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E-File

August 14, 2019

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd 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**

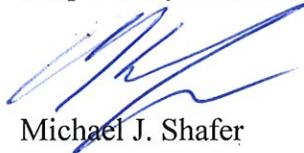
Dear Secretary Chiavetta:

Enclosed for filing on behalf of PPL Electric Utilities Corporation (“PPL Electric”) is an original of PPL Electric’s Reply Comments in the above-captioned proceeding. These Reply 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 August 14, 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	:	Docket No. M-2018-3006578
Default Service Plans – Customer	:	
Assistance Program Shopping	:	

**REPLY COMMENTS OF
PPL ELECTRIC UTILITIES CORPORATION**

I. INTRODUCTION & BACKGROUND

On February 28, 2019, the Pennsylvania Public Utility Commission (“PUC” or “Commission”) introduced a Proposed Policy Statement Order concerning Electric Distribution Company Default Service Plans – Customer Assistance Program Shopping.¹ In the Order, the Commission issued a Proposed Policy Statement which comprised three principles: 1) CAP shopping products have a rate that is always at or below the Electric Distribution Company (“EDC”) Price-to-Compare (“PTC”), 2) the contract between Electric Generation Supplier (“EGS”) and Customer Assistance Program (“CAP”) participant contains no early termination or cancellation fees, and 3) at the end of the contract, CAP participants may re-enroll with the EGS, switch to another EGS, or return to default service as long as the first two provisions are maintained.² PPL Electric Utilities Corporation (“PPL Electric”) provided Comments on July 30, 2019 in response to the PUC’s request for Comment to its Proposed Policy Statement. PPL Electric submits these Reply Comments to address Comments submitted by parties to this docket.

¹ See Docket No. M-2018-3006578 (“CAP Shopping Order”)

² CAP Shopping Order, pp. 5.

II. COMMENTS

A. Complexity of Implementing PUC Policy Statement

A key theme of each party's comments to this docket, either directly, or indirectly, is the immense complexity foreseen if the Commission's Proposed Policy Statement is implemented. Parties highlighted a series of core elements that require significant expansion and developmental time, as well as consideration for the time and cost necessary to implement the new CAP shopping program. These include: the unspecified role of the PUC, EDC, and EGS in administering and enforcing the Proposed Policy Statement; the lack of specifics concerning CAP shopping reporting obligations for EDCs and EGSs; the circumstances if and when a CAP customer should be removed from the CAP program or an EGS contract; if non-kWh rates should be valued, and how to do so; and how the overall CAP must change to accommodate customer privacy, the CAP reapplication process, and general communication with CAP customers.

When considered holistically, it can be seen that the development, administration, and enforcement of CAP customer shopping is extremely complex for the PUC, EDCs, EGSs, and most importantly, customers. Take for instance, the concerns raised by the Consumer Advisory Counsel ("CAC"), Office of Consumer Advocate ("OCA"), CAUSE-PA³, Duquesne, UGI, and RESA concerning the Commission's proposed language detailing CAP customer disqualification from the program if the customer enters into a non-qualifying contract with an EGS.⁴ All five parties disagreed with this language; however, there was not a consensus on what approach should be taken to alleviate the issue. CAUSE-PA succinctly summarizes the impact of this language as exacerbating the problem⁵ and recommends the Commission omit section 69.276(b)

³ Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA) and the Tenant Union Representative Network and Action Alliance for Senior Citizens of Greater Philadelphia (TURN et al.).

⁴ CAP Shopping Order, pp. 11.

