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March 11, 2009

BY HAND

James J. McNulty
Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor North
PO Box 3265
Harrisburg, PA 17105-3265

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PA PUC
SECRETARY'S BUREAU

RE: Petition of PPL Electric Utilities Corporation for Approval of a Default Service Program and Procurement Plan for the Period January 1, 2011 through May 31, 2013, Docket No. P-2008-2060309

Dear Secretary McNulty:

Enclosed please find the original and three (3) copies of the Joint Petition for Settlement in the above-referenced proceeding.

As indicated on the certificate of service, copies have been served on the parties in the manner indicated.

Respectfully yours,

Michael W. Hassell

MWH/skr

Enclosures

cc: Honorable Susan D. Colwell
Certificate of Service

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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PA PUC
SECRETARY'S BUREAU

Petition of PPL Electric Utilities Corporation :
for Approval of a Default Service Program : Docket No. P-2008-2060309
and Procurement Plan for the Period January :
1, 2011 Through May 31, 2013. :
:

JOINT PETITION FOR SETTLEMENT

TO THE HONORABLE ADMINISTRATIVE LAW JUDGE SUSAN D. COLWELL:

PPL Electric Utilities Corporation (“PPL Electric” or the “Company”), the Commission’s Office of Trial Staff (“OTS”), the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), the Retail Energy Supply Association (“RESA”), the Sustainable Energy Fund of Central Eastern Pennsylvania (“SEF”), the PP&L Industrial Customer Alliance (“PPLICA”), Direct Energy Services, LLC (“Direct”), Constellation New Energy, Inc. and Constellation Energy Commodities Group, Inc. (collectively, “Constellation”), Reliant Energy Inc. (“Reliant”), Richards Energy Group, Inc. (“Richards”), Eric Joseph Epstein (“Mr. Epstein”) and PPL EnergyPlus, LLC (“PPL EnergyPlus”) (collectively, the “Parties” or “Joint Petitioners”) hereby submit this Joint Petition for Settlement (“Joint Petition” or “Settlement”) of all but two issues in the above-captioned proceeding.¹ The reserved issues, which concern default service for Amtrak and whether to include certain default provisions in the Supply Master Agreements (“SMAs”), are distinct from, and will have no effect upon, any of the settled matters in the case. Attached as Appendix “A” are pro forma tariff sheets to implement the Generation Supply Charge (“GSC”)-1 and GSC-2 for recovery of generation supply costs as provided under the

¹ The following parties, while not signing the Settlement, do not oppose the Settlement as evidenced by the letters of non-opposition attached hereto as Appendices O through Q: Consolidated Energy Solutions, Inc. (“Con Ed Solutions”), The Pennsylvania State University (“Penn State”) and National Railroad Passenger Corporation (“Amtrak”).

Settlement. The Joint Petitioners also submit statements in support of the Settlement attached hereto as Appendices B through N.

The Joint Petitioners represent that this Settlement is a reasonable resolution of this proceeding and is in the public interest and, therefore, request that Administrative Law Judge Susan D. Colwell (the "ALJ") and the Pennsylvania Public Utility Commission ("Commission") approve without modification this proposed Settlement as set forth herein and render a decision on the reserved issues. In support of this Settlement, the Joint Petitioners represent as follows:

I. INTRODUCTION

1. On August 28, 2008, PPL Electric filed its Petition for Approval of a Default Service Program and Procurement Plan for the Period January 1, 2011 through May 31, 2014 ("DSP Plan") to establish the terms and conditions under which PPL Electric would provide Provider of Last Resort ("POLR" or "default") service and obtain generation supply for that service.² Included with the filing were a proposed Request for Proposals Process and Rules ("RFP Rules") and proposed forms of POLR Supply Master Agreements ("SMAs").

2. Notice of the filing was published in the September 13, 2008 edition of the Pennsylvania Bulletin (38 Pa. B. 5099). In accordance with this Notice, protests and petitions to intervene were to be filed on or before September 29, 2008.

3. Timely Petitions to Intervene, Answers or Protests were filed by OTS, OCA, OSBA, Con Ed Solutions, Constellation, Direct, Mr. Epstein, PPL EnergyPlus, PPLICA, Penn State, Reliant, RESA, Richards, SEF and Citizens for Pennsylvania's Future ("PennFuture"). Subsequently, on October 23, 2008, PennFuture filed a Petition to Withdraw its Protest and Intervention, which was granted by Order dated November 13, 2008. On December 22, 2008,

² The original filing proposed a term of 41 months for the default service plan. As explained below, PPL Electric subsequently amended its plan to operate from January 1, 2011 through May 31, 2013, thereby shortening the plan duration to 29 months.

National Railroad Passenger Corporation (“Amtrak”) filed a Petition for Leave to Intervene Out-of-Time. No party objected, and Amtrak’s Petition was granted by Order dated January 16, 2009.

4. On September 11, 2008, PPL Electric filed its direct testimony.

5. On October 2, 2008, a *Prehearing Conference* was held, with *Administrative Law Judge Susan D. Colwell* presiding. At the *Prehearing Conference*, the ALJ adopted the procedural schedule agreed to by the parties.

6. On October 22, 2008, the ALJ issued a Protective Order for the treatment of certain confidential or proprietary material.

7. On October 14, 2008, Governor Rendell signed House Bill No. 2200, subsequently identified as Act No. 129 of 2008 (“Act No. 129”), which, among other things, established certain revised requirements for the acquisition of POLR supply by electric distribution companies. Since the legislation was passed after PPL Electric filed its DSP Plan, the Company, without objection of the parties, requested and was granted the right to file revisions to the DSP Plan.

8. The Parties agreed upon a revised schedule, which the ALJ adopted by Order dated October 27, 2008.

9. Pursuant to the revised schedule, the Company submitted supplemental direct testimony on November 3, 2008, in response to the adoption of Act No. 129. The supplemental direct testimony proposed two modifications to the originally filed DSP Plan. First, the term of the plan was shortened by 12 months, to conclude on May 31, 2013; and second, the Company proposed to incorporate long-term contracts (greater than four year terms) into its procurement plan.

10. In accordance with the revised schedule, direct testimony was submitted by other parties on December 22, 2008. Subsequently, rebuttal and surrebuttal testimony was submitted.

11. A Public Input Hearing was held on January 8, 2009, in Bethlehem, Pennsylvania.

12. Evidentiary hearings were held on February 11 and 12, 2009, at which time prefiled written testimony and exhibits were admitted into the record, and various witnesses were cross-examined.

13. The Joint Petitioners held multiple settlement conferences over the course of the proceeding. As a result of those conferences, a settlement in principle of all but two issues was achieved by the Joint Petitioners subsequent to the conclusion of hearings but prior to the submission of Main and Reply Briefs.

14. The two issues reserved for litigation are: 1) default service for Amtrak and 2) whether certain default provisions, as proposed by Constellation, should be incorporated into the SMAs. Parties will submit Main and Reply Briefs on these reserved issues in accordance with the previously-established procedural schedule, and will have the right to file Exceptions and Replies to Exceptions to the ALJ's Recommended Decision. Decisions on these reserved issues will not alter the Settlement among the parties on any other matters in the case.

15. The Settlement terms are set forth in the following section.

II. SETTLEMENT

A. GENERAL PROCUREMENT PROVISIONS

16. The Parties agree generally that PPL Electric's DSP Plan, as revised, should be approved as filed with the modifications set forth herein. The following paragraphs will identify,

by three separate procurement groups,³ the modifications agreed to by this Settlement, followed by a restatement of the complete procurement plan by procurement group.

17. The Parties agree that the term of the DSP Plan will be from January 1, 2011 through May 31, 2013.

18. The Parties agree that the DSP Plan's Request for Proposals ("RFP") procurement process will be administered by an independent third party manager, NERA Economic Consulting.

19. The form of RFP Rules and Default Service, Spot and Block SMAs presented as PPL Electric Exhibits 2 through 6 are approved, subject to such revisions as are contained in this Settlement, and subject to the Commission's resolution of the reserved issues. The form of RFP Rules and Default Service, Spot and Block SMAs, revised consistent with this Settlement and the Commission's resolution of the reserved issues, will be included in a subsequent compliance filing in the above captioned proceeding.

20. The Parties agree that the SMAs should be approved as affiliated interest agreements under 66 Pa.C.S. § 2102.

21. Rate Schedule LP-4 customers with less than 500 KW peak demand will be included in the Small C&I procurement group and Rate Schedule GS-3 customers with 500 KW or greater peak demand will be included in the Large C&I procurement group. The determination of peak demand will be based on the customer's peak load contribution to PJM Interconnection, LLC ("PJM") peak load in the PJM 2008-2009 Planning Year. This initial

³ The three groups are Residential, Small Commercial & Industrial ("Small C&I") and Large Commercial & Industrial ("Large C&I"). The Residential Customer Class includes customers under the following rate schedules: Rate Schedules RS, RTS and RTD. The Small C&I Customer Class includes customers under the following rate schedules (as modified pursuant to Paragraph 21 of this Settlement): Rate Schedules GS-1, GS-3, GH-1, GH-2, IS-1, BL, SA, SM, SHS, SE, TS, SI-1 and standby service for the foregoing schedules. The Large C&I Customer Class includes customers under the following rate schedules (as modified pursuant to Paragraph 21 of this Settlement): Rate Schedules LP-4, ISP, LP-5, LP-6, LPEP, IST, ISM and standby service for the foregoing schedules. The inclusion of Rate LPEP in the Large C&I Group is not intended to affect the reserved Amtrak issue.

determination of peak demand and classification of customers will remain effective for the entire term of the DSP Plan. All GS-3 customers that will be classified as Large C&I customers for generation procurement purposes and all LP-4 customers that will be classified as Small C&I customers for generation procurement purposes will be notified by PPL Electric of their classification.

22. The quarterly schedule of procurements for the transitional and steady state procurements proposed by the Company is approved, subject to the specific procurement group provisions set forth below.

B. RESIDENTIAL CUSTOMER PROCUREMENT

23. PPL Electric will revise its residential procurement to include 200 MW of one-year blocks of power, 100 MW of five-year blocks of power and 50 MW of ten-year unit entitlement procurement. All blocks will be for “around the clock” or 7x24 service, and will include energy, transmission (other than Network Integration Transmission Service), transmission losses, congestion management costs, and such other services or products that are required to supply the block service delivered to the PPL Zone. Capacity (RPM) and ancillary services will be separately purchased from PJM. Alternative Energy Portfolio Standards (“AEPS”) credits associated with the blocks will be acquired, to the extent necessary, through a separate RFP procurement to occur at the same time as the procurement of the associated block of energy. Recovery of the separately acquired capacity, ancillary services and AEPS credits, including procurement costs, will be reflected in default services rates. The procurement of one-year blocks will be for 50 MW in each quarterly solicitation. The contract term lengths and procurement schedule are set forth in the RFP Rules (PPL Electric Exhibits 2 and 5) and Appendix R, which shows graphically the procurement for the Residential Customer Class. The details of the ten-year unit entitlement RFP will be deferred to a collaborative and filed

separately for Commission approval. As part of the collaborative process to develop the unit entitlement RFP, the Parties agree that among the issues to be considered are whether a renewable product should be procured and whether the RFP should request firm service. PPL Electric will impose an aggregate load cap on individual wholesale suppliers of 70%. In addition, the 85% cap on individual procurement will be eliminated for the five and ten-year blocks.

24. The procurement plan for the Residential Customer Class under this Settlement shall be as follows:

1. Block Procurement

25. PPL Electric will procure a portion of its POLR supply for the Residential Customer Class through a mix of block procurements consisting of 200 MW of one-year blocks of power, 100 MW of five-year blocks of power and 50 MW of 10-year unit entitlement procurement. All blocks will be for “around the clock” 7x24 service, and will include energy, transmission (other than Network Integration Transmission Service), transmission losses, congestion management costs, and such other services or products that are required to supply the block service delivered to the PPL Zone. Capacity (RPM) and ancillary services will be separately purchased from PJM. AEPS credits associated with the blocks will be acquired, to the extent necessary, through a separate RFP procurement to occur at the same time as the procurement of the associated block of energy. Recovery of the costs of separately acquired capacity, ancillary services and AEPS credits, including procurement costs, will be reflected in default service rates. The procurement of one-year blocks will be for 50 MW in each quarterly solicitation. PPL Electric will select the lowest-cost mixture of suppliers based on the fixed-price offers for each product.

