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October 5, 2012

**Via Electronic Filing**

Rosemary Chiavetta, Secretary  
PA Public Utility Commission  
PO Box 3265  
Harrisburg, PA 17105-3265

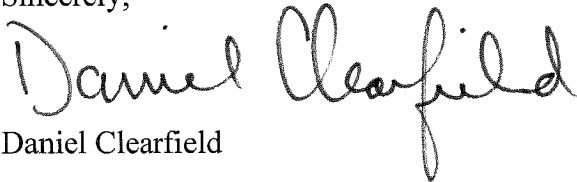
Re: Petition of PPL Electric Utilities Corporation for approval of a Default Service Program and Procurement Plan for the Period June 1, 2013 through May 31, 2015,  
Docket No. P-2012-2302074

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Dear Secretary Chiavetta:

On behalf of the Retail Energy Supply Association ("RESA") attached please find its Main Brief which was electronically filed today with the Public Utility Commission with regard to the above-referenced matter. Copies have been served in accordance with the attached Certificate of Service.

Sincerely,



Daniel Clearfield

DC/lww  
Enclosure

cc: Hon. Susan Colwell, w/enc.  
Cert. of Service w/enc.

**CERTIFICATE OF SERVICE**

I hereby certify that this day I served a copy of RESA's Main Brief upon the persons listed below in the manner indicated in accordance with the requirements of 52 Pa. Code Section 1.54.

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**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of PPL Electric Utilities Corporation :  
for Approval of a Default Service Program and : Docket No. P-2012-2302074  
Procurement Plan for the Period June 1, 2013 :  
through May 31, 2015 :

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**MAIN BRIEF OF THE RETAIL ENERGY SUPPLY ASSOCIATION**

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## I. INTRODUCTION AND PROCEDURAL HISTORY

### A. Summary and Statement of Position

This case is extremely important for a number of reasons. First, as the Commission is well aware, the outcome here will impact a significant number of consumers in the Commonwealth. PPL Electric Utilities Corporation's ("PPL" or "Company") service territory has a high level of competitive activity but, despite this, a material number of customers, and a majority of residential customers and significant number of small business customers, still are not shopping. The persistence of significant numbers of customers remaining on default service – even in the service territory where shopping has been the most robust – shows that the heightened efforts are required by the Commission “to ensure that a properly functioning and workable competitive retail electricity market exists in [the PPL service territory].”<sup>1</sup>

Second, this proceeding is the first that will be reviewed by the Commission after its major policy pronouncements in both the FirstEnergy<sup>2</sup> (“FE”) and PECO Energy Company<sup>3</sup> (“PECO”) DSP cases as well as the Commission’s release of its long awaited RMI End-State directives.<sup>4</sup> Thus this case takes on special significance because it becomes the vehicle to both

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<sup>1</sup> *Investigation of Pennsylvania’s Retail Electricity Market*, Docket No. I-2011-2237952, Order entered April 29, 2011. at 2. For ease of reference this proceeding is referred to as the “Investigation” or “RMI.”

<sup>2</sup> *Joint Petition of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company for Approval of their Default Service Programs*, Docket No. P-2011-2273650, et. seq. , Opinion and Order entered August 16, 2012 (“*FE DSP II Order*”), *reconsideration granted in part*, Opinion and Order entered September 27, 2012 (“*FE DSP II Reconsideration Order*”).

<sup>3</sup> *Petition of PECO Energy Company for Approval Of Its Default Service Program*, Docket No. P-2012-2283641, Statement of Commission Witmer on Issue 11, Motion of Commissioner Witmer on Issues 14, 26 and 27, Motion of Commissioner Witmer on Issue 22, and Binding Poll entered and conducted on September 27, 2012 (“*PECO DSP IP*”).

<sup>4</sup> Office of Competitive Market Oversight (“OCMO”) plans to submit a Tentative Order for the November 8, 2012 Public Meeting, setting forth a proposal for the end state of default service and addressing various related issues such as those identified in the RMI Secretarial Letter of September 27, 2012. RESA does not

launch the array of PUC-ordered retail market enhancements (“RMEs”) and transition to the Commission’s newly articulated end-state vision for 2015, intended to help bring fully robust and sustainable competitive markets to the electric customers of the Commonwealth.