⁵ CAUSE-PA Comments, pp. 7.

of the Proposed Policy Statement.⁶ Further, CAUSE-PA recommends EDCs incorporate mechanisms into their CAPs to prevent or cancel non-compliant EGS contracts unless CAP customers “knowingly and voluntarily” opt to withdraw from the CAP.⁷ With CAUSE-PA’s proposal, an EDC’s responsibility has been compounded by being interjected into the CAP customer and EGS contract process and somehow developing a program to concretely discern if and when a customer truly wants to pursue a contract that would not meet the terms of the Proposed Policy Statement. The CAC also disagrees with 69.276(b) and states “it will be essential for the EDCs to have procedures in place” to govern this process.⁸ The OCA similarly disagrees with the potential impact of this language but concerning who’s responsibility it is to enforce the rule, states “this is a requirement for an EGS seeking to enroll a CAP customer.”⁹

From an EDC prospective, both Duquesne and UGI similarly highlight concern over the lack of protection for at risk customers with the language in 69.276(b). Duquesne aptly characterizes the risk of this language at obligating a customer to understand the terms and conditions of a retail program and CAP – the result of mis-reading a contract being elimination from CAP.¹⁰ Duquesne also proposes this burden be borne by EGSs or that a customer participating in a non-compliant contract be returned to default service instead of being taken out of the CAP.¹¹ UGI explains a scenario when a CAP customer prudently chooses an EGS rate meeting the criteria of the Proposed Policy Statement one month, but not the second month after the PTC is updated – the result being that the CAP customer may be dropped from CAP. UGI states it is unclear what the circumstances are for when the rule is to be applied, and how fast.¹²

⁶ CAUSE-PA Comments, pp. 8.

⁷ CAUSE-PA Comments, pp. 8-9.

⁸ CAC Comments, pp. 4.

⁹ OCA Comments, pp. 9.

¹⁰ Duquesne Comments, pp. 4.

¹¹ Duquesne Comments, pp. 5.

¹² UGI Comments, pp. 9.

Similarly, PPL Electric explained that it does not have access to EGSs' contracts with customers, and therefore is unable to determine whether a contract with a CAP customer complies with the terms of the Proposed Policy Statement.¹³

RESA seeks clarity surrounding the CAP customer contract cancellation and renewal process, and also recommends the language proposed in 69.276 be removed.¹⁴ RESA also contends that EDCs have no role in reviewing the terms of EGSs' contracts, and argues that the Commission is the entity that should enforce EGS compliance with CAP requirements.¹⁵

The clear result, after all recommendations are taken into account, is that CAP customers are at risk and may be placed further at risk unless either complex and potentially confusing rules are put in place or more simply, CAP customers are excluded from shopping while in the CAP program.

This fundamental conclusion carries through to the other issues highlighted above. WGL and RESA find issue with how "rate per kilowatt hour" is defined and its correlation to the PTC. WGL is concerned that simply relating an EGS rate to the PTC will limit an EGSs ability to offer products and services. WGL instead proposes that the limits placed in the Proposed Policy Statement be relaxed to allow CAP customers to choose products that may be more expensive than the PTC.¹⁶ RESA asserts that competitive supply options to CAP customers are limited when an EGS must maintain a price at or below the PTC.¹⁷ Both WGL and RESA recommendations, however create an even more complex process where either the PUC, EDCs or potentially customers must understand when a rate above the PTC is allowed, when it is not, and what the rules are in every scenario. The OCA recognizes the complexity inherent in the

¹³ PPL Electric Comments, pp. 8.

¹⁴ RESA Comments, pp. 16-19

¹⁵ RESA Comments, pp. 17.

¹⁶ WGL Comments, pp. 2-5.

¹⁷ RESA Comments, pp. 12-13.

policy discussion and instead recommends the term “rate per kilowatt hour” be defined to exclude other incentives that could be provided by EGSs such as gift cards, reward incentives, and so on.¹⁸

Both Duquesne and UGI highlight the need for additional rules and requirements to implement the Proposed Policy Statement. UGI asserts that EGSs must have a role in safeguarding CAP customers¹⁹ and that the PUC must clearly state reporting requirements.²⁰ Duquesne highlights the lack of protections for vulnerable customers,²¹ that enforcement obligations of CAP shopping terms and conditions is unclear,²² and that there are concerns with customer privacy,²³ among other things.

In summary, all parties seem to agree, either directly or indirectly, that any revision to CAP shopping requires significant expansion of process and rules, roles and requirements, and consideration as to the impact on CAP customers. As highlighted in PPL Electric’s Comments issued on July 30th, the clear and efficient resolution to this issue is excluding CAP customers from shopping. This eliminates the need for complex rules, eliminates the risk that customers pay too much for their electricity – a burden that falls on the backs of residential customers subsidizing the program and risks CAP customers being removed from the program – and ultimately protects at-risk low-income customers through an efficient and transparent CAP going forward.