26. The details of the ten-year unit entitlement RFP will be deferred to a collaborative and filed separately for Commission approval at a later date. As part of the collaborative process to develop the unit entitlement RFP, the Joint Petitioners agree that among the issues to be considered are whether a renewable product should be procured and whether the RFP should request firm service.

27. An individual bidder cannot supply more than 85% of the default service load (“load cap”) for the residential customer class offered in each solicitation. In addition, PPL Electric will impose an aggregate load cap on individual wholesale suppliers of 70% for all supply for the Residential Customer class. However, there will be no load cap on individual procurements for the five and ten-year blocks.

2. Load Following Procurement

28. For the remaining Residential Customer Class POLR supply (after the deduction of the megawatts for block power supplies described above), 90% will be procured under a series of fixed price, load-following supply contracts inclusive of energy, capacity, transmission (other than Network Integration Transmission Service), ancillary services, transmission and distribution losses, congestion management costs, and such other services or products that are required to supply default service to PPL Electric’s retail customers, including AEPS credits. The load following supply will be obtained through a series of quarterly solicitations beginning in July 2009.

29. Following a transition period as shown in Appendix R, PPL Electric will procure 45% of Residential customers’ default service requirements (after the deduction of the megawatts of block power supplies) under one-year contracts, and 45% under two-year contracts. During the term of the DSP Plan, PPL Electric will renew all of the one-year contracts every year, and will renew half of the two-year contracts every year.

30. The quarterly solicitations for the 12- and 24-month contracts will be held approximately three (3) months before delivery commences. Each of the steady-state quarterly procurements will consist of 16.875% (or approximately 17%) of the Company's POLR obligation, after the deduction of the megawatts of longer-term block power supplies, with 12-month contacts accounting for 11.25% and 24-month contacts accounting for 5.625% of said quarterly procurement. The general procurement schedule is shown graphically in Appendix R.

31. The individual solicitation and aggregate load caps on individual suppliers set forth in Paragraph 27 above will apply to the load following procurements.

3. Spot Market Procurement

32. PPL Electric will obtain 10% of its default service supply (after the deduction of the megawatts for block power supplies noted above) for the Residential Customer Class from the PJM spot market beginning in 2011 and continuing for the remainder of the DSP Plan period. To obtain the 10% spot market component of its default supply, PPL Electric will issue a single annual solicitation, wherein the Company will request competitive offers from suppliers to provide default service spot market supply. The first solicitation, for the January – May 31, 2011 period, will take place in October 2010. Subsequent solicitations will be conducted in April of each year. This spot-market service supply will include energy, capacity, transmission (other than Network Integration Transmission Service), ancillary services, transmission and distribution losses, congestion management costs, and such other services or products that are required to supply default service to PPL Electric's retail customers, including AEPS credits. Competitive suppliers will make offers in response to the solicitation, and the successful suppliers' charges will be included in the calculation of generation supply charges.

C. SMALL C&I CUSTOMER PROCUREMENT

33. PPL Electric will eliminate all long-term supply for this class. PPL Electric will impose an aggregate load cap on individual wholesale suppliers of 65%.

34. The procurement plan for the Small C&I Customer class shall be as follows:

1. Load Following Procurement

35. PPL Electric will procure 90% of the required Small C&I Customer Class POLR supply under a series of fixed price, load-following supply contracts inclusive of energy, capacity, transmission (other than Network Integration Transmission Service), ancillary services, transmission and distribution losses, congestion management costs, and such other services or products that are required to supply default service to PPL Electric's retail customers, including AEPS credits. The load following supply will be obtained through a series of quarterly solicitations beginning in July 2009. The contract term lengths and procurement schedule are set forth in the RFP Rules (PPL Electric Exhibits 2 and 5) and Appendix S, which shows graphically the procurement for the Small C&I Customer Class.

36. Following a transition period as shown in Appendix S, PPL Electric will procure 45% of Small C&I customers' default service under one-year contracts, and 45% under two-year contracts. Going forward, PPL Electric will renew all of the one-year contracts every year, and will renew half of the two-year contracts every year.

37. The quarterly solicitations for the 12- and 24-month contracts will be held approximately three (3) months before delivery commences. Each of the steady-state quarterly procurements will consist of 16.875% (or approximately 17%) of the Company's POLR obligation, with 12-month contacts accounting for 11.25% and 24-month contacts accounting for 5.625% of said quarterly procurement, as shown in the RFP Rules and Appendix S.

38. An individual bidder is subject to a load cap of 85% for the Small C&I Customer Class in each solicitation. In addition, PPL Electric will impose an aggregate load cap on individual wholesale suppliers for the Small C&I Customer Class of 65%.

2. Spot Market Procurement

39. PPL Electric will obtain 10% of its default service supply for the Small C&I Customer Class from the PJM spot market beginning in 2011 and continuing for the remainder of the DSP Plan. To obtain the 10% spot market component of its default supply, PPL Electric will issue a single annual solicitation, wherein the Company will request competitive offers from suppliers to provide default service spot market supply. The first solicitation, for the January – May 31, 2011 period, will take place in October 2010. Subsequent solicitations will be conducted in April of each year. This spot-market service supply will include energy, capacity, transmission (other than Network Integration Transmission Service), ancillary services, transmission and distribution losses, congestion management costs, and such other services or products that are required to supply default service to PPL Electric’s retail customers, including AEPS credits. Competitive suppliers will make offers in response to the solicitation, and the successful suppliers’ charges will be included in the calculation of generation supply charges.

D. LARGE C&I CUSTOMER PROCUREMENT

40. PPL Electric’s hourly default service proposal is accepted as filed. PPL Electric will convene a separate collaborative with interested parties to develop and file an optional monthly or quarterly load following service for Large C&I customers. As part of the collaborative, the parties will in good faith consider, among other things, designs for the monthly or quarterly option that avoid any impediments to or restrictions on switching and that achieve resulting rates for Large C&I customers that are reasonable, while ensuring that PPL Electric will recover, on a full and current basis, the reasonable cost incurred to provide the product. PPL

Electric will consider input from interested parties, but will file a proposal that is acceptable to PPL Electric. Such filing will be made with the Commission on or before June 1, 2009. All parties reserve their rights to object to the terms of such proposal and to propose alternate provisions. The parties agree that the only issue to be resolved in that proceeding will be the provision of optional monthly or quarterly default service to Large C&I customers.

41. The procurement plan for the Large C&I Customer Class shall be as follows:

1. Spot Market Procurement

42. The Company will provide POLR service on a real-time hourly basis through the PJM spot market. PPL Electric will issue a single annual solicitation, wherein the Company will request competitive offers from suppliers to provide default service spot market supply. The first solicitation, for the January – May 31, 2011 period, will take place in October 2010. Subsequent solicitations will be conducted in April of each year. This spot-market service supply will include energy, capacity, transmission (other than Network Integration Transmission Service), ancillary services, transmission and distribution losses, congestion management costs, and such other services or products that are required to supply default service to PPL Electric's retail customers, including AEPS credits. Competitive suppliers will make offers in response to the solicitation, and the successful suppliers' charges will be included in the calculation of generation supply charges.

2. Optional Load Following Service

43. The Company will file an optional monthly or quarterly load following service for Large C&I customers, as explained in Paragraph 40 of this Settlement.

E. REPORTING MECHANISMS

44. PPL Electric and interested parties will develop specific reporting mechanisms regarding the results of the procurement processes being employed for the procurement groups, with appropriate confidentiality provisions.

F. RATE DESIGN

1. Residential and Small C&I Customer Classes

45. The Company will charge flat POLR rates (*i.e.*, a single charge per kilowatt hour) calculated separately for the Residential and Small C&I Customer Classes under the GSC-1 rate. These generation rates will not include demand charges or declining energy rates.

46. Costs, including costs under the various supplier contracts and reasonable costs incurred to procure and administer the DSP Plan for the Residential and Small C&I Customer classes, will be recovered through the GSC-1. The GSC-1 will be separately calculated for the Residential and Small C&I Customer classes. The GSC-1 will be reconciled on a quarterly basis for over and under recoveries. Costs of the DSP Plan incurred prior to 2011 will be included in the GSC-1 and amortized ratably over the term of the DSP Plan. Costs incurred during the DS Program will be projected for each quarterly period and reconciled against actual experience.

47. PPL Electric will adopt a further phase-in plan for Rate Schedule RTS, with any lost revenue to be recovered from Rate Schedule RS customers. Specifically, one-half of the existing rate differential will be eliminated as of January 1, 2011, and the remaining differential will be eliminated as of January 1, 2012.

2. Large C&I Customer Class

48. Customers in the Large C&I Customer Class will pay the following three charges for default service under the GSC-2:

- An energy charge per KWH based on the real-time hourly spot-market price and the customer's actual hourly energy use.
- A capacity charge per KW based on the PJM Reliability Pricing Model ("RPM") price for capacity and the customer's fixed peak load capacity value.
- An energy charge per KWH to recover all supplier charges and PPL Electric's cost of administration, both prospective costs and an amortization of pre-2011 costs over the term of the DSP Plan.

49. Costs, including costs under the supplier contracts and costs incurred to procure and administer the DSP Plan for the Large C&I Customer Class, will be recovered through the GSC-2. PPL Electric's charge shall be the monthly amortization of its actual costs of administering the DSP Plan for the Large C&I Customer Class during the most recent 12-month period ended March 31 (as determined by amortizing such costs ratably over a 12-month period) plus the monthly amortization of the cost of administering that program prior to 2011 (as determined by amortizing such costs ratably over the term of the DSP Plan).

50. The GSC-2 rate will be revised annually, on thirty days advance notice, to reflect changes in costs.

51. An appropriate tariff filing will be made for full recovery of costs to provide the optional monthly or quarterly load following service for Large C&I customers in accordance with Paragraph 40 above.

G. AEPS PROCUREMENT

52. The Company will procure AEPS credits to meet its obligation under the AEPS Act as a component of its load following and spot-market default service supply contracts. The seller shall provide its proportional share of AEPS credits to fulfill PPL Electric's AEPS obligation, in accordance with the terms of the Default and Spot Market SMAs. Additionally, the SMAs require the seller to complete its transfer of AEPS credits into PPL Electric's Generation Attribute Tracking System account(s) in the amount necessary to fulfill the seller's

AEPS obligation, pursuant to the schedule set forth in the SMAs. AEPS credits associated with the block purchases under the Residential Customer class procurement shall be acquired, to the extent necessary, through a separate RFP procurement to occur at the same time as the procurement of the associated blocks of energy. As noted above, the form of RFP Rules and Default Service, Spot and Block SMAs, revised consistent with this Settlement and the Commission's resolution of the reserved issues, will be included in a subsequent compliance filing in the above captioned proceeding.

H. RTO COMPLIANCE

53. The Parties agree that the DSP Plan is consistent with the requirements regarding generation, sale and transmission of electricity within PJM Interconnection, LLC ("PJM"), the Regional Transmission Organization ("RTO") where PPL Electric provides service. The DSP Plan aligns procurement with PJM's Planning Year (June through May), and the SMAs and RFP Rules require compliance with PJM requirements.

I. CONTINGENCY PLANS

54. If POLR load is not being served either because that load has not been awarded to a wholesale supplier or because a wholesale supplier has defaulted and no other supplier has agreed to serve the load under the "step up" provisions in the SMAs, then:

- A. PPL Electric will initially supply the unserved load by purchasing energy and all other necessary services through the PJM-administered markets, including, but not limited to, the PJM energy, capacity, and ancillary services markets, any other service required by PJM to serve such unserved load, and any AEPS requirements, and will recover all the costs of such purchases from default service customers in the retail rates charged for the service for which the purchases are made; and

- B. Within 10 business days of it being determined by PPL Electric that the load is unserved, PPL Electric will file alternative procurement options with the Commission to provide supply for the unserved load. PPL Electric will request that the Commission consider and resolve PPL Electric's filing on an expedited basis. Any alternative option that the Commission approves will expressly provide that all of the costs incurred by PPL Electric to provide supply for the unserved load will be recovered in retail rates in the same manner as all other default service charges. Until the Commission approves an alternative means of filling the load, sub-paragraph (A) above will continue to apply.