The Retail Energy Supply Association (“RESA”),<sup>5</sup> a trade association of electric generation suppliers (“EGSs”), submits that the record in this proceeding does not support adoption of PPL’s proposed default service procurement plan (for the period of June 1, 2013 through May 31, 2015) and its proposed RME programs as consistent with the Electricity Generation Customer Choice and Competition Act (“Competition Act”)<sup>6</sup> or the Commission’s articulated goals of: (1) moving forward to restructure default service as it exists in Pennsylvania today; and, (2) incenting consumers to select alternative suppliers from the competitive market.

PPL’s default service plan must be implemented in a manner that promotes and encourages the development of a fully competitive retail electricity market, as mandated by the Public Utility Code AND fully transitions the PPL market to the new end state for 2015 declared by the Commission. As submitted, PPL’s plan does not do this. To remedy this, RESA has recommended modifications to PPL’s default service plan, consistent with the goals of the Commission to further promote the development of robust, sustainable retail electric competition

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necessarily agree that the steps announced by the PUC on September 27 should be the ultimate “end-state” for retail competition, but RESA accepts them as the PUC’s tentative view of the structure of default service and the retail markets starting in June, 2015.

<sup>5</sup> RESA’s members include: Champion Energy Services, LLC; ConEdison *Solutions*; Constellation NewEnergy, Inc.; Direct Energy Services, LLC; Energetix, Inc.; Energy Plus Holdings LLC; Exelon Energy Company; GDF SUEZ Energy Resources NA, Inc.; Green Mountain Energy Company; Hess Corporation; Integrys Energy Services, Inc.; Just Energy; Liberty Power; MC Squared Energy Services, LLC; Mint Energy, LLC; NextEra Energy Services; Noble Americas Energy Solutions LLC; PPL EnergyPlus, LLC; Reliant; Stream Energy; TransCanada Power Marketing Ltd. and TriEagle Energy, L.P.. The comments expressed in this filing represent the position of RESA as an organization but may not represent the views of any particular member of RESA.

<sup>6</sup> 66 Pa. C.S. § 2801, *et. seq.*

in PPL's service territory. These modifications will make PPL's plan consistent with the Commission's clear directives on improving the competitive retail market to ensure customers are empowered to take advantage of all the benefits associated with this evolved market design. Adopting all of RESA's proposed modifications will lead to a default service plan that is: (a) legally required by the Competition Act; (b) consistent with the goals articulated by the Commission; and, (c) the best transition of the PPL market to the 2015 end-state articulated by the PUC, designed to move towards the development of a properly functioning, robust, sustainable and workable competitive retail electric market in the PPL service territory.

#### **B. Background Information and Procedural History**

On May 1, 2012, PPL filed a Petition for Approval of its Default Service Program for the period beginning June 1, 2013 through May 31, 2015 ("Petition"). PPL is an electric distribution company ("EDC") and is currently the default service provider ("DSP") in its respective service area.<sup>7</sup> Notice of the Petition, which sets forth proposals for its next default service procurement plan, was published in the *Pennsylvania Bulletin* on May 19, 2012.<sup>8</sup>

The Petition was assigned to Administrative Law Judge ("ALJ") Susan D. Colwell. On June 6, 2012, a prehearing conference was held by ALJ Colwell. At that time, *inter alia*, RESA's timely Petition for Intervention was granted.

The active parties conducted discovery prior the start of the evidentiary hearing, which began on Friday, September 7, 2012 and ended on Tuesday, September 11, 2012. In addition to

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<sup>7</sup> PPL currently provides default service pursuant to a Commission-approved default service plan that will expire on May 31, 2013. See *Petition of PPL Utilities Corporation for Approval of a Default Service Program and Procurement Plan for the Period January 1, 2011 Through May 31, 2014*, Docket No. P-2008-2060309 (Order entered June 30, 2009) ("PPL DSP I Order").

