal petition each year. *See* Petition, p. 1. In the Petition, RESA requested a series of changes be made, including: 1) implementation of a filing template, 2) EGSs to provide their most recent 12 months of gross receipts at the 5% calculation on the total, 3) allowing EGSs to issue collateral in tandem with applications, including automatic renewal clauses, 4) waive the requirement that EGSs submit as part of the application a Department of Revenue Tax Status Letter of Good Standing and replace it with an attestation signed by an officer of the EGS that the EGS will pay all taxes it is subject to in Pennsylvania, 5) reduce the compliance filing timing from 90 days before the expiration of an

EGS's security instrument to 30 days before the expiration of an EGS's security instrument , and 6) . *See* Petition, p. 11-13.

On September 20, 2018, the Commission issued a Tentative Opinion and Order at Docket No. P-2017-2608078 (“Tentative Order”) granting the relief requested, as modified by the Tentative Order, and permitting comments within ten days of publication in the Pennsylvania Bulletin. The Tentative Order was published in the PA Bulletin on October 6, 2018. Specifically, the Commission tentatively approved use of the template put forward by RESA, tentatively rejected RESA’s request to reduce the filing time to 30 days – maintaining the 90 day rule, tentatively rejected RESA’s request to utilize an EGS attestation in lieu of providing a Department of Revenue Tax Status Letter of Good Standing, and tentatively approved RESA’s recommendation to forego formal approval of a compliance filing by Secretarial Letter. *See* Tentative Order, pp. 11-17. Further, the Commission noted that this issue was specifically discussed as part of the Pennsylvania Investigation of Pennsylvania’s Retail Electric Market (Docket No. I-2011-2237952) (“RMI”), with general support by participants for reducing the security amount from 10% to 5%; however, the Commission did not enter a formal rulemaking at the time, and the recommendation was never implemented. *See* Tentative Order, p. 3.

PPL Electric Utilities Corporation (“PPL Electric”) believes it is important that customers are protected from instances of an EGS contract default, specifically where taxes, contract obligations, and renewable energy credit obligations are at issue. For this reason, PPL Electric submits the following comments.

II. COMMENTS

A. EGS Security Amount

The Commission's regulations at 52 Pa. Code § 54.40 provide the amount and form of bonds and other security for EGSs. Initial security levels required for each EGS licensed

applicant is \$250,000. 52 Pa. Code § 54.40(c). Commission regulations detail that the security level for each EGS be reviewed annually and modified based upon the EGS's gross receipts. The security that must be maintained by the EGSs for each subsequent year is 10% of the EGS's reported annual gross receipts or \$250,000, whichever is higher. EGSs are also permitted to seek an alternative level of security based upon scope of their operations. 52 Pa. Code § 54.40(d). The RMI discussions specifically investigated the purpose of the security collateral, stating:

“The purpose of the security level is to ensure payment of the Gross Receipts Tax (GRT) and to ensure the supply of electricity at the retail level in accordance with contracts, agreements, or arrangements. 52 Pa. Code § 54.40(f)(2). As to the prioritization of claims for payment under the security, the Commonwealth of Pennsylvania has top priority, followed by the EDCs for the reimbursement of GRT, and private individuals. 52 Pa. Code § 54.40(f)(3). The Commonwealth's primary interest concerns the demand of any missed GRT payments by the EGS. The Commonwealth also has an interest in receiving an EGS's alternative compliance payments (ACPs) under the Alternative Energy Portfolio Standards Act of 2004. 73 P.S. § 1648.3(f). Alternative compliance payments are paid into a special fund of the Pennsylvania Sustainable Energy Board for sole use in projects that will increase the amount of electric energy generated from alternative energy resources. 73 P.S. § 1648.3(g).”

Final Order re: Public Utility Commission Bonding/Security Requirements for Electric Generation Suppliers; Acceptable Security Instruments, Docket No. M-2013-2393141 (“Bonding Requirements Final Order”).