The foregoing procedures also will apply in the event there is unmet block supply for the Residential Customer class, with the exception that the Company will obtain short-term, three month block supply until an alternative proposal is approved.

J. DEMAND SIDE MANAGEMENT AND TIME OF USE RATES

55. The Parties agree that the DSP Plan under this Settlement does not include demand side response and demand side management rates.

56. PPL Electric has committed to have available a year-round Time of Use program for all customers effective January 1, 2010, subject to Commission approval. PPL Electric will file for approval of Time of Use rates in mid-2009.

57. PPL Electric will consider Mr. Epstein's Green Weekend proposal in this proceeding in its mid-2009 Time of Use rate filing. PPL Electric will support a Public Input Hearing in Harrisburg with respect to that filing.

K. PURCHASE OF RECEIVABLES

58. PPL Electric will file a revised voluntary purchase of receivables (“POR”) plan as part of its next distribution rate case. PPL Electric also will propose to unbundle uncollectible accounts expense as part of that filing. If PPL Electric does not file a distribution rate case with an effective date of on or before January 1, 2011, after suspension, it will file a stand alone POR plan no later than July 1, 2010. The POR plan filed by the Company shall include at a minimum the following elements:

- ability to terminate service for non-payment of supplier charges, with appropriate protections for customers and the Company.
- non-recourse as to correct EGS charges, and subject to the termination and protection provisions above.
- elimination of the current provision of reversion to separate billing for nonpayment by a customer of the EGS portion of the bill.
- discounts to POR payments to suppliers to reflect incremental uncollectible expenses not included in distribution rates, which may include the unbundled uncollectible accounts percentage; provided, however, that customers will not be responsible for any reconciliation of the discount against actual results.
- ability for PPL Electric to also recover through the discount rate POR program implementation costs and other POR-related expenses not included in distribution rates. The Company’s filing will provide an estimate of these costs.

59. Parties are not prohibited from presenting other unbundling proposals, or from challenging the merits of any unbundling proposal. Provided, however, that no party shall contend that unbundling proposals may not be considered in the context of a base-rate proceeding. *Prior to submitting the base rate case or stand alone POR filing, PPL Electric will hold at least three stakeholder meetings to discuss the terms and conditions of the POR program to be filed. The Joint Petitioners acknowledge that there exists a disagreement among certain parties concerning whether service may be terminated for supplier charges that exceed default service charges. This issue will be a subject of the stakeholder meetings referenced above, but*

PPL Electric reserves the right to present as part of the POR filing its proposal with respect to termination. PPL Electric shall make best efforts to file the proposed plan so that it may be put into effect by January 1, 2011.

L. NOTIONAL QUANTITY

60. The SMAs related to the DSP Plan will be revised such that the Notional Quantity provision is explicitly optional, at the discretion of the supplier. Specifically, the following text will be inserted into the beginning of section 12.3(b) of the SMAs:

“ Seller may, in its sole discretion, add the following subsection 12.3(b) by checking this box. If Seller does not check this box, subsection 12.3(b) will not be deemed to be included as part of the this Agreement.”

M. SOLAR SCHOLARS/GREEN SCHOLARS FUNDING

61. PPL Electric will continue funding to SEF for the Solar Scholars program through 2009 at the amount agreed to in PPL Electric’s last base rate proceeding, *i.e.*, \$125,000 per year for 2008 and 2009. For the year ending December 31, 2010 the funding amount will be \$175,000. SEF can use the funds for Solar Scholars or Green Scholars. SEF is not required to implement equipment grants at the level presented in its budget submitted as a rebuttal exhibit in this proceeding. PPL Electric will consider the other SEF proposals in this proceeding as part of its comprehensive conservation filing under Act No. 129. PPL Electric shall not seek to recover the \$175,000 in distribution rates.

N. ADDITIONAL COLLABORATIVES

62. PPL Electric agrees to convene a collaborative to discuss a residential and small commercial and industrial direct mail referral program and a residential customer aggregation program. PPL Electric agrees to hold at least three collaborative meetings. PPL Electric will

consider the results of the collaborative in developing the plan design for its next default service plan proceeding.

O. SENIOR CITIZEN RATE PROPOSAL AND OUTREACH

63. PPL Electric will consider Mr. Epstein's senior citizen rate proposal in its universal service filing that will be made in 2010 for the three year period 2011 – 2014. PPL Electric will support a Public Input Hearing in Harrisburg with respect to that filing.

64. PPL Electric will consider special outreach to senior citizens to inform them of both the rate stabilization and rate mitigation plans, through an appropriate senior citizen agency and/or a stakeholder collaborative modeled on the collaborative processes used in the Rate Stabilization Plan and time of use filings.

P. RELEASE OF INFORMATION DATABASE

65. PPL Electric will update its customer Release of Information ("ROI") database *through a one-time mailing (either bill insert or post card) to customers in the first half of 2010* to update customer information release preferences as part of its customer education plan. PPL Electric acknowledges that it will comply with 52 Pa. Code §54.8 in undertaking the mailing.

III. CONDITIONS OF SETTLEMENT

66. This Settlement is conditioned upon the Commission's approval of the terms and conditions contained herein without modification. *If the Commission modifies the Settlement, then any Joint Petitioner may elect to withdraw from this Settlement and may proceed with litigation and, in such event, this Settlement shall be void and of no effect.* Such election to withdraw must be made in writing, filed with the Secretary of the Commission and served upon all Joint Petitioners within five (5) business days after the entry of an order modifying the Settlement.

67. The Joint Petitioners acknowledge and agree that this Settlement, if approved, shall have the same force and effect as if the Joint Petitioners had fully litigated this proceeding. This Settlement shall be considered to have the same effect as full litigation of this proceeding.

68. This Settlement is proposed by the Joint Petitioners to settle all issues in the instant proceeding with the exception of the reserved issues for litigation set forth herein, and issues that may arise as a result of the collaboratives and/or future filings established under this Settlement. If the Commission does not approve the Settlement and the proceeding continues, the Joint Petitioners reserve their respective rights to present full briefing and argument. The Settlement is made without any admission against, or prejudice to, any position which any Joint Petitioner may adopt in the event of any subsequent litigation in this proceeding or any other proceeding.

69. This Settlement may not be cited as precedent in any future proceeding, except to the extent required to implement this Settlement.

70. The Commission's approval of the Settlement shall not be construed to represent approval of any Joint Petitioner's position on any issue, except to the extent required to effectuate the terms and agreements of the Settlement in this and future proceedings involving PPL Electric.

71. It is understood and agreed among the Joint Petitioners that the Settlement is the result of compromise, and does not necessarily represent the position(s) that would be advanced by any party in this proceeding if it were fully litigated.

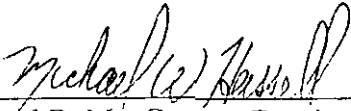
72. This Settlement is being presented only in the context of this proceeding in an effort to resolve the proceeding in a manner which is fair and reasonable. The Settlement is the product of compromise. This Settlement is presented without prejudice to any position which

any of the parties may have advanced and without prejudice to the position any of the parties may advance in the future on the merits of the issues in future proceedings except to the extent necessary to effectuate the terms and conditions of this Settlement. This Settlement does not preclude the Joint Petitioners from taking other positions in proceedings of other electric distribution companies.

WHEREFORE, the Joint Petitioners, by their respective counsel, respectfully request as follows:

1. That the Honorable Administrative Law Judge Susan D. Colwell and the Commission approve this Settlement including all terms and conditions herein; and
2. That the Commission enter an order consistent with this Settlement authorizing PPL Electric Utilities Corporation to undertake the DSP Plan, as set forth herein.

Respectfully submitted,



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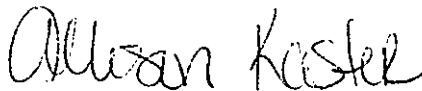
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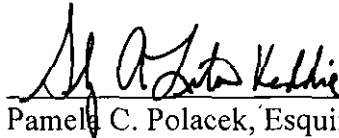
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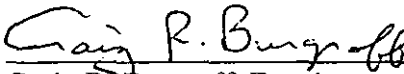
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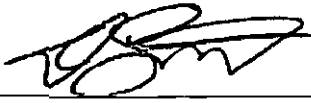
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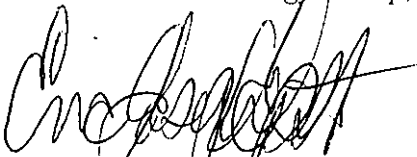
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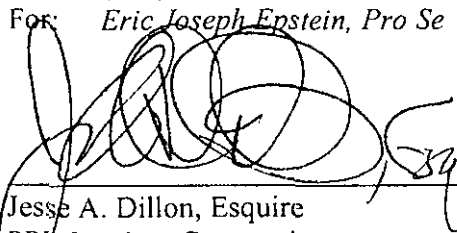
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A

GENERATION SUPPLY CHARGE-1

Beginning on January 1, 2011, the Generation Supply Charge-1 (GSC-1) shall be applied to each kilowatt-hour supplied to residential customers who take Basic Utility Supply Service ("BUSS") from the Company under Rate Schedules RS, RTS, RTD, and small commercial and industrial customers who take BUSS service under Rate Schedules GS-1, GS-3, GH-1, GH-2, IS-1, BL, SA, SM, SHS, SE, TS and SI-1, and standby service for the foregoing rate schedules. The GSC-1 will not apply to those Rate Schedule GS-3 customers who have a peak demand of 500 kW or greater, but the GSC-1 will apply to those Rate Schedule LP-4 customers who have a peak demand of less than 500 kW. This peak demand will be based on the customer's peak load contribution to PJM peak load in the 2008-2009 PJM Planning Year. The GSC-1, determined in accordance with the formula set forth below, shall be applied to all kilowatt-hours billed for BUSS service provided during the billing month:

$$GSC-1 = \left[\frac{GS_c - E}{S} \right] \times \frac{1}{(1-T)}$$

Where:

GSC-1 = The Generation Supply Charge-1, stated in cents per kilowatt hour, shall be calculated separately for each of the following two Customer Classes: (1) residential, and (2) small commercial and industrial (taking service at secondary voltage levels) as designated above.

GS_c = The total estimated direct and indirect costs incurred by the Company to acquire generation supply from any source on behalf of BUSS customers in the applicable Customer Class.

The computation quarter (c) shall be each calendar quarter of the PJM Planning Year over which the GSC-1, as computed, will apply. Projections of the Company's costs to acquire generation supply, adjusted for losses and including Alternative Energy Credits, for the computation quarter shall include all direct and indirect costs of generation supply to be acquired by the Company from any source plus any associated generation supply-related procurement and administration costs. Any costs incurred prior to January 1, 2011 shall be amortized ratably over the 29-month period January 1, 2011 through May 31, 2013, and the quarterly amortization amount shall be included in the computation of the GSC-1. In addition, the initial computation quarter will include any applicable over or undercollection related to the Generation Supply Charge (GSC) for the Residential and Small Commercial and Industrial Customer Classes.

E = Experienced net over or undercollection of costs associated with the acquisition of generation supply for BUSS customers as of the end of the calendar quarter ended two months prior to the computation quarter, including applicable interest. Interest shall be computed monthly from the month the over or undercollection occurs to the month in which the overcollection is refunded or the undercollection is recouped. Interest on recoveries of undercollections shall be calculated at the legal rate of interest; interest on refunds of overcollections shall be calculated at the legal rate of interest plus 2 percent annual interest.

(Continued)

GENERATION SUPPLY CHARGE-1 (CONTINUED)

- S = The Company's total retail KWH sales to BUSS customers in the applicable Customer Class, projected for the computation quarter (c).
- T = The Pennsylvania gross receipts tax rate in effect during the billing month, expressed in decimal form.

For customers served under Rate Schedule RTS, the GSC-1, as calculated above, shall be reduced by 0.675 cents per KWH for the period January 1, 2011 through December 31, 2011. For customers served under Rate Schedules RS and RTD, the GSC-1, as calculated above, shall be increased during the period January 1, 2011 through December 31, 2011 by an amount equal to the estimated revenue shortfall resulting from this adjustment to the GSC-1 for Rate Schedule RTS.