<sup>8</sup> 42 Pa.B. 2871 (May 19, 2012).

PPL, the following parties submitted testimony on their behalf or otherwise participated in this proceeding: RESA; Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”); Constellation NewEnergy, Inc. (“CNE”) and Exelon Generation Company, LLC (collectively “Constellation”), Direct Energy Services, LLC (“Direct Energy”); Dominion Retail, Inc. d/b/a Dominion Energy Solutions (“Dominion”), and Interstate Gas Supply (“IGS”) (collectively, “Dominion/IGS”); Eric Joseph Epstein; FirstEnergy Solutions (“FES”); the Commission’s Bureau of Investigation and Enforcement (“I&E”); NextEra Energy Resources (“NextEra”); Noble Americas Energy Solutions (“Noble”); the Office of Consumer Advocate (“OCA”); the Office of Small Business Advocate (“OSBA”); the PP&L Industrial Customer Alliance (“PPLICA”); Sustainable Energy Fund (“SEF”) and UGI Energy Services d/b/a UGI EnergyLink (“UGIES”).

The record was closed on September 11, 2012.<sup>9</sup> The Competition Act mandates that the Commission issue a decision on PPL’s Petition by February 1, 2013.<sup>10</sup>

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<sup>9</sup> 52 Pa. Code § 5.431(a); Tr. 322.

<sup>10</sup> 66 Pa. C.S. § 2807(e)(3.6).

## **II. Summary of Argument**

Adopting all of RESA's positions and proposed modifications will lead to a default service plan that is: (a) legally required by the Competition Act; (b) consistent with the goals articulated by the Commission; and, (c) the best transition of the PPL market to the 2015 end-state recently articulated by the PUC, designed to move toward the development of a properly functioning, robust, sustainable and workable competitive retail electric market in the PPL's service territory.

RESA recommends the following changes to PPL's proposed default service procurement plan:

### Residential Portfolio

- Modify PPL's proposal of mostly 12-month and 9-month contract portfolio mix to 12-month and quarterly fixed price, full requirements contracts where the percentage of quarterly priced contracts increases over the course of the DSP II.
- Modify PPL's proposal of semi-annual PTC price changes to maintain the current quarterly changing PTC.

### Non-Hourly Priced Commercial Procurement Portfolio

- Modify PPL's proposed mostly 12, 9 and 6-month contract portfolio mix to 100% fixed price, full requirements contracts procured each quarter.
- PTC would be adjusted quarterly.

### Residential Wholesale Supplier Load Cap

- Lower the residential wholesale supplier load cap that can be served by any single wholesale supplier to 50%.

### Reconciliation

- Reject PPL's proposed changes to reconciliation and instead maintain the quarterly reconciliation mechanism.

RESA's main positions and recommendations on the RMEs, which should be implemented in this proceeding, are as follows:

New and Moving Customer Program

- Parties should concentrate on implementing the standard offer referral program and the opt-in auction rather than the Commission's suggested, interim "new mover program" to the extent the latter program would slow down the implementation of other programs.
- PPL should implement a means to allow new and moving customers who already know the EGS they would like to take service from to begin service with the EGS without the need to make any additional calls or be transferred away from the PPL customer service representative (i.e., "day-one switch" capability) as soon as practicable after the proposed retail enhancements are in place.

PPL's Proposed Customer Referral Mailing

- Conduct one-time direct mailing no later than March 1, 2013.
- Include EGS offers with RMI EDC letter and FAQs.
- Use a separate mailing (with EGS offers) for small commercial and industrial customers.

Retail Opt-in Auction / Aggregation Program<sup>11</sup>

- RESA can accept a retail opt-in Aggregation Program in lieu of an Auction, if the Commission determines that an Aggregation is the appropriate policy
- Implement the retail opt-in program – auction or aggregation – by June 1, 2013.
- Apply to all non-shopping residential and small business default customers.
- If an auction is ordered, the auction should be conducted after the enrollment so that the total number of customers participating will be known.
- Additional communications and enhanced means of enrollment should be used to provide customers ample opportunity to indicate an expression of interest.

