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**E-File**

July 30, 2019

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2<sup>nd</sup> Floor North  
P.O. Box 3265  
Harrisburg, PA 17120-3265

**Re: Electric Distribution Company Default Service Plans –  
Customer Assistance Program Shopping  
Docket No. M-2018-3006578**

Dear Secretary Chiavetta:

Enclosed for filing on behalf of PPL Electric Utilities Corporation (“PPL Electric”) is a corrected original of PPL Electric’s Comments in the above-captioned proceeding. Please reject the previous filing (eFiling Confirmation #1814459) which did not include a signature following the Comments. The instant filing now contains the required signature on page 11. These Comments are being filed pursuant to the Proposed Policy Statement Order issued on February 28, 2019 in this matter.

Pursuant to 52 Pa. Code § 1.11, the enclosed document is to be deemed filed on July 30, 2019 which is the date it was filed electronically using the Commission’s E-filing system.

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

Respectfully submitted,



Michael J. Shafer

Enclosure

cc: Kriss Brown - Email  
Tiffany Tran - Email

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Electric Distribution Company  
Default Service Plans – Customer  
Assistance Program Shopping

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Docket No. M-2018-3006578

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**COMMENTS OF  
PPL ELECTRIC UTILITIES CORPORATION**

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**I. INTRODUCTION & BACKGROUND**

PPL Electric Utility Corporation’s (“PPL Electric”) low-income residential Customer Assistance Program (“CAP”), also called “OnTrack”, provides discounted payment amounts and arrearage forgiveness for eligible customers. PPL Electric administers its CAP program by individually evaluating customers to determine their ability to pay, regardless of shopping status, and establishing a reduced monthly payment amount for income qualified customers. The customer is then allotted a maximum amount of CAP credits pursuant to PPL Electric’s Universal Service and Energy Conservation Plan (“USECP”). The CAP credit is the difference between what their non-CAP bill amount would have been and the reduced payment amount under CAP.<sup>1</sup> CAP credits are paid for by PPL Electric’s other non-CAP residential customers. The Company’s current maximum 18-month CAP credit is \$3,328 (\$185 per month) for electric heat customers and \$1,310 (\$73 per month) for non-electric heating customers. Customers are enrolled in the CAP program for a period of eighteen months, at which point they would need to re-apply to remain in the program. However, if a customer exhausts their allotted CAP credits prior the end of the eighteen-month CAP period, that customer is removed from CAP and cannot re-apply until the original CAP period has expired.

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<sup>1</sup> PPL Electric Utilities Corporation 2015 Base Rate Case, Docket No. R-2015-2469275.

On January 1, 2010<sup>2</sup>, all customers, including those residential customers participating in the PPL Electric CAP program, were able to shop for their electricity. While customer shopping does not directly impact customer participation in the CAP program, if a CAP customer shops at a rate that exceeds the Price-To-Compare (“PTC”), CAP credits will be drawn down at a more rapid pace than they would otherwise be during the program term. This could result in a CAP customer exhausting their credits and being shifted to PPL Electric’s OnTrack budget billing program.<sup>3</sup> In this scenario the Electric Generation Supplier (“EGS”) charging above the PTC benefits, while the CAP customer receives less than the full benefit under the program which has been paid for by other non-CAP residential customers.

During PPL Electric’s 2014-2016 Universal Service and Energy Conservation Plan (“USECP”) filing<sup>4</sup>, parties raised questions concerning CAP customer shopping. Through that proceeding the Commission concluded that CAP shopping was beyond the scope of a USECP proceeding and directed PPL Electric to address CAP shopping as part of its next Default Service Plan (“DSP”).<sup>5</sup> In PPL Electric’s 2015 base rate proceeding, the Commission approved a settlement agreement under which the parties agreed to hold a collaborative on CAP shopping and further confirmed that CAP shopping would be addressed in the Company’s next DSP filing.<sup>6</sup> Collaborative meetings were held to discuss the impact of shopping on CAP customers,

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<sup>2</sup> On January 1, 2010, PPL Electric implemented its Default Service Competitive Bridge Plan (Docket No. P-00062227) which allowed PPL Electric service territory customers shop for their electricity.