The GSC-1 shall be filed with the Pennsylvania Public Utility Commission (Commission) by the beginning of the month prior to each computation quarter. The rate shall become effective for BUSS service rendered during the computation quarter, unless otherwise ordered by the Commission, and shall remain in effect for a period of one quarter.

The Company will file with the Commission by the beginning of the month prior to each computation quarter, a quarterly reconciliation of the GSC-1 revenue recovery for the most recently available actual calendar quarter, pursuant to 66 Ps. C.S. §1307. The reconciliation shall become effective for service rendered during the computation quarter and shall remain in effect for a period of one quarter, or until new GSC-1 rates are approved by the Commission.

Reconciliation of the GSC-1 will be conducted separately for each of the two Customer Classes. The reconciliation will include a calculation of the adjustment to the GSC-1, in cents per KWH, required to refund or recover previous application period over or under recoveries of the quarterly GSC-1. The reconciliation will be the difference between GSC-1 revenue produced by actual usage and GSC-1 revenue estimated on the basis of projected usage for that previous computation quarter. Any over/under collection will be reflected in the GSC-1 during the computation quarter. Any amount of over/under recovery that will not be recovered will be reflected in the subsequent application period.

Minimum bills shall not be reduced by reason of the GSC-1, nor shall GSC-1 charges be a part of the monthly rate schedule minimum. The GSC-1 shall not be subject to any credits or discounts other than the credit to Rate Schedule RTS described above, and shall not be affected by the State Tax Adjustment Surcharge (STAS).

The Company shall file a report regarding GSC-1 collections within thirty (30) days following the conclusion of each computation quarter. These reports shall be in a form prescribed by the Commission. The report shall be accompanied by a tentative estimate of the GSC-1 for the next computation quarter.

Application of the GSC-1 shall be subject to continuous review and audit by the Commission at intervals it shall determine. The Commission shall review the reasonableness and lawfulness of the level of charges produced by the GSC-1 and the costs included therein.

GENERATION SUPPLY CHARGE-2

Beginning on January 1, 2011, the Generation Supply Charge-2 (GSC-2) shall be charged to each customer in the Large Commercial & Industrial Customer Class who takes Basic Utility Supply Service ("BUSS") from the Company under Rate Schedules LP-4, ISP, LP-5, LP-6, LPEP, IST, ISM, and standby service for the foregoing rate schedules. The GSC-2 will not apply to those Rate Schedule LP-4 customers who have a peak demand of less than 500 kW, but the GSC-2 will apply to those Rate Schedule GS-3 customers who have a peak demand of 500 kW or greater. This peak demand will be based on the customer's peak load contribution to PJM peak load in the 2008-2009 PJM Planning Year. The GSC-2 shall consist of the following charges:

- **GSC-2 Energy Charge per KWH:** The product of actual real-time PL Zone Locational Marginal Prices for each hour of the billing month times the customer's actual energy use, adjusted for losses, during each hour of the billing month.
- **GSC-2 Capacity Charge:** The product of the PJM Reliability Pricing Model ("RPM") price of capacity expressed in dollars per KW-Day, as reported by PJM for the PL Zone, for the applicable billing month times the customer's fixed peak load capacity obligation, as determined by the Company in accordance with the applicable PJM Agreements, times the number of days in the billing month.
- **GSC-2 Administrative Charge per KWH:** The product of all administrative charges (both the supplier's charges and PPL Electric's charges) times the customer's actual energy use, adjusted for losses, during each hour of the billing month. The supplier's charges shall be the supplier's winning bid in PPL Electric's most recent solicitation for supply of default service to customers in the Large C&I Customer Class. The supplier's charges may include, but are not limited to, the costs of transmission service (other than Network Integration Transmission Service), ancillary services, congestion management costs, and such other services or products that are required to supply hourly default service to customers in the Large C&I Customer Class, including Alternative Energy Credits. PPL Electric's charge shall be the monthly amortization of its actual costs of administering its default service program for the Large C&I Customer Class during the most recent 12-month period ended March 31 (as determined by amortizing such costs ratably over a 12-month period) plus the monthly amortization of the cost of administering that program prior to January 1, 2011 (as determined by amortizing such costs ratably over the 29-month period January 1, 2011 through May 31, 2013). In addition, the initial computation quarter will include any applicable over or under collection related to the 2010 Generation Supply Charge (GSC) for the Large Commercial and Industrial Customer Class.

The following rate components of the GSC-2 shall be filed with the Pennsylvania Public Utility Commission (Commission) 30 days prior to each application year (June 1 through May 31), except that the initial rate components shall be filed 30 days prior to the initial application year (January 1, 2011 through May 31, 2012). The rate components subject to this annual filing requirement are: (1) the price for capacity resulting from PJM's applicable RPM auction, (2) the supplier's charges to be included in the GSC-2 Administrative Charge and (3) PPL Electric's charges to be included in the GSC-2 Administrative Charge. The rate components shall become effective for BUSS service rendered during the application year, and shall remain in effect for a period of one year.

The Pennsylvania gross receipts tax rate in effect during the billing month shall apply to charges under the GSC-2.

(Continued)

GENERATION SUPPLY CHARGE-2 (CONTINUED)

Minimum bills shall not be reduced by reason of the GSC-2, nor shall GSC-2 charges be a part of the monthly rate schedule minimum. The GSC-2 shall not be subject to any credits or discounts and shall not be affected by the State Tax Adjustment Surcharge (STAS).

The Company shall file a report regarding GSC-2 collections within thirty (30) days following the conclusion of each computation year. These reports shall be in a form prescribed by the Commission. The report shall be accompanied by a tentative estimate of the GSC for the next computation year.

Application of the GSC-2 shall be subject to continuous review and audit by the Commission at intervals it shall determine. The Commission shall review the reasonableness and lawfulness of the level of charges produced by the GSC-2 and the costs included therein.

B

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of PPL Electric Utilities Corporation :
for Approval of a Default Service Program : Docket No. P-2008-2060309
and Procurement Plan for the Period January :
1, 2011 Through May 31, 2013. :
:

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SECRETARY'S BUREAU

**PPL ELECTRIC UTILITIES CORPORATION'S
STATEMENT IN SUPPORT OF JOINT PETITION FOR SETTLEMENT**

TO THE HONORABLE ADMINISTRATIVE LAW JUDGE SUSAN D. COLWELL:

PPL Electric Utilities Corporation ("PPL Electric" or the "Company") hereby submits this Statement in Support of the Joint Petition for Settlement ("Settlement") filed in the above-captioned proceeding. The Settlement is joined in, or is not opposed by, all parties to the proceeding (collectively, the signatory parties are referred to as the "Parties" or "Joint Petitioners").

The Settlement resolves all but two issues in the proceeding. The reserved issues for litigation, which concern default service for Amtrak and whether to include certain default provisions in the Supply Master Agreements ("SMA"), are distinct from, and will have no effect upon, any of the settled matters in this case.

PPL Electric believes that the Settlement is in the best interests of PPL Electric, its customers and the Parties, and therefore is in the public interest and should be approved. As explained in greater detail below, the Settlement reflects a compromise of various issues raised during the course of the proceedings, while maintaining the core structure of PPL Electric's proposed Default Service Program and Procurement Plan ("DSP Plan"). That core structure relies principally upon the acquisition of a series of layered shorter term (one to two year) fixed price, load-following supply contracts for the Residential and Small Commercial and Industrial

("Small C&I") Customer Classes, with a mix of other longer term and spot products appropriate to the respective Classes. The Settlement also preserves the Company's proposal that the default product for the Large C&I Class be an hourly priced service, with the addition of an optional *monthly or quarterly load following service to be developed following a subsequent collaborative*. Supplies will be acquired using a Request for Proposal ("RFP") process substantially identical in form to the process that PPL Electric has successfully used for its current Competitive Bridge Plan ("CBP") default procurement process. (PPL Electric St. 1, p. 12).¹ For the reasons set forth below, the Settlement is just and reasonable, and should be approved.

This Statement in Support is structured as follows. Section I provides basic background to the DSP Plan. Section II is a detailed description of the Original DSP Plan that was filed by the Company on August 28, 2008. Section III describes modifications that PPL Electric made to the Original DSP Plan as a result of the adoption of Act No. 129 of 2008 ("Act No. 129"). Finally, Section IV of this Statement in Support explains why the DSP Plan as contained in the Settlement is in the public interest, complies with Act No. 129 and should be approved. A detailed description of the modified DSP Plan is contained in the Settlement.

I. BACKGROUND

On August 28, 2008, PPL Electric filed its Petition for Approval of a Default Service Program and Procurement Plan for the Period January 1, 2011 through May 31, 2014 ("Petition") to establish the terms under which PPL Electric would provide Provider of Last Resort Service ("POLR" or "default" service) and obtain generation supply for that service. (PPL Electric Ex.

¹ The CBP Plan and its procurement process was approved by Order entered May 17, 2007 at Docket No. P-00062227. (PPL Electric Ex. 1, p. 14). The CBP applies only during 2010. *Id.* Under the CBP, PPL Electric is currently acquiring POLR supply through a series of six solicitations, which began in 2007. *Id.* (PPL Electric St. 1, p. 9).

1). The start date for the DSP Plan coincides with the scheduled expiration of PPL Electric's Commission-approved CBP, pursuant to which PPL Electric will meet its POLR obligations for 2010. The end date of May 31 was designed to match the term of the DSP Plan with the PJM Interconnection, LLC ("PJM") planning year. (PPL Electric St. 1, p. 21).

On October 15, 2008, Governor Rendell signed House Bill No. 2200, subsequently identified as Act No. 129, which, among other things, established certain new requirements for the acquisition of POLR supply by electric distribution companies. Because the legislation was passed after PPL Electric filed its DSP Plan, the Company, without objection of the parties, requested and was granted the right to file revisions to the DSP Plan.

The following sections provide a description of the originally-filed DSP Plan, and the modifications that were made following the enactment of Act No. 129.

II. DESCRIPTION OF ORIGINAL DSP PLAN

The Original DSP Plan incorporated procedures similar to those previously approved by the Commission and successfully used by PPL Electric for its CBP. In particular, the Original DSP Plan relied upon an RFP process, to be administered by an independent third party, NERA Economic Consulting ("NERA"), to procure default supply for the term of the DSP Plan. (PPL Electric St. 1, p. 12). NERA is the independent third party administrator of the CBP RFP process.

The Original DSP Plan proposed to obtain POLR supply separately for three Customer Classes: Residential, Small C&I and Large C&I. Under the terms of the proposed RFP Process and Rules ("RFP Rules") and the SMAs, which were attached to PPL Electric's Petition, the contracts would include energy, capacity, transmission (other than Network Integration Transmission Service), ancillary services, transmission and distribution losses, congestion management costs, and such other services or products that are required to supply default service

to PPL Electric's retail customers, including alternative energy credits required to meet PPL Electric's obligations under the Alternative Energy Portfolio Standards Act ("AEPS Act"), for each customer class, and would recover the cost of obtaining these services from customers in that customer class. The proposed DSP Plan was designed to comply with the then-applicable "prevailing market price" standard under Section 2807(e)(3) of the Public Utility Code, 66 Pa.C.S. §2807(e)(3) and the Pennsylvania Public Utility Commission's ("Commission") Default Service Regulations at 52 Pa. Code §§54.181-189.

The details of the Original DSP Plan are described next.

A. Supply and Procurement

1. Residential and Small C&I Customer Classes

Under the Original DSP Plan, the products and procurement processes for the Residential Customer Class and Small C&I Customer Class were identical in design.² As proposed, 90% of the POLR supply for each Class would be separately procured under a series of fixed price, load following supply contracts. The load following supply would be obtained through a laddered series of quarterly solicitations beginning in July 2009 and continuing through April 2014. The remaining 10% of required POLR supply would reflect PJM spot market prices through a series of annual contracts with third party suppliers.