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<sup>11</sup> Unless otherwise noted herein, RESA's recommendations directed towards the opt-in auction would apply equally to a opt-in aggregation program.



- Have a load cap so that no EGS (or set of affiliated EGSs) can serve more than 50% of the aggregation load, in addition to a minimum of four winning bidders or participants.
- The parties should be directed to work together to develop the binding terms and conditions that will govern their relationship consistent with the finally determined elements.

#### Standard Offer Referral Programs

- Coordinate the Standard Offer Referral Program and the Aggregation Program so that the products do not create customer confusion
- Implement the Standard Offer Referral Program (which may reflect PPL's proposed terms) by June 1, 2013.
- Shopping customers should not be presented with the terms of the Program unless they ask about the offer.
- Program should apply to small commercial and industrial customers.
- Program should apply to all new, move, customer inquiries and high bill calls.
- The parties should be directed to work together to develop the binding terms that will govern their relationship consistent with the finally determined elements.

#### Cost Recovery For Retail Market Enhancements ("RME")

- Costs of the RMEs should be paid for by all default service customers.
- Alternatively, the costs of RMEs should be paid through a non-bypassable charge applied to all customers.
- RESA has recommended a separate charge of 5 mils/kWh with the proceeds to be used as follows: (i) Payment of any verifiable costs related to providing default service that have otherwise not been collected by the EDC; (ii) Payment of costs related to implementing and maintaining competitive market enhancements, such as the retail opt-in auction, customer referral programs; and, (iii) Any balance remaining being carried forward up to some amount, with the remainder returned to all distribution customers.

#### Time-of-Use

- Adopt a TOU plan that more fully relies on market forces.
- PPL should certify that one or more EGSs have agreed to offer a TOU rate to residential customers in its service territory; Alternatively (if no competitive

offers exist), PPL should bid out the provision of the service so that it will be provided at the retail level by one or more winning EGS bidders.

- PPL should submit a report on the number of EGSs actually providing TOU services.

### Green Power Program

- PPL's Green Power Program should be permitted to expire.
- PPL should send two notices to each customer. At least one notice should contain offers (prepared at the EGS's expense) describing alternative green products offered in the competitive market.
- Any Pennsylvania licensed EGS should be eligible to participate.

## **III. Argument**

### **A. Legal Standards**

#### 1. Burden of Proof

Section 332(a) of the Public Utility Code ("Code") provides that the party seeking a rule or order from the Commission has the burden of proof in that proceeding.<sup>12</sup> It is axiomatic that "[a] litigant's burden of proof before administrative tribunals as well as before most civil proceedings is satisfied by establishing a preponderance of evidence which is substantial and legally credible."<sup>13</sup> A preponderance of the evidence means evidence which is more convincing, by even the smallest amount, than that presented by the other party.<sup>14</sup> Additionally, any finding of fact necessary to support the Commission's adjudication must be based upon substantial

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<sup>12</sup> 66 Pa. C.S. § 332(a).

<sup>13</sup> *Samuel J. Lansberry, Inc. v. Pa. PUC*, 578 A.2d 600, 602 (Pa. Cmwlth. 1990).

<sup>14</sup> *Se-Ling Hosiery v. Margulies*, 364 Pa. 45, 70 A.2d 854 (1950).

evidence.<sup>15</sup> More information is required than a mere trace of evidence or a suspicion of the existence of a fact sought to be established.<sup>16</sup>

PPL has the ultimate burden of proof in the proceeding and the initial burden of going forward with evidence showing that its proposals are lawful and reasonable.

## 2. Standards Applicable to Default Service

### a. *The Competition Act*

The Competition Act addresses the requirements that PPL, as the EDC providing default service, must meet.<sup>17</sup> The Competition Act does not require a specific rate design methodology for non-shopping customers in the post transition period. Instead, it requires that the default service provider, acquire electric energy through a “prudent mix”<sup>18</sup> of resources that must be designed: (i) to provide adequate and reliable service; (ii) to provide the least cost to customers over time; and, (iii) to achieve these results through competitive processes which includes auctions, requests for proposals and/or bilateral agreements.<sup>19</sup>

The Competition Act also mandates that customers have direct access to a competitive retail generation market.<sup>20</sup> This is based on the legislative finding that “competitive market forces are more effective than economic regulation in controlling the costs of generating

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<sup>15</sup> *Mill v. Pa. PUC*, 447 A.2d 1100 (Pa. Cmwlth. 1982); *Edan Transportation Corp. v. Pa. PUC*, 623 A.2d 6 (Pa. Cmwlth. 1993).