As detailed in the Bonding Requirements Final Order, the primary purpose of the security collateral is primary to cover an EGS's Gross Receipts Tax (“GRT”). See Bonding Requirements Final Order, p. 4-5. Other items such as contract obligations and renewable energy credit alternative compliance payments are of interest to the Commonwealth, but deemed a lower priority. See Bonding Requirements Final Order, p. 5. The current Pennsylvania GRT is set at 5.9%. PPL Electric supports the Commission in reducing security obligations from 10% to some lower amount if the primary purpose of the security is to ensure payment of the GRT, which is

lower than 10%. Although PPL Electric would prefer that the security limit be reduced to 5.9%, which would fully cover an EGS's GRT obligation and would ensure that all taxes would be appropriately collected, PPL Electric supports the Commission's disposition in the Tentative Order.

B. Streamlining the EGS Security Renewal Process

PPL Electric fully supports the streamlining of processes and practices in an effort to improve efficiency, reducing the time to complete, and reducing costs. RESA, in its Petition, requested its template be used as a means to streamline the annual security renewal process. *See* Petition, p. 11-13. The Commission's Tentative Order supported RESA's proposal. Upon review of the template and the details provided in RESA's Petition, PPL Electric supports the Commission's Tentative Order adopting RESA's proposed template as a means to standardize and expedite the application process.

In its filing, RESA also sought to reduce the renewal application filing time from 90 days to 30 days prior to the expiration of an EGS's financial security. *See* Petition, p. 12. In its Tentative Order, the Commission stated it "do[es] not agree with RESA's proposal that the annual compliance filing be submitted 30 days prior to the expiration of an EGS' financial security." Tentative Order, p. 12. Further, the Commission asserts the need to maintain the 90 day filing requirement for a number of reasons, including the need for additional data gathering, to seek resolution to deficiencies, and issue a formal decision to the application. *See* Tentative Order, p. 12.

PPL Electric agrees that maintaining the 90 day filing period ensures all stakeholders have appropriate time to submit data and information, if necessary, and grant the Commission appropriate time to issue a decision. Shortening the period would likely introduce increased risk

due to decreased timing to investigate, if needed. PPL Electric supports the Commission's disposition maintaining the 90 day filing obligation.

C. Annual Compliance Filing Process

RESA's Petition specifically sought to replace the need for a Department of Revenue Letter of Good Standing, with a series of other documents to be provided by the EGS, including: 1) a report of the EGS's most recent 12 months of gross receipts and a 5% gross receipts calculation, 2) allow EGSs to file an original financial security instrument to cover the calculated amount in the report (5% of gross receipts), 3) EGSs to inform the Commission if the security instrument has an automatic renewal process in place, and 4) the EGSs will include an attestation signed by an officer of the EGS verifying that it will pay all taxes. *See* Petition, pp. 11.

The Commission's Tentative Order approves a streamlined process, allowing EGSs to file financial security to cover 5% of the EGS's gross receipts at the time of its filing. *See* Tentative Order, p. 14-16. Further, an EGS may utilize an automatic renewal process for its financial security, but must state this provision in its filing. *See* Tentative Order, p. 12-13. The Commission's Tentative Order, however, rejects the use of an Officer attestation in lieu of the Department of Revenue Letter of Good Standing as part of the application process. *See* Tentative Order, p. 15-16.

As stated above, PPL Electric fully supports the streamlining of processes to improve efficiency, timing, and costs where appropriate. PPL Electric agrees with the Commission's disposition allowing EGSs to issue financial security in tandem with its application and allowing EGSs to include an automatic renewal clause within the financial security document issued. Finally, PPL Electric fully supports the Commission's requirement that the Department of Revenue Letter of Good Standing be obtained and provided by the EGS. While an EGS Officer attestation helps to provide support that an EGS will meet its GRT obligations, the purpose of a

Letter of Good Standing is to provide an independent affirmation of the EGS's business standing and provide the Commission with support that tax obligations are likely to be met. Maintaining this requirement helps to reduce risk, which would otherwise still be present with an officer attestation.

III. CONCLUSION

The primary goal of the RESA Petition was to streamline the annual financial security renewal process with the Commission. As detailed above, PPL Electric supports the Commission's disposition of the RESA Petition. PPL Electric appreciates the opportunity to provide these Comments.

Respectfully submitted,



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Date: October 16, 2018

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