<sup>3</sup> Budget billing is a program whereby a customer’s bill is leveled over a 12-month period so that the customer can anticipate a consistent bill amount each month.

<sup>4</sup> See PPL Electric Utilities Corporation Universal Service and Energy Conservation Plan for 2014-2016, Submitted in Compliance with 52 Pa. Code § 54.74, Docket No. M-2013-2367021(Final Order issued Sept. 11, 2014) (“PPL Universal Service Plan”).

<sup>5</sup> See PPL Universal Service Plan, Docket No. M-2013-2367021.

<sup>6</sup> See *Pa. PUC v. PPL Electric Utilities Corporation*, Docket Nos. R-2015-2469275, *et al.* (Order entered Nov. 19, 2015).

including the collection data and related information, which was used in the subsequent default service plan proceeding.

On January 29, 2016 PPL Electric filed a petition for its next DSP for the period of June 1, 2017 through May 31, 2021.<sup>7</sup> While the DSP primarily focused on energy procurement methodology and setting the PPL Electric PTC, the plan also sought to address CAP shopping. In its 2016 DSP petition, PPL Electric recommended “that the Commission promptly initiate a statewide collaborative open to all interested stakeholders and/or initiate a new rulemaking proceeding to address these CAP shopping issues on a uniform, statewide basis.”<sup>8</sup> In the interim, the PPL Electric default service petition proposed utilization of the existing Standard Offer Program (“SOP”) as a means to mitigate the impacts of CAP customers shopping at a rate that was above the PPL Electric PTC.

As a result of the CAP shopping collaboratives and through the default service plan settlement discussions, PPL Electric and certain parties agreed to a revised CAP shopping proposal to address concerns surrounding CAP customer shopping through the introduction of a CAP Standard Offer Program (“CAP SOP”). The intent of this program is to mirror the traditional SOP<sup>9</sup>, but also introduced new elements to protect CAP customers at the conclusion of the 12-month contract term. This included a requirement that CAP SOP customers be returned to the CAP SOP pool and re-enrolled in a new CAP SOP contract at the conclusion of the 12-month contract period unless the customer requests to be returned to default service or is no

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<sup>7</sup> See Petition of PPL Electric Utilities Corporation for Approval of a Default Service Program and Procurement Plan for the Period of June 1, 2017 Through May 31, 2021, Docket No P-2016-2526627 (“DSP IV Petition”).

<sup>8</sup> See DSP IV Petition p. 33, paragraph 122.

<sup>9</sup> CAP SOP adopted the following SOP elements: EGS’s participating agree to serve customers at a 7% discount off the PTC at the time of customer enrollment; the price shall remain fixed for 12 months; customers may terminate the contract at any time without termination or cancellation fees, or any other penalty; customers will be evenly distributed to participating EGSs.

longer a CAP customer. Additionally, EGSs must separately enroll into the PPL Electric standard SOP and CAP SOP. On October 27, 2016, the Commission issued its Opinion and Order approving PPL Electric’s Petition including Settlement provisions, which included the implementation of the CAP SOP.<sup>10</sup> In the DSP proceeding, the Retail Energy Supply Association (“RESA”) opposed the adoption of any limits on CAP shopping and appealed the Commission’s October 27, 2016, Opinion and Order. On appeal, the Commonwealth Court issued an opinion affirming the Commission’s decision.<sup>11</sup>

CAP SOP was implemented on June 1, 2017, and remains in effect through May 31, 2021. At the commencement of the program in June 2017, through November 2017, there were two EGSs participating in the program; from December 2017 through May 2018 a single EGS participated in the program. However, from June 1, 2018 through the present, there are no EGS’s participating in PPL Electric’s CAP SOP. Based upon the CAP SOP requirements, CAP customers only have two options - shop through CAP SOP or receive PPL Electric default service at the PTC. Since no EGSs are participating in the CAP program, and have not participated for over a year, nearly all CAP customers are currently on PPL Electric default service.