The Original DSP Plan procurement schedule for load following contracts was designed to reach a "steady state" beginning in 2011, when PPL Electric would begin to procure a fixed percentage of its POLR supply on a quarterly basis through 12 and 24 month contracts. The quarterly solicitations for these contracts would be held approximately three months before delivery was to commence. Each of the steady-state procurements would consist of 11.25% of

² It is to be emphasized that although the procurement design was identical for the two Classes, the procurements would be undertaken for the Classes separately, to reflect their separate Class risks.

the Company's POLR obligation under the 12-month contracts, and 5.625% under the 24-month contracts. Going forward, 45% of the Residential and Small C&I Customers' default service requirements would be procured under the 12-month contracts and 45% under the 24-month contracts, with all of the 12-month contracts and half of the 24-month contracts renewed annually. (PPL Electric Ex. 1, p. 18).

In order to move smoothly from the CBP, which provides for procurement only for the period from January 1, 2010 through December 31, 2010, to a steady state quarterly procurement process that coincides with the PJM Planning Year, PPL Electric's Original DSP Plan contained a transitional procurement schedule. Specifically, PPL Electric proposed to conduct a series of six quarterly procurements, beginning in July 2009 and continuing through the fourth quarter of 2010. As proposed, each contract would begin delivery on January 1, 2011, and would expire on a rolling quarterly basis beginning May 31, 2011 and continuing through February 28, 2013. As these contracts expired, they would be replaced by the 12- and 24-month steady state contracts described above. The transitional contracts range from 5 months to 26 months in length, with the shortest term transitional contracts proposed to be bid first to reduce the risk premium associated with the period between solicitation and the delivery term. Like the layered steady state procurements, the transitional procurements were designed to procure power at multiple points in time in order to layer in changing prices while moderating price volatility. (PPL Electric Ex. 1, p. 19).

With respect to the 10% spot market component in the Original DSP Plan for the Residential and Small C&I Customer Classes, PPL Electric proposed to issue a single annual solicitation, requesting competitive offers from suppliers to provide default service spot market supply. The first solicitation, for a 5-month period from January 1, 2011 through May 31, 2011,

would be undertaken in October 2010. Thereafter, solicitations would be undertaken annually, in April. The spot-market service supply would include energy, capacity, transmission (other than Network Integration Transmission Service), ancillary services, transmission and distribution losses, congestion management costs, and such other services or products required to supply default service, including AECs. Competitive suppliers would bid on the spot market supply, and in exchange for being responsible for all of the preceding services and costs, the winning suppliers would be paid the PPL Zonal real-time hourly spot-market prices and PJM's pre-determined PPL Zonal capacity charge, plus their winning bid price. (PPL Electric Ex. 1, pp. 20-21).

2. Large C&I Customer Class

For the Large C&I Customer Class, PPL Electric's Original DSP Plan proposed to provide POLR service on a real time hourly basis. As with the spot market supply described above for the Residential and Small C&I Customer Classes, PPL Electric would pay the winning bidders for the annual product the sum of the PPL Zonal real-time hourly spot market prices, PJM's pre-determined PPL Zonal capacity charge and their winning bid price. In exchange, the winning suppliers would provide all components of default supply services necessary for PPL Electric to satisfy its POLR obligations, including associated AECs, to Large C&I customers. (PPL Electric Ex. 1, p. 21). In its Petition, PPL Electric noted that this procurement proposal was consistent with the Commission's preference, in its Default Service Policy Statement, that Large C&I customers receive hourly priced default service. (PPL Electric Ex. 1, p. 22). Additionally, the Company explained that it is very difficult to purchase a fixed-price product for such customers because of the substantial shopping risk that this Class presents. (PPL Electric Ex. 1, p. 22; PPL Electric St. 2, p. 23).

B. Rate Design

1. Residential and Small C&I Customer Classes

The Company's Original DSP Plan proposed "flat" POLR rates (i.e., a single charge per kilowatt hour) calculated separately for the Residential and Small C&I Customer Classes. This proposal included elimination of any default service rate differential between Rate RS and Rate RTS. As part of the CBP, PPL Electric agreed to maintain a fixed differential between Rate RS and Rate RTS for 2010, as part of the transition from rate caps to competitive market pricing. (PPL Electric Ex. 1, p. 22).

The Original DSP Plan proposed that all costs for the Residential and Small C&I Customer Classes be recovered through a generation supply charge, the GSC-1, in essentially the same manner approved by the Commission for the CBP. The GSC-1 will be separately computed for the Residential and Small C&I Classes. This generation charge would include the total direct and indirect costs incurred by the Company to acquire generation supply for its default service customers in the applicable Customer Class. These costs would include both costs incurred under the power supply contracts themselves and the administrative costs incurred as part of the acquisition of supply, including, but not limited to, costs associated with the independent third-party administrator and legal costs incurred to develop contracts and other supporting documentation. PPL Electric proposed to recover DSP Plan costs incurred prior to 2011 ratably over the life of the Original DSP Plan. Costs incurred during the DSP Plan would be projected for each quarterly period and reconciled against actual experience. (PPL Electric Ex. 1, pp. 22-23).

The Company proposed to adjust this generation rate on a quarterly basis. Each quarterly rate would be based on the average of the prices of: 1) the various load following supply contracts in effect for the relevant quarterly period; 2) the expected costs of spot-market supply

for that quarter; 3) projected DSP Plan costs for that quarter; and 4) amortization of DSP Plan costs incurred prior to 2011. The expected cost of spot-market supply will be the sum of forecasted PPL Zonal real-time hourly spot-market energy prices, PJM's pre-determined PPL Zonal capacity charge, and a competitive supplier charge that encompasses all other components associated with spot-market default supply service necessary for PPL Electric to satisfy its POLR obligations. Each quarterly rate will be filed approximately 30 days prior to the beginning of the respective quarterly period. (PPL Electric Ex. 1, p. 23).

The Original DSP Plan proposed that generation rates be reconciled quarterly to reflect over and under recoveries of all program costs. Reconciliation will be documented separately for each of the two Customer Classes. A reconciliation factor (charge or credit) will be included in each quarterly generation rate and will reflect over/under collections for the most recently available actual calendar quarter. Over/under collections for that quarter plus applicable interest will be included in the generation supply charge. (PPL Electric Ex. 1, pp. 23-24).

2. Large C&I Customer Class

PPL Electric's Original DSP Plan proposed a GSC-2 charge to recover POLR costs from the Large C&I Customer Class. Customers in the Large C&I Customer Class would pay the following three charges for default service:

- An energy charge per KWH based on the real-time hourly spot-market price and the customer's actual hourly energy use.
- A capacity charge per KW based on the PJM Reliability Pricing Model ("RPM") price for capacity and the customer's fixed peak load capacity value.
- An energy charge per KWH to recover all supplier charges and PPL Electric's costs of administration, both prospective costs and an amortization of pre-2011 costs.

As with the GSC-1, the GSC-2 would include the total direct and indirect costs incurred by the Company to acquire generation supply for its default service customers in the Large C&I

Customer Class. These costs would include both costs incurred under the power supply contracts themselves and the administrative costs incurred as part of the acquisition of supply, including, but not limited to, costs associated with the independent third-party administrator and legal costs incurred to develop contracts and other supporting documentation. PPL Electric proposed to recover DSP Plan costs incurred prior to 2011 ratably over the life of the DSP Plan.

The GSC-2 rate would be revised annually, on thirty days advance notice, to reflect changes in supplier charges, changes in PJM capacity charges and to reflect revised administration costs. (PPL Electric Ex. 1, pp. 24-25).

C. AEPS Act Procurement

The AEPS Act requires that a certain percentage of electric energy sold to retail customers in this Commonwealth by electric distribution companies (“EDCs”) and Electric Generation Suppliers (“EGSs”) be derived from alternative energy sources. This requirement may be met through the acquisition of AEPS Credits. Under the CBP procurement process, suppliers are responsible to meet PPL Electric’s AEPS Act requirements as part of their supply product, and must include verification of compliance with PPL Electric’s 2010 obligations under the AEPS Act. The Company proposed to continue that approach under the Original DSP Plan. Specifically, the Company proposed to procure AEPS Credits to meet its obligation under the AEPS Act as a component of its load following and spot-market default service supply contracts. Article 4.4 of the Default Service SMA states that the seller of the full requirements load following product shall enable PPL Electric to comply with the AEPS Act, including regulations adopted thereunder (together the “AEPS Obligation”). The seller shall provide its proportional share of AEPS Credits to fulfill PPL Electric’s AEPS Obligation. Additionally, the Default Service SMA requires the seller to complete its transfer of AEPS Credits into PPL Electric’s Generator Attribute Tracking System account(s) in the amount necessary to fulfill the seller’s

AEPS Obligation, pursuant to the schedule set forth in the Default Service SMA. The Spot Market SMA filed with the Petition contained similar provisions. (PPL Electric Ex. 1, pp. 25-26).

D. RFP Process

As explained previously, PPL Electric's Original DSP Plan proposed to acquire all supplies from competitive wholesale suppliers through an RFP process. Separate bids would be solicited for the Residential, Small C&I and Large C&I Classes. (PPL Electric Ex. 1, p. 26).

PPL Electric based the RFP Rules and the SMAs on the documents approved by the Commission in the CBP proceeding. The RFP Rules and the SMAs incorporate considerable experience obtained in other procurement proceedings and represented a transparent, well-defined and objective approach for PPL Electric's Original DSP Plan.

PPL Electric requested that the Commission approve the results of each competitive solicitation. As stated in the RFP Rules, 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 consider the results and render a final decision on the results of that solicitation. The Commission may either accept or reject all of the bid proposals presented for a Customer Group in their entirety. After receiving PUC approval of the solicitation results, PPL Electric will then execute transaction confirmations with the winning suppliers. The prices in the resulting wholesale supply agreements will form the basis of the rates charged to each of the customer classes. (PPL Electric Ex. 1, p. 26; PPL Electric Ex. 1, Appendix C, p. 37).

Each solicitation for the load-following contracts in the Original DSP Plan was designed to procure a *pro rata* portion of the estimated default service load for each customer class. The portion of total default service supply included in each solicitation was established so that, over

the course of the Original DSP Plan, each solicitation for the load following contracts will procure a specific number of tranches of supply based on product quantity percentage. In the case of the 5-month, 8-month, 11-month and 14-month transitional supply products, twelve tranches will be procured in each solicitation for Residential Customers and nine tranches will be procured in each solicitation for Small C&I Customers. To obtain the 17-month, 20-month, 23-month and 26-month transitional supply products, four tranches will be procured in each solicitation for Residential Customers and three tranches will be procured in each solicitation for Small C&I Customers. In the case of the 12-month steady-state supply products, PPL Electric will procure eight tranches in each solicitation for Residential customers and six tranches in each solicitation for Small C&I Customers. In the case of the 24-month steady-state supply products, PPL Electric will procure four tranches in each solicitation for Residential Customers and three tranches in each solicitation for Small C&I Customers. The Company also proposed to solicit five tranches of Spot Market Supply for the Residential and Small C&I Customer Classes, and twenty tranches for the Large C&I Customer Class. (PPL Electric Ex. 1, p. 28; PPL Electric Ex. 1, Appendix C, pp. 9-10).

For both the Residential and Small C&I Customer Classes, each load following tranche will be a fixed percentage of the customer class' default service load with that percentage estimated to produce tranches of approximately 50 MW of load at peak, based on current PPL Electric forecasts. The MW size of each tranche will depend on the Company's actual POLR load at the time of deliver. Similarly, the spot market supply for all Classes represents a fixed percentage of the customer class' default service load. (PPL Electric Ex. 1, p. 28).

Each supplier of load following and spot supply will become the load-serving entity (“LSE”) in PJM for its share of PPL Electric’s default service load. PPL Electric, however, will remain the default service supplier for its retail customers. (PPL Electric Ex. 1, p. 29).

All qualified suppliers will have an opportunity to respond to PPL Electric’s RFPs, including its affiliates. Qualification is straightforward and requires primarily that the supplier be a member of PJM in good standing and meet certain fundamental credit-worthiness criteria. (PPL Electric St. 2, p. 30). Under the Original DSP Plan, PPL Electric proposed that an individual bidder cannot supply more than 85% of a Customer Class’ POLR load offered in each solicitation. This load cap is used in the CBP. (PPL Electric St. 1-R, p. 34).

Under the Original DSP Plan, PPL Electric proposed that suppliers selected to serve any portion of PPL Electric’s default service load be required to post performance assurance. Such assurance is required to enable PPL Electric to recover costs arising from a supplier default. Depending upon its credit rating, a supplier will be extended an unsecured credit amount, and the required performance assurance would be a calculated amount in excess of any unsecured credit. The Company proposed that the performance assurance be recalculated every business day based upon forward prices for energy and capacity to be delivered under the contract. (PPL Electric Ex. 1, p. 29).