B. Protecting Vulnerable Customers Participating in CAP

PPL Electric’s CAP focuses on supporting at-risk low-income customers by maximizing the financial benefits they receive in the program, while also seeking to minimize the cost paid

¹⁸ OCA Comments, pp. 6.

¹⁹ UGI Comments, pp. 5-7.

²⁰ UGI Comments, pp. 8-9.

²¹ Duquesne Comments, pp. 4-5.

²² Duquesne Comments, pp. 5-7.

²³ Duquesne Comments, pp. 7-8.

by those residential customers that subsidize the CAP. As summarized in PPL Electric Comments, the Company is dedicated to supporting CAP customers and continues to look for opportunities to reduce costs.²⁴ Other EDC comments similarly support these goals as found in their comments. It is with that said that PPL Electric finds it concerning that both WGL and RESA take issue with the proposed requirement that CAP customer rates always be at or below the PTC.

As expressed above, WGL is concerned that the Proposed Policy Statement focuses solely on the per kWh costs of a product and not “other factors” as well.²⁵ As an example, WGL lists a series of other products²⁶ it could offer CAP customers – all of which they admit could exceed the PTC and only hold a potential to reduce a CAP customer’s actual bill. WGL fails to recognize that a CAP customer is an especially vulnerable low-income customer who has sought support through an EDC’s CAP program – a program that is subsidized by other, non-CAP residential customers. A CAP customer’s primary focus in participating in this program is to minimize their energy burden. As such, it is at a minimum dangerous, if not inappropriate,²⁷ for CAP customers to knowingly choose rates that may harm both themselves²⁸ and the customers that support them.

What’s more concerning is that WGL fails to understand the purpose and structure of the CAP. PPL Electric’s OnTrack (CAP) Program established a fixed monthly payment amount that reflects each customer’s ability to pay. The difference between the customer’s actual bill (energy and distribution charges) and the CAP bill is the CAP credit, which is paid by non-CAP

²⁴ PPL Electric Comments, pp. 10-11.

²⁵ WGL Comments, pp. 2.

²⁶ WGL Comments, pp. 2-3.

²⁷ Several of the products proposed by WGL, such as cash back or rebate programs, will encourage customers to contract for higher rates, paid by non-CAP customers, in exchange for benefits not reflected in the calculation of the CAP customer’s fixed monthly payment.

²⁸ CAP customers who choose a rate that exceeds the PTC risk using their CAP credit prior to the end of the 18-month CAP period and being removed from CAP, resulting in increased costs to both CAP and non-CAP customers.

residential customers, through PPL Electric’s Universal Service Rider. From the perspective of the CAP customer, their monthly payment is not immediately affected by changes to their actual bill, since the customer’s fixed payment is based upon the ability to pay. By allowing customers to choose retail programs that are knowingly more expensive than the PTC subverts the goal of the CAP and unnecessarily burdens other non-CAP customers through increased CAP credit costs.

WGL also makes the claim that the Policy Statement would “limit the ability of CAP customers to choose renewable energy products”.²⁹ The Commission’s Proposed Policy Statement does not limit a low-income customer participating in CAP from choosing a renewable energy product, or any other product available in the retail space. What the Policy Statement does is require a CAP customer who chooses to shop for a product or service in the retail space to enter into contracts with specified limits, or be disqualified from participating in CAP. The Policy Statement appropriately identifies that CAP customers are at-risk customers that require assistance when paying their energy bills. As such, both the Policy Statement and PPL Electric’s proposal to exclude CAP customers from shopping seek the same goal – to support at-risk low-income customers and minimize the costs subsidized by non-CAP residential customers.

RESA Comments similarly attack EDC PTCs as not being an “ ‘apples-to-apples’ comparison”³⁰ when compared to an EGS rate, claiming there will be a loss of supply options available to CAP customers.