<sup>16</sup> *Norfolk and Western Ry. v. Pa. PUC*, 489 Pa. 109, 413 A.2d 1037 (1980); *Erie Resistor Corp. v. Unemployment Compensation Bd. of Review*, 166 A.2d 96 (Pa. Super. 1960); *Murphy v. Commonwealth, Dep't. of Public Welfare, White Haven Center*, 480 A.2d 382 (Pa. Cmwlth. 1984).

<sup>17</sup> See 66 Pa. C.S. § 2807(e).

<sup>18</sup> 66 Pa. C.S. § 2807(e)(3.2).

<sup>19</sup> 66 Pa. C.S. §§ 2807(e)(3.1).

<sup>20</sup> 66 Pa. C.S. § 2802(3).

electricity.”<sup>21</sup> Thus, a fundamental policy underlying the Code is that competition is more effective than economic regulation in controlling the costs of generating electricity.<sup>22</sup>

In addition to the foregoing statutory guidelines, the Commission has enacted default service regulations<sup>23</sup> and a policy statement<sup>24</sup> addressing default service plans. The regulations first became effective in 2007 and recent amendments to the regulations to incorporate statutory changes to the Competition Act as a result of the implementation of Act House Bill 2200, Act 129 of 2008 (“Act 129”) which became effective in November 2008, are pending.<sup>25</sup>

In implementing default service standards, Act 129 requires that the Commission be concerned about rate stability<sup>26</sup> as well as other considerations such as ensuring a “prudent mix” of supply and ensuring safe and reliable service.<sup>27</sup> The Commission has clarified that default service providers must consider price stability and reliability when developing a procurement plan that meets the “least cost over time” standard.<sup>28</sup> It is irrefutable, and clearly recognized by

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<sup>21</sup> 66 Pa. C.S. § 2802(5). See *Green Mountain Energy Company, et al. v. Pa. PUC*, 812 A.2d 740, 742 (Pa. Cmwlth. 2002).

<sup>22</sup> 66 Pa. C.S. § 2802(5).

<sup>23</sup> 52 Pa. Code §§ 54.181 to 54.189.

<sup>24</sup> 52 Pa. Code §§ 69.1802 to 69.1817.

<sup>25</sup> *Proposed Policy Statement Regarding Default Service and Retail Electric Markets*, Docket No. M-2009-2140580, Final Policy Statement entered September 23, 2011; *Implementation of Act 129 of October 15, 2008; Default Service And Retail Electric Markets*, Docket No. L-2009-2095604, Final Rulemaking Order entered October 4, 2011 (“Act 129 Rulemaking”). The Act 129 Rulemaking was approved by the Independent Regulatory Review Commission (“IRRC”) on May 17, 2012.

<sup>26</sup> The General Assembly established the policy goals of Act 129 in its Preamble. There, in declaring the purpose of Act 129, the General Assembly found that price stability was a key concern that needed to be addressed. See Preamble to Act 129, 2008 Pa. Laws 129.

<sup>27</sup> See *Act 129 Final Rulemaking* at 40; 66 Pa. C.S. §2807(e)(3.7).