E. Third Party Manager

The Commission’s Default Service Policy Statement provides that the competitive bid solicitation process should be monitored by an independent evaluator. (52 Pa. Code § 69.1807(8)). The Default Service Policy Statement also states that evaluator should have an expertise in the analysis of wholesale energy markets, including methods of energy procurement. Consistent with these requirements, PPL Electric has retained NERA as the independent third-party to administer each procurement, analyze the results of the solicitations for each customer

class, select the supplier(s) that will provide services at the lowest cost and submit all necessary reports to the Commission. NERA has successfully administered the CBP procurements to date. In addition, NERA is the administrator for other POLR programs in Pennsylvania and elsewhere, and has substantial experience in this arena. Based on this track record, the Company proposed to continue to retain NERA to administer the Original DSP Plan. (PPL Electric Ex. 1, p. 31).

F. RTO Compliance and Consistency

Section 54.185(d)(4) of the Commission's Default Service Regulations requires default service plans to include documentation that the program is consistent with the requirements regarding the generation, sale and transmission of electricity of the RTO in the control area where the default service provider is providing service. PPL Electric's proposed Original DSP Plan met this requirement through a number of provisions. First, as explained previously, the Original DSP Plan was designed to align with PJM's planning period of June 1 – May 31. The SMAs and the RFP Rules require that both PPL Electric and any bidder in the procurement process must be in compliance with PJM requirements. For example, the *pro forma* SMAs contain Exhibit H which recognizes PJM authority and assures that each party is in compliance with PJM's tariff, operating agreement, reliability agreement and business practices. Additionally, Article 4 of the RFP Plan requires that an applicant must certify that it is a member of PJM and qualified as a market buyer and market seller in good standing that is able to secure generation or otherwise obtain and deliver electricity in PJM through compliance with all applicable requirements of PJM to fulfill a full requirements obligation. Moreover, an applicant must certify that it has been authorized by FERC to make sales of energy, capacity and ancillary services at market-based rates. (PPL Electric Ex. 1, p. 32).

G. Contingency Planning

Section 52 Pa. Code § 54.185(d)(5) of the Commission's Default Service Regulations requires that default service plans include contingency plans to ensure the reliable provision of default service if a wholesale generation supplier fails to meet its contractual obligations. If, after conducting all the procurements set forth above under the Original DSP Plan, PPL Electric has POLR load that is not being served either because that load has not been awarded to a wholesale supplier or because a wholesale supplier has defaulted and no other supplier has agreed to serve the load, PPL Electric proposed the following contingency plan:

- A. PPL Electric would initially supply the unserved load by purchasing energy and all other necessary services through the PJM-administered markets, including, but not limited to, the PJM energy, capacity, and ancillary services markets, any other service required by PJM to serve such unserved load, and any AEPS requirements, and will recover all the costs of such purchases from default service customers in the retail rates charged for the service for which the purchases are made; and
- B. Within 10 business days of it being determined by PPL Electric that the load is unserved, PPL Electric would file alternative procurement options with the Commission to provide supply for the unserved load. PPL Electric would request that the Commission consider and resolve PPL Electric's filing on an expedited basis. Any alternative option that the Commission approves will expressly provide that all of the costs incurred by PPL Electric to provide supply for the unserved load will be recovered in retail rates in the same manner as all other default service charges. Until the Commission approves

an alternative means of filling the load, sub-paragraph (A) above will continue to apply. (PPL Electric Ex. 1, p. 33).

H. Other Default Service Policy Statement Issues

1. Purchase of Receivables

The Default Service Policy Statement provides that “[t]he public interest would be served by the consideration of an EGS receivables purchase program in each service territory.” (52 Pa. Code § 69.1814). PPL Electric currently has the equivalent of a purchase of receivables plan in place for EDC consolidated billing. Specifically, under PPL Electric’s Supplier Tariff, PPL Electric pays an EGS for all undisputed amounts of the EGS portion of the charges within a specified period regardless of whether PPL Electric has collected the money from its customers. The EGSs collection rights are subrogated to PPL Electric, but PPL Electric may not terminate service for non-payment of the generation portion of the bill. If a purchased receivable is delinquent for more than 90 days, the customer is returned to the EGS for separate billing of EGS charges. (PPL Electric Ex. 1, p. 34; PPL Electric St. 3-R, p. 8).

By notice dated April 15, 2008 at M-00072009, the Commission announced that the Commission staff will be convening a Retail Markets Working Group to discuss 52 Pa. Code § 69.1814 and, in addition, a wide range of issues related to competitive electric supply markets. In the *Petition of West Penn Power Company*, Docket No. P-00072342, Order and Opinion issued July 25, 2008 (“West Penn Power Order”), the Commission explained that purchase of receivables programs are best addressed on a state-wide basis and deferred the matter to the Retail Market Working Group. (West Penn Power Order at 57). Consistent with this determination, PPL Electric did not propose any further expansion of its purchase of receivables program as part of its Original DSP Plan.

2. Customer Referral Program

The Commission's Default Service Policy Statement provides that, "[t]he public interest would be served by consideration of customer referral programs in which retail customers are referred to EGSs'." (52 Pa. Code § 69.1815). In the West Penn Power Order, the Commission explained that customer referral programs are best addressed on a state-wide basis and deferred the matter to the Retail Market Working Group. (West Penn Power Order at 60). Consistent with this determination, PPL Electric did not propose a customer referral program as part of its Original DSP Plan.

3. Supplier Tariff Review

The Default Service Policy Statement provides that, "[t]he public interest would be served by the adoption of supplier tariffs that are uniform as to both form and content. Uniform supplier tariffs may facilitate the participation of EGSs in the retail market of this Commonwealth and reduce the potential for mistakes or misunderstandings between EGSs and EDCs." (52 Pa. Code § 69.1816).

Because the issue of uniform supplier tariffs is currently being discussed as part of the Retail Market Working Group process, PPL Electric did not propose any revisions to its existing supplier tariff as part of its Original DSP Plan.

4. Retail Choice Ombudsman

The Default Service Policy Statement provides that, "[t]he public interest would be served by the designation of an employee as a retail choice ombudsman at each EDC and the Commission. The ombudsman would be responsible for responding to questions from EGSs, monitoring competitive market complaints and facilitating informal dispute resolution between the [default service provider] and EGSs." (52 Pa. Code § 69.1817). In the West Penn Power Order, the Commission noted that specifications for its Ombudsman should be deferred to the

Retail Market Working Group for further analysis. However, the Commission directed West Penn Power to hire a retail choice ombudsman as a permanent position with the costs associated with the position to be recovered through distribution rates. (West Penn Power Order at 63).

In accordance with the Default Service Policy Statement and the aforementioned Commission precedent, PPL Electric agreed as part of its Original DSP Plan to designate a person who can be contacted by customers about retail choice programs.

5. Rate Mitigation Plan

In its Policy Statement, the Commission determined that it is in the public interest for customers to have reasonable opportunities to mitigate the effect of the expiration of the generation rate caps. (52 Pa. Code § 69.1811).

To address the potential increase in generation rates due to the rate cap expiration in 2010, PPL Electric developed a Rate Stabilization Plan (“RSP”), which was designed to help mitigate the effects of rate cap expiration over a multi-year period and, thereby, provide customers with an opportunity to alleviate the one-time, month-over-month generation rate increase in their electricity bills. On February 27, 2008, PPL Electric and various other parties filed a Joint Petition for Settlement in Docket No. P-2008-2021776 which resolved all of the issues associated with the RSP (“RSP Settlement”).

The RSP Settlement provides that PPL Electric’s customers can choose to make additional payments on their electric bills through December 2009 and receive corresponding credits on their bills for January 2010 through December 2011. The RSP is available to Residential, Small C&I and certain street lighting customers. According to the RSP Settlement, PPL Electric will collect the RSP charge on a monthly basis from customers who voluntarily participate. The amounts collected under the RSP, plus 6% interest, will be paid back to those customers participating in the form of an RSP credit on monthly bills from January 1, 2010

through December 31, 2011. The charges and credits will produce a more gradual pattern of rate increases over the 2008 to 2012 period, based on current estimates. On August 7, 2008 the Commission approved the RSP Settlement.

Additionally, the Company substantially expanded low-income programs in its 2007 Rate Case at Docket No. R-00072155. In its final order in that case, the Commission approved an increase in spending for the OnTrack by approximately 44%, from \$13.2 million to \$19 million. The Commission also approved the Company's proposed increase to its weatherization assistance program (WRAP) from \$6.25 million to \$7.25 million.

On February 19, 2009, PPL Electric filed with the Commission a Petition for Approval of a Rate Mitigation Plan ("RMP") (Docket No. P-2009-2091280). The proposed RMP Rider is designed to ease the transition from current capped generation rates to market-based rates by enabling eligible residential and small commercial customers to voluntarily elect (i.e., "opt-in") to defer a portion of PPL Electric's January 1, 2010 forecasted rate increase. Similar to the RSP, customers in each rate schedule will be divided into strata based on their usage levels and will receive a fixed monthly dollar credit designed, on average, to limit the 2010 total bill rate increase to 25% and an additional 25% in 2011. Deferred amounts, plus carrying charges, would be fully recovered by the end of 2012.

6. Demand Side Management and Time of Use Rates

Section 54.187(g) of the Commission's Default Service Regulations provides that the default service rate schedule must include a rate that corresponds to demand side response and demand side management programs as defined by the AEPS Act "when the Commission mandates these rates...." (52 Pa. Code § 54.187(g)). Because the Commission has not yet mandated the rates, the generation rates for applicable service types do not include a rate corresponding to demand side response and demand side management programs and no such

rates were incorporated in the Original DSP Plan filing. However, PPL Electric will include such rates if ultimately mandated and approved by the Commission.³

Regarding the development of time-of-use (“TOU”) rates, the Company has, since the 1980s, offered various forms of time-varying rates to both residential and non-residential customers. These rates do not generally reflect the structure of current deregulated markets and will be phased out at the end of the transition period. Going forward, the Company has been working during the transition period to develop infrastructure and rates that will enable it to offer TOU rates to its customers. The following are some of the major steps the Company has taken in this regard:

- In 2000, the Company began planning for the upgrading of its existing meter population with functionality and a communications infrastructure that permits all customer meters to be read remotely and as frequently as every hour. Deployment of that functionality began in 2002 and was completed in 2004. In 2005, the Company began to explore a meter data management system that permits the meter data to be stored and used for various purposes including TOU and hourly rate programs. Installation of those capabilities is scheduled to be complete in 2009.
- Working with the Commission’s Demand Side Response Working Group, the Company put in place two pilot TOU programs. In 2001, the Commission approved the Company’s proposal for an hourly-pricing program for large commercial and industrial customers modeled on the Company’s previously existing experimental Price Response Service. In 2002, the Commission approved the Company’s proposal for a summertime TOU program for residential customers. The Commission’s Order and Opinion at Docket No. P-00049225 regarding the Company’s request for a base rate increase approved the Company’s proposal to extend both programs through 2007.

Additionally, in the Commission’s Order and Opinion at Docket No. P-0006227 regarding the Company’s Competitive Bridge Plan, the Commission approved the following Company proposals:

³ As noted in the Initial Decision of the Administrative Law Judge in *Petition of West Penn Power Company*, P-00072342, “.. it is inappropriate at this time to include a DSM rate in the default service price until the Commission mandates the rates and interested parties have an opportunity to address their concerns in an appropriate proceeding.”

- Further extend the experimental Large C&I customer program through 2010.
- Further extend the summertime TOU program for residential customers through 2009 and double the limit on participation in 2008 and 2009.
- Expand the summertime residential program to a year-round program in 2010.
- Provide an hourly real-time price default service option to Large C&I customers 2010.