With respect to RESA’s claims that the PTC is not a proper comparison to an EGS’s rates, RESA is simply presenting a variant of an argument that has been made, and lost before the Commission, in PECO Energy’s recent rate case at Docket No. R-2018-3000164. That case

²⁹ WGL Comments, pp. 4.

³⁰ RESA Comments, pp. 9.

is currently on appeal. *NRG Energy, Inc. v. Pa. PUC*, No. 58 C.D. 2019. In that case, NRG contended that PECO Energy's PTC should have included substantial additional distribution costs. The Commission disagreed, concluding that the proper energy and procurement costs were reflected in PECO Energy's PTC. RESA's contentions should similarly be rejected here. Furthermore, for CAP purposes, CAP credits are defined as the difference between a customer's actual bill and the CAP payment amount. If a CAP customer does not shop, the actual bill equals the sum of distribution charges and the PTC. If a CAP customer shops, the actual bill equals the sum of distribution charges and the EGS's charges. Therefore, if the EGS's charges exceed the PTC, the result is a higher actual bill, and accordingly a higher CAP credit amount to be paid by non-CAP residential customers. The PTC is the proper comparison to the EGS's charges.

With respect to RESA's claim of reduced supply options, as explained above concerning WGL's Comments, the supply options proposed by RESA have inherent risk, if not near certainty, of increasing the actual bill of the CAP customer, resulting in increased costs to customers who pay CAP costs and increased potential that the customer will exceed their CAP credits and be removed from the CAP. RESA focuses on how the PTC is calculated and the costs included; however, RESA fails to acknowledge the advantages EGSs have when creating a rate, the regulatory responsibilities placed on an EDC when creating the PTC, and the purpose of the PTC. Every facet of the EDC default service process is regulated as the default service program and resulting PTC are intended to be a default option for customers who choose not to shop for any reason. EDC default service energy plans are fully litigated, auctions made publicly known, rates and the rate components placed on full display, and all approved by the Commission. No EGS rate is placed under the same rigor. Furthermore, EDCs may not actively adjust to the market, implementing hedges or altering products, unless such activities were approved in its default service plan.

Based upon the regulation imposed on an EDC's default service process and the public disclosure of the PTC and its elements, it would seem appropriate to assume EGSs could construct products at a lower comparative cost to the PTC. However, RESA proposes that the Commission allow for EGS rates to be up to 20 percent more than the PTC.³¹ This will increase CAP costs, as explained above. RESA also focuses on an EDC's "brand recognition" as an opportunity that EDCs have over EGSs.³² RESA ignores that EDCs do not profit from the PTC, and therefore have no incentive to "compete" with EGSs through "brand recognition" or otherwise. RESA further alleges that EDCs have an advantage as "the only entity permitted to bill residential customers each and every month for energy services."³³ This is inaccurate, as the Electric Generation Customer Choice and Competition Act specifically provides that customers have the right to choose to receive bills from the EGS.³⁴ As stated above, RESA fails to understand the purpose of the CAP and instead chooses to attack the PTC in an effort to offer products that are costlier. The CAP is intended to reduce at-risk customer energy burdens and minimize costs subsidized by non-CAP residential customers. RESA seeks regulatory approval to charge CAP customers more than the PTC, which will increase the energy burdens of CAP customers and increase the CAP costs paid by non-CAP residential customers.

III. CONCLUSION

The comments submitted by parties highlight the complexity inherent in the Pennsylvania CAP. PPL Electric is dedicated to supporting CAP customers as evidenced by the success of the PPL Electric CAP program. Based upon the detrimental impact of CAP customers paying a rate in excess of the PTC, the fact that both WGL and RESA seek to allow CAP customers to pay a rate in excess of the PTC, and the significant complexity and resulting confusion that would occur

³¹ RESA Comments, pp. 11.

³² RESA Comments, pp.10.

³³ RESA Comments, pp. 11.

³⁴ 66 Pa. C.S. § 2907(c).

should CAP shopping be allowed, PPL Electric recommends the Commission consider prohibiting CAP customer shopping.

PPL Electric appreciates the opportunity to provide these Reply 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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