<sup>28</sup> *Id.*

the Commission, that the best and most certain way to provide customer benefits and electric service at least cost over time is to create a robust and sustainable competitive market.<sup>29</sup>

**b. The Intermediate Work Plan Final Order**

In its order entered April 29, 2011, the Commission initiated an investigation into Pennsylvania's retail electricity market.<sup>30</sup> With the input of stakeholders, the Commission entered a Tentative Order (on December 16, 2011) that issued for public comment the intermediate work plan, which identified issues, tasks and goals to be resolved and implemented prior to the expiration of the EDCs' next round of default service plans, in an effort to improve the retail electricity market.<sup>31</sup> The Commission entered its *Intermediate Work Plan Final Order* on March 2, 2012.<sup>32</sup>

In its *Intermediate Work Plan Final Order*, the Commission correctly concluded that, while the shopping statistics are encouraging, "there is definite room for improvement to achieve the robust competitive market envisioned by the General Assembly."<sup>33</sup> The Commission stated that measures should be used to "kick-start" retail competition.<sup>34</sup> These measures include a plan for an opt-in auction and customer referral programs.<sup>35</sup> The Commission also directed that a

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<sup>29</sup> The Commission is charged with taking measures to develop a competitive retail market so that the market can function to drive the price of electricity down as low as possible for the benefit of consumers. See 66 Pa. C.S. § 2802(3), (5); *Green Mountain Energy Company v. PUC*, 812 A.2d 740, 742 (Pa. Cmwlth. 2002).

<sup>30</sup> *Investigation of Pennsylvania's Retail Electricity Market*, Docket No. I-2011-2237952, Order entered April 29, 2011.

<sup>31</sup> *Investigation of Pennsylvania's Retail Electricity Market: Intermediate Work Plan*, Docket No. I-2011-2237952, Tentative Order entered December 16, 2011 ("Intermediate Work Plan Tentative Order").

<sup>32</sup> *RMI Intermediate Work Plan Final Order*, Docket No. I-2011-2237952, Opinion and Order entered March 2, 2012 ("Intermediate Work Plan Final Order" or "IWP Order").

<sup>33</sup> *Id.* at 3 quoting with approval *Investigation of Pennsylvania's Retail Electricity Market*, Opinion and Order entered July 28 Order at 7.

<sup>34</sup> *Id.* at 32.

<sup>35</sup> *Id.* at 13-14, 33-34.

“new/mover” referral program be created pursuant to which each new or moving customers would be informed of the options for taking service from a competitive supplier and be “hot transferred” to a specific EGS, if, at the time of initiation of distribution service, the new or moving customer has identified an EGS from which the customer wished to receive generation service.<sup>36</sup> The *Intermediate Work Plan Final Order* also set forth the Commission’s view of the structure and timing of the previously endorsed “Standard Offer” referral programs as well as retail opt-in auctions.<sup>37</sup>

**c. The FE and PECO DSP Orders**

The Commission has voted on two default service procurement cases since PPL filed its proposed DSP plan: the FE DSP II plan<sup>38</sup> and, last week, the PECO DSP II plan.<sup>39</sup> While some of the details remain unfinalized, it appears that the Commission is looking to its decision in the FE DSP II proceeding as setting forth its policy on “RMEs.” With that in mind, RESA presents its views on the details of PPL’s procurement plan and its proposed RMEs as informed by the results of the FE and PECO DSP II decisions.

**B. The Proposed Default Service Program**

PPL is proposing a Default Service Plan that requires some adjustment to ensure that it achieves the goals of the Competition Act and complies with the Commission’s regulations and orders regarding default service as well as to facilitate a transition to the PUC’s recently announced end-state modifications. For residential and small commercial and industrial

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<sup>36</sup> *Id.* at 14-20.

<sup>37</sup> *Id.* at 30-78.

<sup>38</sup> *FE DSP II Order.* The Commission also recently issued its Opinion and Order on Reconsideration providing further clarification of its position, *See* footnote, 2 *supra*.

<sup>39</sup> *PECO DSP II Order.* *See* footnote, 3 *supra*.

customers, PPL proposes a combination of mostly 9-month and 12-month full-requirements, fixed-price load-following laddered contracts (and a few 6-month and 3-month contracts at the end of the term) procured semiannually.<sup>40</sup> The Plan gradually reduces reliance on 24-month products. As the 24-month products purchased under DSP I expire, they will be replaced with shorter-term contracts.