Moreover, in the Commission's Order and Opinion approving the settlement at Docket No. R-00072155, regarding the Company's retail distribution rates, the Commission noted that PPL Electric agreed to meet with interested parties to discuss TOU rate issues. PPL Electric convened such meetings in the Spring and Summer of 2008, and has discussed and reviewed TOU options in an attempt to develop specific TOU rate filing parameters. The Company believes that these discussions have been fruitful and anticipates that the information developed will be valuable in designing the year-round TOU program that the Company has committed to have available to all customers effective on January 1, 2010. The Company anticipates filing for Commission approval of TOU rates in mid-2009. PPL Electric notes that on September 11, 2008, it filed with the Commission a tariff supplement proposing an experimental Year-Round Demand Side Response Program for residential customers. This experimental program, which provides different on peak and off peak capacity and energy charges, will also provide relevant information for developing future TOU rates. (PPL Electric Ex. 1, pp. 38-40).

I. Request for Waiver

As part of its Original DSP Plan, PPL Electric requested two waivers from the Commission's Default Service Regulations. The first request was for a waiver of 52 Pa. Code §§ 54.185(c) and 69.1804 to allow a term of three years and five months for the DSP Plan. (PPL Electric Ex. 1, p. 42).

The second request was for a waiver of the Commission's regulations and policy statement with regard to customer class divisions. The regulations and policy statement provide that default service providers should divide customers into three groups based upon peak loads from 0-25 kW, 25-500 kW or above 500 kW. However, the regulations and policy statement also provide that default service providers may propose alternative divisions of customers by maximum registered peak load to preserve existing customer classes. (52 Pa. Code §§ 54.187, 69.1805). The rate schedule designations in PPL Electric's tariff are based upon the nature of the service (*e.g.*, residential or commercial) and the voltage at which that service is provided. They are not based on registered peak demand. Therefore, PPL Electric proposes in its Original DSP Plan to use its current rate schedule designations as a basis for identifying customer classes.

J. Additional Requested Ruling Pursuant to 66 Pa.C.S. § 2102

PPL Electric's Original DSP Plan also requested that the Commission approve the SMAs as affiliated interest agreements under 66 Pa. C.S. § 2102 so that an affiliated generation supplier may participate in competitive bid solicitations for generation service.⁴ If one of those affiliates is the successful bidder for one or more tranches of POLR supply, PPL Electric would enter into a SMA with that affiliate. It would not be practical or efficient, in light of the transitional and steady-state procurement schedule noted above, for the Commission to review the SMAs under 66 Pa. C.S. § 2102 at that time. Moreover, rejection or significant modification of the agreement after a solicitation has concluded, and winning suppliers have been selected, could significantly disrupt the Company's POLR procurement process. The Company notes that the CBP POLR

⁴ Under 52 Pa. Code § 54.186(b)(5), affiliates of default service providers may participate in competitive bid solicitations, provided that the procurement plan protocols (1) ensure that the affiliate does not receive any advantage, and (2) comply with the Commission's Code of Conduct. The RFP rules, and the management of the procurement by NERA, establish compliance with these requirements.

Supply Master Agreement was approved by the Commission under 66 Pa. C.S. § 2102(b). (PPL Electric Ex. 1, pp. 45-46).

III. MODIFICATIONS TO THE ORIGINAL DSP PLAN FOLLOWING ENACTMENT OF ACT NO. 129

As noted above, as a result of the enactment of Act No. 129, PPL Electric submitted supplemental direct testimony and exhibits to modify its Original DSP Plan (“Modified DSP Plan”). A complete description of the Modified DSP Plan was submitted as PPL Electric Exhibit No. 7. As explained below, the Modified DSP Plan made only limited changes to the Original DSP Plan. The following is a description of those changes.

The Modified DSP Plan made two primary changes to the Original DSP Plan. The first change was to shorten the term of the DSP Plan by one year, to May 31, 2013. Thus, the Modified DSP Plan would be in place for a period of two years and five months (January 1, 2011 through May 31, 2013). This change was made in order that the end date of the Modified DSP Plan would coincide with certain energy efficiency and conservation requirements of Section 2806.1 of Act No. 129. (PPL Exhibit Ex. 7, p. 2).

Specifically, Section 2806.1(b) provides that by July 1, 2009, each electric distribution company shall develop and file with the Commission, for approval, an energy efficiency and conservation plan. Section 2806.1(d)(1) states that under the plan adopted in Section 2806.1(b), by May 31, 2013, “the weather-normalized demand of the retail customers of each electric distribution company shall be reduced by a minimum of 4.5% of annual system peak demand in the 100 hours of highest demand.” In addition, Section 2806.11(c)(2) of Act 129 requires utilities to develop plans to reduce annual consumption by 3% by May 31, 2013. Therefore, PPL Electric proposed to have the Modified DSP Plan’s term expire on May 31, 2013, the date specified in Section 2806.11(c)(2) and (d)(1), to facilitate consideration of the effects of these

conservation and demand side management decisions in the Company's next procurement plan. (PPL Electric Ex. 7, p. 2).

The second primary change included in the Modified DSP Plan was to include in the procurements plans for the Residential and Small C&I Customer Classes a total of 300 MW of longer-term (five- and ten-year) contracts. This change was made in response to Act No. 129's requirement that default service providers procure a "prudent mix" of long term (greater than four years), short term and spot purchases.

The amount of long term supplies was estimated to be approximately 10% of the projected default service load. PPL Electric proposed that one-half of the amount (150 MW) be procured through five-year contracts and one-half through ten-year contracts. (PPL Electric Ex. 7, pp. 3-4). Because the proposed long-term contracts were for block supplies on a 7x24 basis, there was no need for the procurements to be bid separately for the Residential and Small C&I Customer Classes. Instead, the Company proposed that the resulting costs of the successful bids be allocated 60% to the Residential Customer Class and 40% to the Small C&I Customer Class, based upon the Classes' respective energy quantities. (PPL Electric Ex. 7, p. 8). The Company proposed to procure these supplies through two RFP procurements, with half of the block supplies (three five-year 25 MW blocks and three ten-year 25 MW blocks) in the Fall of 2010 and the remaining half in the Spring of 2011. (PPL Electric Ex. 7, p. 8).

As a result of the proposed addition of 300 MW of long-term block supplies into the procurement portfolio for the Residential and Small C&I Customer Classes, the portion of POLR supply met by the load following and spot products was revised. Under the Modified DSP Plan, 90% of the remaining Residential Customer Class and Small C&I Customer Class POLR supply (after deduction of the 300 MW of longer-term block supplies) would be purchased under load

following contracts, and 10% of the remaining supply (after deduction of the 300 MW of longer-term block supplies) would be purchased under the spot contracts. (PPL Electric Ex. 7, pp. 8, 11). The Modified DSP Plan continued to propose the use of transitional and steady state contracts, for the same contract terms. The procurement process in all other relevant respects remained unchanged. (PPL Electric Ex. 7, pp. 9-11, 17-22).

PPL Electric proposed no change in the Modified DSP Plan to the procurement of supplies for the Large C&I Customer Class. PPL Electric concluded that the substantial shopping risk presented by this class supported a decision to acquire only spot market supplies as the prudent mix for default service purposes. (PPL Supplemental St. 2, pp. 26-28). Thus, as explained above, the Company proposed to provide POLR service on a real-time hourly basis based upon PJM spot market prices, through competitive offers from suppliers.

In support of the Modified DSP Plan, PPL Electric submitted new block purchase RFP Rules and SMA, and revised load following and spot RFP Rules and SMAs, to reflect the two changes explained above. (PPL Electric Ex. 2-6).

The only other revisions to the Original DSP Plan resulting from the foregoing changes were to: 1) include, in contingency planning, a provision that in the event there is unmet block supply, the Company would obtain three month block supply until an alternative proposal is approved by the Commission; and 2) to delete the request for waiver regarding the term length of the Modified DSP Plan, because the shortening of the plan length by one year eliminated any need for a waiver. (PPL Electric Ex. 7, pp. 24, 32).

IV. THE SETTLEMENT IS IN THE PUBLIC INTEREST AND SHOULD BE APPROVED

A. The DSP Plan Procurement Provisions Are Reasonable And In Accordance With Act No. 129

The Modifications to the DSP Plan Procurement contained in the Settlement represent a reasonable compromise of parties' positions in the proceeding, are consistent with Act No. 129 and should be approved.

Initially, it is to be emphasized that the DSP Plan Procurement contained in the Settlement continues to follow the basic outline of the Original and Modified DSP Plans submitted by the Company. Various minor adjustments have been made to the procurements for the three separate Customer Classes in the Settlement. The DSP Plan procurement structure follows the basic structure that was approved and is being implemented by PPL Electric in its Competitive Bridge Plan ("CBP") procurement for calendar year 2010. This procurement process has been very successful, with continual increases each quarter in the number of participating wholesale bidders. (PPL Electric St. 1, pp. 9-10).

Residential Customer Class procurement under the Settlement contains a prudent mix of long term, short term and spot contracts, in accordance with Section 2807(e)(3.2) of the Public Utility Code, as amended by Act No. 129. The Residential Customer Class procurement also contains a mix of 7x24 block, unit entitlement, load following and spot supplies. The addition of a small (50 MW) ten-year unit entitlement contract will provide a real world test of the costs and potential issues associated with such a product. Similarly, the inclusion of 300 MW of around-the-clock block supplies will provide to the Commission some opportunity to observe differences in block vs. load following products. At the same time, the level of block supplies remains modest in scope (amounting to less than 20% of expected Residential Customer default load),

which avoids any substantial risk that PPL Electric would have to sell “excess” block power at a loss during times of minimum customer demand.

For Residential Customers, load following supplies continue to constitute the bulk of default supplies. A percentage of the load following contracts are scheduled to expire and be replaced on a quarterly basis, thereby refreshing the POLR rate with current market signals while moderating rate volatility. Spot supplies also are included in the procurement mix, to reflect hourly pricing effects.

For Small C&I Customers, the prudent procurement mix relies upon 90% load following contracts, procured under a laddered series of fixed price, load following supply contracts, and 10% spot market contracts. This represents a return to the procurement plan for this Class reflected in the Original DSP Plan. The agreement to remove longer-term supply contracts from the procurement mix for this Class reflects an acknowledgement that there is likely to be greater shopping in this Class than in the Residential Customer Class. Greater shopping increases the risk that block supplies may have to be sold at a loss, which could increase the default price to non-shopping customers.

For Large C&I Customers, the Settlement continues to recognize that the prudent default product for this group, which is likely to have the greatest shopping risk, is an hourly rate service. The use of hourly rate also is consistent with the Commission’s default service regulations. However, in recognition of the concerns expressed by PPLICA’s witness regarding the difficulties that some Large C&I Customers may have in operating under hourly priced default rates and the potential that some Large C&I Customers may face credit concerns in negotiating with EGSs for long term supplies, the Parties have agreed to a collaborative process

to develop either a monthly or quarterly priced optional service, which will rely upon load following contracts.⁵

In all other respects, the DSP Plan contained in the Settlement complies with the procurement provisions of Act No. 129. In accordance with Section 3.1, electric power under the DSP Plan will be procured using an RFP process, in accordance with RFP Rules that are consistent with the process currently used for the CBP, which was approved by the Commission. This process assures that procurements occur at least cost by accepting the lowest qualifying bids. The prudent mix of contracts set forth above will satisfy the requirements of Section 3.4 that the contracts be designed to ensure adequate and reliable service at the least cost to customers over time. The SMAs contain numerous provisions to ensure delivery, and to provide security and contingency supplies in the event of default. With respect to the issue of “least cost over time”, PPL Electric’s witness Mr. Cavicchi described how the mix of products satisfied this requirement:

- A. I have interpreted the phrase “least cost over time” along two dimensions. First, in a broader context, it is my understanding that the phrase “least cost over time” requires the selection of contracts (e.g., spot, short-term, and long-term) that compose a prudent mix, and that the types of products in the prudent mix be selected by considering all relevant and appropriate costs. As discussed above, there are many possible contract mixtures that can constitute a prudent mix, and the cost of these various mixtures is not necessarily known *ex ante*. Notably, costs include the risks inherent in the marketplace which must be addressed in any prudent mix. Thus, in this broader context, it is not possible to determine *ex ante* whether a given mix is “least cost over time,” and instead the evaluation of “least cost” must assess whether these risks are addressed in the most economical manner as directed by the Commonwealth’s public policy objectives.