On February 28, 2019, the Commission introduced a Proposed Policy Statement Order concerning Electric Distribution Company Default Service Plans – Customer Assistance Program Shopping.<sup>12</sup> In its Order, the Commission recognized that low-income customers, especially those participating in electric distribution company (“EDC”) CAP programs are at risk of harm based upon the rates they choose if allowed to shop without restriction. The Order cites

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<sup>10</sup> PPL Electric Default Service Plan, Pennsylvania Public Utility Commission Opinion and Order, P-2016-2526627 (issued October 27, 2016).

<sup>11</sup> *Retail Energy Supply Association vs. Pa. PUC*, No. 230 CD 2017 (Opinion and Order issued May 2, 2018).

<sup>12</sup> See Docket No. M-2018-3006578 (“CAP Shopping Order”)

PPL Electric’s statistics from its DSP, showing harm to over 55% of shopping CAP customers prior to the implementation of the CAP SOP, resulting in an estimated net financial impact of over \$2.7 million. Further, the Order references the varying programs other EDCs have in effect concerning CAP shopping.<sup>13</sup> Within this Order, the Commission issued a draft CAP shopping policy statement and is seeking comments by parties to its policy statement.

PPL Electric respectfully submits the following Comments, summarizing its experience with CAP customer shopping, addressing the proposed CAP Shopping Policy Statement, and making recommendation for the Commission’s next steps to protect both at-risk CAP customers and non-CAP residential customers who pay the costs of the CAP program.

## **II. COMMENTS**

### **A. The Impact of CAP Customer Shopping in PPL Electric’s Service Territory**

As highlighted in the Introduction & Background section above, PPL Electric has, and continues to play an active role in supporting low-income customers through its CAP. During the implementation of PPL Electric’s last DSP, the Company recognized that CAP customers who shop at a rate above the PTC are at risk of paying more for electricity than they can reasonably afford. This often results in premature utilization of CAP credits – detrimentally impacting CAP customers. It is also important to highlight that CAP customers are not the only customers impacted. Non-CAP residential customers - those who pay the cost of the CAP program - are also negatively impacted and should be protected from unreasonable and unnecessary costs.

The Commission Order mirrors PPL Electric’s interest in minimizing impacts to CAP and non-CAP customers stating “[b]oth CAP participants, in potentially losing their CAP

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<sup>13</sup> CAP Shopping Order, pp. 2-4.

benefits, and non-CAP participants, because they subsidize uncollectibles resulting from CAP defaults, are harmed when CAP participants pay rates higher than their EDCs' applicable PTCs."<sup>14</sup> Commission comments continue stating "[i]ncreased CAP participant default rates due to shopping at rates higher than the EDCs' PTCs harms non-CAP participants as well."

Statistics submitted by PPL Electric in its previous DSP highlight the tangible costs associated with CAP customer shopping at rates above the PTC. From January 2013 through October 2015, approximately 49% of CAP customers chose to shop with an EGS. Of those customers that shopped, approximately 55% were paying a rate above the PTC. Based upon actual CAP customer bills, those customers that shopped at a rate above the PTC paid an average of \$31 a month higher than they would have otherwise paid on the PPL Electric PTC. Customers that shopped at a rate below the PTC paid an average of \$9 per month below what they would have otherwise paid on the PTC. Extrapolating these figures, CAP customers who shop and are paying an amount above the PTC are paying approximately \$298,406 per month, or \$3,580,872 over 12 months, in excess of the PTC. This is compared to CAP customers who were shopping below the PTC and were paying \$69,750 per month, or \$837,000 over 12 months, less than what they would have paid with the PTC.<sup>15</sup> The resulting impact to both shopping CAP customers and those non-CAP customers that pay the cost of the CAP program are stark. CAP customers who shopped incurred net costs of \$2,743,872 per 12-month period over what they would have incurred by simply remaining on the PTC.