In its default service plan, PPL substantially reduces or eliminates reliance on spot supply and instead intends to rely on other products for its overall portfolio. The spot supply purchased under DSP I is added to the 12-month supply product in DSP II's first & third solicitations. According to PPL, spot market purchases are not necessary to keep default service rates in line with market price and their inclusion would only impact reconciliation negatively.<sup>41</sup>

PPL does not propose to purchase any new block products for its residential customers, but block products procured under DSP I will continue to provide supply which will result in block supply eventually declining to 150 MW (or 15-20% of the load).<sup>42</sup> PPL maintains that reducing reliance on block supply will reduce reconciliation adjustments arising from forecasting default service load and align default service prices more closely with market prices.<sup>43</sup>

Under the plan, the 12-month and 6-month products will be procured approximately one month prior to delivery while the 9- and 3- month products will be procured approximately four months prior to delivery. PPL's procurement is scheduled to end on May 31, 2015, but the final

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<sup>40</sup> PPL St. No. 2 at 15.

<sup>41</sup> PPL St. No. 2 at 18-19, 33.

<sup>42</sup> PPL St. No. 2 at PPL Exh. JC-5.

<sup>43</sup> PPL St. No. 2 at 20, 34.

procurement could be adjusted to include 12 and 9 month contracts to enable a transition of laddered 12-month contracts that carry over to next period if necessary.<sup>44</sup>

If the PPL proposal is accepted, the Price to Compare (“PTC”) will change on a semi-annual basis, instead of quarterly as is done currently. Reconciliation of over or under-collections of default service costs will occur on a semi-annual basis based on 12-month rolling average.<sup>45</sup>

For mid-size commercial customers, PPL is not proposing hourly-priced service, but plans to make modifications to its internal systems to begin to provide the service in time for the next Default Service Plan.<sup>46</sup> For large C&I customers, the current approach of obtaining supply based on spot market will continue. PPL will solicit contracts to administer the provision of this spot market supply.<sup>47</sup>

RESA recommends the following changes to PPL’s proposed default service procurement plan:

Residential Portfolio

- Modify PPL’s proposed portfolio mix to 12-month and quarterly fixed price, full requirements contracts where the percentage of quarterly priced contracts increases over the course of the DSP II.
- Modify PPL’s proposed semi-annual PTC price changes to maintain the current quarterly changing PTC

Non-Hourly Priced Commercial Procurement Portfolio

- Modify PPL’s proposed portfolio to 100% fixed price, full requirements contracts procured each quarter

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<sup>44</sup> PPL St. No. 2 at 20.

<sup>45</sup> PPL St. No. 2 at 21.

<sup>46</sup> PPL St. No. 4 at 32-33.

<sup>47</sup> PPL St. No. 2 at 22.



- PTC would be adjusted quarterly

#### Residential Wholesale Supplier Load Cap

- Lower the residential wholesale supplier load cap that can be served by any single wholesale supplier to 50%

#### Reconciliation

- Reject PPL's proposed changes to reconciliation and instead maintain the quarterly reconciliation mechanism.

RESA's recommendations are designed to enhance the market responsiveness of the underlying supply mix which better supports sustainable retail competition and ultimately benefits consumers.<sup>48</sup> A robust, sustainable retail model is the only mechanism that will ensure all customers are afforded the opportunity to make individual determinations about which electricity product and pricing attributes are most important to them and make purchasing decisions based on those personal determinations. To the extent that consumers want "stable" pricing, such products will be available in a robust and sustainable competitive retail electricity market, and as such, promoting a competitive market is the best way to provide the benefits of stability to customers.

RESA's recommendations are also consistent with the Commission's just announced RMI competitive market reforms. The Commission is proposing to require quarterly procurement for residential and small commercial customers (under 100 kW) beginning in June, 2015.<sup>49</sup> RESA's proposal represents a perfect transition to such a procurement mix because it gradually phases out 12 month contracts and replaces them with 3 month contracts. Similarly,

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<sup>48</sup> RESA St. No. 1 at 18.

<sup>49</sup> RMI Secretarial Letter of September 27, 2012, at RMI End State Proposal, ¶ 2.a.