As discussed earlier, there was only limited EGS support of CAP SOP when the program was initiated, which has since dwindled to zero EGSs currently participating in CAP SOP.

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<sup>14</sup> CAP Shopping Order, p. 5.

<sup>15</sup> PPL Electric Utilities Corporation Default Service Plan, Statement No. 3, Direct Testimony of M. Wukitsch, Docket No. P-2016-2526627.

During the period when EGSs were participating in CAP SOP (June 1, 2017 through May 31, 2018) a total of 6,751 CAP customers shopped with an EGS through the CAP SOP. Since June 2018, nearly all CAP customers are on PPL Electric default service, receiving the PTC. The lack of support from EGSs for CAP SOP has had the effect of returning all CAP customers to the PTC.

**C. PPL Electric Comments to the Commission Proposed CAP Shopping Policy Statement**

The Proposed CAP Shopping Policy Statement clearly shows the Commission's intent to protect both CAP and non-CAP customers from harm. It does so by mandating that CAP shopping rates always be at or below the EDCs PTC, that the contract between CAP customer and EGS does not contain any early termination or cancellation fees, and that at the end of the contract, CAP customers may re-enroll with the EGS, enroll with a new EGS, or return to default service.

PPL Electric respects the intent of these prescriptive policy elements as a means to protect CAP customers from paying rates above the EDC PTC and minimize the costs incurred by non-CAP residential customers who subsidize the CAP program. In fact, many of these elements are incorporated into the PPL Electric CAP SOP. This includes EGSs offering a rate 7% below the PTC at the time of customer sign-up, and standardization of contract terms including the prohibition of early termination or cancellation fees. PPL Electric notes that under its current CAP SOP, the shopping rate could exceed the PTC if the PTC drops by more than 7% during the term of the CAP SOP contract. However, CAP SOP customers have the right to terminate the contract without payment of termination fees.

During PPL Electric's CAP shopping collaboratives and through settlement discussions in its previous DSP proceeding, a major area of discussion was the role of the EDC in reviewing

CAP customer retail contracts. PPL Electric does not have insight into any customer's retail contracts, regardless of the customer's participation in CAP. PPL Electric offers rate ready billing to EGSs. This is an option whereby EGSs submit their customer rates to PPL Electric, who then calculates all elements of the customer bill. However, many EGSs do not utilize rate ready billing which makes it difficult, if not impossible, for PPL Electric to accurately determine a customer's shopping rate.

PPL Electric's lack of insight into the CAP customers' retail contracts has created difficulties in administering its CAP SOP. There are some CAP customers that enter the program with pre-existing contracts that are not CAP SOP compliant. The CAP customer remains on the pre-existing contract until the end of its term, at which point the EGS is required to drop the customer, enabling them to shop through CAP SOP or be returned to the PTC. However, there have been instances where the EGS has failed to drop the customer at the expiration of the pre-CAP contract resulting in the CAP customer remaining on the non-CAP SOP compliant contract without PPL Electric's knowledge. PPL Electric does not know when the original contract term expired, therefore the Company is unable to determine when the customer should be returned to CAP SOP or the default rate.

The underlying issue with this process is that PPL Electric does not have a mechanism to review or enforce EGS compliance with the terms of the PPL Electric CAP SOP. Through the CAP SOP, it is the EGSs obligation to return customers to the CAP SOP pool or the PTC at the end of a CAP SOP contract. However, there are no policies or procedures to enforce EGSs obligations to drop customers at the end of their CAP SOP contracts. As mentioned above, PPL Electric offers a rate ready billing option that would grant some insight into customer shopping

rates, but rate ready billing only provides one piece of what is a large need – mechanisms to review and enforce program contract controls.

The Commission’s CAP Shopping Policy Statement seeks to limit the exposure of CAP customers to rates that are above the PTC, but does not address the role of the EDC in managing this process. PPL Electric supports revising the CAP Shopping Policy Statement to clarify the EGSs obligations in complying with an EDCs CAP SOP terms and provide methods to enforce EGS compliance with the terms of CAP SOP.

PPL Electric also supports further consideration of whether the best policy to protect CAP customers is to simply require that all CAP customers be placed on default service. PPL Electric continues to support its CAP SOP, and its mission of protecting CAP customers from paying costs in excess of the PTC. As has been demonstrated, CAP customers shopping prior to the implementation of the CAP SOP (i.e. prior to June 1, 2017) paid an estimated \$2.7 million over the PPL Electric PTC over a 12-month period. While PPL Electric’s CAP SOP sought to buffer CAP customers from paying a rate in excess of the PTC, EGSs have chosen not to participate in the program, meaning nearly all CAP customers are on the PPL Electric PTC. This has resulted in PPL Electric expending resources in maintaining CAP SOP despite the fact that no EGS has participated in the program for over a year. For these reasons, PPL Electric recommends the Commission consider redrafting its CAP Shopping Policy Statement, requiring all CAP customers receive the EDC PTC.

PPL Electric also requests the Commission take into consideration other compounding factors including program implementation and management costs. While the Commission’s CAP Shopping Policy Statement seeks to limit CAP customer shopping risk, it would also likely create additional EDC CAP program development and implementation costs. To ensure EGSs

are appropriately adhering to rate and contract requirements of the policy statement, EDCs would be tasked with actively tracking customer rates and communicating violations to impacted customers, EGSs, and/or the Commission. Currently, it is unclear how this would be done; however, any such requirements would require system changes, increased communication obligations, and increased time spent managing CAP. Furthermore, it is likely that customers would contact the EDC to help if issues arise, as the CAP program is managed and administered by the EDC, not EGSs. This could further increase PPL Electric customer service representative call time. Ultimately this increased call time may be for issues that should be directed to the EGS, such as questions regarding the customers retail contract terms. Overall, program costs would increase, requiring EDCs take a much more active management and reporting role. This is all assuming EGSs would participate in the new CAP shopping program.

In the interest of maximizing CAP customer program benefits, minimizing CAP customer risks, minimizing customer confusion, and minimizing costs to CAP and non-CAP customers alike, PPL Electric recommends the Commission consider revising its CAP Shopping Policy Statement such that low-income customers participating in the CAP program are not eligible to shop for their electricity.

### **III. CONCLUSION**

PPL Electric is dedicated to supporting CAP customers as evident in the success of the CAP program itself and its drive to protect customers from paying rates in excess of the PTC. Further, PPL Electric continues to look for opportunities to reduce costs to non-CAP customers that subsidize the CAP. The Commission's Proposed CAP Shopping Policy Statement also seeks this same goal, recognizing the potential pitfalls that exist in the competitive market for CAP

customers and the harm that results from CAP customers paying in excess of the EDC PTC. PPL Electric now has the benefit of several years of experience with its CAP SOP, which was designed as a compromise between allowing CAP customers the ability to shop but ensuring that those customers did not pay an amount in excess of the PTC. What PPL Electric has discovered is that there are many challenges in administering its CAP SOP, and for over a year it has not been supported by a single EGS. This has resulted in PPL Electric continuing to maintain its CAP SOP, but for all practical purposes all CAP customers are automatically placed on default service. As such, since there appears to be no EGS support for CAP SOP, PPL Electric recommends the Commission consider simply requiring that CAP customers receive default service.

PPL Electric appreciates the opportunity to provide these Comments and work with the Commission to develop the best program for both CAP customers and non-CAP customers who support it.

Respectfully submitted,



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