Second, in a narrow context, it is my understanding that this phrase requires default service products to be procured through a process

⁵ Load following contracts will substantially mitigate concerns about recovery of under or overcollections from customers who might migrate between the optional service and service from an EGS.

that produces the lowest cost for the particular product being purchased. For example, PPL Electric proposes to procure each of the products in the Modified DS Program through competitive solicitations which will purchase these products at the lowest price available in a competitive market at the time of any solicitation.

Q. How does PPL Electric's Modified DS Program satisfy the broad interpretation of "least cost over time."?

A. I have analyzed the Modified DS Program from the perspective of satisfying the policy objectives of the Commonwealth. In particular, I have assumed that it is important to protect default service customers, over time, from costly risks. As I have explained above, these risks arise from numerous uncertainties, and without obtaining fixed prices for default supply products for residential and small commercial and industrial customers, these customers will face uncertain costs. At the same time, I have recognized that retail competition is supported by default service rates that track changes in wholesale electricity markets. In my opinion, PPL Electric's product types provide the benefit of reasonable price stability (which is one of the Commonwealth's public policy objectives) and promote the development of retail competition (which is another one of the Commonwealth's public policy objectives) while taking into account the various risks that must be addressed by any default plan.

(PPL Supplemental St. 1, pp. 40-41). In summary, the default service products reflect a reasonable balance of risks and costs through differing mixtures of block, load following and spot products for the three customer classes, all procured through a competitive process designed to produce the least cost over time.

Finally, the determinations that are required under Section 3.7 may be made with respect to the DSP Plan, as settled. For reasons explained above, the ALJ and Commission should find that: 1) the plan includes prudent steps necessary to negotiate favorable contracts, and 2) the plan includes prudent steps necessary to obtain least cost generation supply on long term, short term and spot market bases, appropriate to the respective customer classes. In addition, as explained in the Supplemental Direct Testimony of Mr. Stinner, neither PPL Electric nor any affiliated

interest has withheld from the market any generation supply in a manner that violates federal law. (PPL Electric Supplemental St. 1, pp. 12-13).

Other aspects of the Settlement, as they related to procurement, reflect a reasonable compromise of issues in this proceeding and should be approved. As explained in testimony, PPL Electric structured its Small C&I and Large C&I Customer Classes for default procurement based upon rate classes rather than peak load designations. PPL Electric's tariffs are based upon voltage designations (primary or secondary) and not peak load, and shifting customers back and forth between a quarterly fixed default rate (Small C&I) and an hourly default rate (Large C&I) can cause customer confusion. In addition, frequent reassignment will increase risk to bidders in the Small C&I plan. In Settlement, the Parties have agreed to a limited reassignment of LP-4 customers with less than 500 KW demand from the Large C&I Customer Class to the Large C&I Customer Class, and of GS-3 Customers with 500 KW or greater demand from the Small C&I Customer Class to the Large C&I Customer Class. This reassignment will be based on the customer's peak load contribution to PJM peak load in the current, 2008-2009 PJM Planning Year, and will remain effective for the entire term of the DSP Plan. Maintaining the reassignment for the term of the DSP Plan is consistent with testimony from OSBA's witness. (Tr. 330). By having a single reassignment, concerns about customer confusion and increased costs are reduced.

Under the procurement process, no single bidder in an individual procurement may win more than 85% of the tranches offered in a bid. This condition, which exists under the current CBP, is designed to encourage more participation in the bidding process. This is because potential bidders are assured that a single bidder cannot win all of the tranches in a bid.⁶ Under

⁶ Over the long term, this could have a negative effect upon the wholesale market, as bidders could be discouraged from bidding.

the Settlement, a further condition was established that no single bidder could win more than 70% of the aggregate (total) load for the Residential Customer Class, or more than 65% of the aggregate load for the Small C&I Customer Class. This compromise reduces risk of market exposure in the event of a single supplier default. At the same time, the aggregate cap is not set so low that it could adversely affect the resulting bid prices.⁷

B. Other Provisions Contained in the Settlement

1. Purchase of Receivables

During the course of these proceedings, a principal contention raised by EGSs was that PPL Electric should adopt a non-recourse Purchase of Receivables program, which would provide for termination of a customer for non-payment of the full amount of a purchased EGS receivable.

PPL Electric objected to any requirement that it adopt a POR program in this proceeding. The Company noted that, in the West Penn Power POLR proceeding, the Commission concluded that POR programs are best addressed on a state-wide basis, and deferred the matter to the Retail Markets Working Group convened at Docket No. M-00072009. PPL Electric also explained that it currently has in place a program equivalent to a POR program for consolidated billing, which pays EGSs for receivables without a discount, and does not terminate for non-payment of purchased receivables, but which returns an EGS' customer to the EGS if the customer has an arrearage over 90 days old. PPL Electric further noted that there were various policy issues, such as termination rules and the discount rate on any purchased receivable, that were not appropriate for consideration in the context of this proceeding. (PPL Electric St. 3-R, pp. 10-13).

⁷ A low aggregate cap could disqualify otherwise winning bids, thereby raising the resulting default price. PPL Electric also notes that its SMAs contain various security provisions to provide protection in the event of a supplier default.

In order to settle this issue, PPL Electric has committed to develop and propose a POR program as part of its next base rate case, or in a stand-alone POR filing to be made no later than June 1, 2010 if PPL Electric does not file a distribution rate case with an effective date, after suspension, on or before January 1, 2011. PPL Electric further agreed that such base rate case would include a proposal to unbundle uncollectible accounts expense from base rates. The Settlement also established certain minimum elements to be included in the POR filing, which were identified in testimony during this proceeding:

- ability to terminate service for non-payment of supplier charges, with appropriate protections for customers and the Company.
- non-recourse as to correct EGS charges, and subject to the termination and protection provisions above.
- elimination of the current provision of reversion to separate billing for nonpayment by a customer of the EGS portion of the bill.
- discounts to POR payments to suppliers to reflect incremental uncollectible expenses not included in distribution rates, which may include the unbundled uncollectible accounts percentage; provided, however, that customers will not be responsible for any reconciliation of the discount against actual results.
- ability for PPL Electric to also recover through the discount rate POR program implementation costs and other POR-related expenses not included in distribution rates. The Company's filing will provide an estimate of these costs.

Parties also reserved their rights to present other unbundling proposals in that future rate proceeding.

The resolution of the POR issue is in the public interest and should be adopted. By deferring consideration of the POR issue to a case to be concluded in late 2010, the Parties have provided time for the Retail Markets Working Group to establish statewide parameters. The Settlement also places the issue for consideration in a better procedural context, most likely a base rate proceeding, where issues such as unbundling, discounts and termination rules are more appropriately examined. The Settlement also assures that the issues will be developed in a

timely fashion, to enable the Commission to render a decision on the POR Program design prior to the effective date for this DSP Plan.

2. Notional Quantity Provision

Constellation proposed in this proceeding that Section 12.3(b) of the SMAs be revised to make this Paragraph optional, at the election of the supplier. By making this paragraph, referred to as the “Notional Quantity” provision, optional, suppliers may revise their accounting for the transaction.

Although PPL Electric objected to making this paragraph optional, Constellation did provide evidence that at least some SMAs used by other utilities, including the SMA approved for use by West Penn Power, have permitted suppliers the option to elect this provision. (Constellation St. 1, p. 29). As this provision has been accepted in at least some contexts, it is *not unreasonable in Settlement to adopt this change proposed by Constellation.*

3. SEF Issues

SEF proposed, in direct testimony, that PPL Electric provide approximately \$1 million in new spending to support three SEF programs. One program is an existing Solar Scholars program that is being funded at a total of \$250,000 for a two year period ending 2009, while the other two programs were new programs. In Settlement, PPL Electric has agreed to provide an additional \$175,000 in funding to SEF for the year ending December 31, 2010. SEF may use this to continue funding the Solar Scholars program, or to fund its proposed Green Scholars Program.

4. Mr. Epstein’s Proposals

Mr. Epstein presented several proposals in the context of these proceedings. To resolve these issues, PPL Electric has agreed to consider Mr. Epstein’s Green Weekend proposal for certain religious and non-profit entities as part of its mid-2009 Time of Use rate filing. PPL

Electric previously committed to have available a year-round Time of Use program for all customers effective January 1, 2010. That proceeding is an appropriate forum for considering Mr. Epstein's proposal.

In addition, PPL Electric has agreed to consider Mr. Epstein's senior citizen rate proposal in its universal service filing to be made in 2010. The universal service filing is an appropriate forum to consider any special rate for senior citizens.

5. Release of Information Database

In 1998, the Commission adopted certain regulations related to Customer Choice customer information. See 52 Pa. Code §§ 54.1-54.9. Among these regulations was a provision for giving customers the right to identify what information could be released to third party EGSs. 52 Pa. Code § 54.8. At that time, PPL Electric obtained authorization from customers concerning release of information. In response to certain EGS proposals in this proceeding, PPL Electric has agreed to update its Customer Release of Information ("ROI") database through a one time mailing in the first half of 2010.

This agreement is in the public interest. As rate caps are now being removed, it is appropriate to re-contact customers to update the ROI database. A current database will properly reflect customers' present desires related to release of certain private information.

6. Additional Collaboratives

During these proceedings, witnesses for Direct Energy proposed that PPL Electric adopt a customer referral program and a low income customer aggregation program. PPL Electric objected to consideration of these proposals in this proceeding, noting, among other things, that the Commission had instructed the Retail Markets Working Group to examine such proposals. There are also concerns about whether a low income customer aggregation program would raise the default service rates of other Residential Customers. (Tr. 422-430).

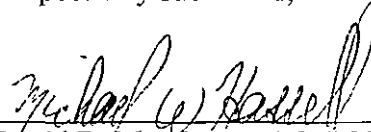
To resolve these issues, the Parties have agreed to undertake a collaborative to examine issues associated with such proposals, and PPL Electric will consider the results of the collaborative in developing plan design for its next POLR filing.

This resolution is appropriate and should be adopted. It allows continued consideration of these proposals, without preempting the Commission's own examination in the context of the Retail Markets Working Group.

V. CONCLUSION

The Settlement reflects an appropriate compromise of the issues presented in this proceeding, while maintaining the core structure of default service procurement that PPL Electric already is successfully using for its current CBP Program. In addition, as explained above and in PPL Electric's Supplemental Testimony, the DSP Plan complies with the requirements of Act No. 129. The Settlement is in the public interest and should be approved.

Respectfully submitted,



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Date: March 11, 2009

Attorneys for PPL Electric Utilities Corporation

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of PPL Electric Utilities :
Corporation for Approval of a Default : Docket No. P-2008-2060309
Service Program and Procurement Plan :

STATEMENT IN SUPPORT OF SETTLEMENT
OF THE
OFFICE OF TRIAL STAFF

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The Office of Trial Staff (“OTS”) of the Pennsylvania Public Utility Commission (“Commission”), by and through its Prosecutor, Allison C. Kaster, hereby respectfully submits that the terms and conditions of the foregoing Joint Petition For Settlement (Joint Petition or Settlement) are in the public interest. The parties to this Settlement have conducted extensive discovery and numerous settlement conferences have been held. As a result, the signatories to this document have agreed upon the terms embodied in the foregoing Joint Petition. The terms and conditions of the Joint Petition are in the public interest as supported below.

On September 11, 2008, PPL Electric Utilities Corporation (PPL or Company) filed the instant Petition for Approval of a Default Service Program and Procurement Plan (“DSP Plan”) to procure supply January 1, 2011 through May 31, 2014. The plan contained a transition program and steady state program. Under the transition program, PPL proposed to acquire 90% of Residential and Small C&I class default service supply

through fixed price, full requirements, load-following supply contracts, with terms varying from 5 to 26 months. The remaining 10% of the load would be acquired through load following contracts at spot market prices. Supply for the Large C&I class would be obtained on a real-time hourly basis through the PJM spot market. The steady state program proposed to acquire 90% of the Residential and Small C&I load through laddered purchases of fixed price, full requirements load following contracts with terms varying from 12-months to 24-months. The remaining 10% would continue to be acquired through load following contracts at spot market prices.

The Company filed its DSP Plan under the currently existing statutory and regulatory provisions for default service. However, on October 15, 2008, approximately one month after PPL filed its DSP Plan, House Bill 2200 (referred to as Act 129) was signed into law. Significantly, Act 129 eliminated the requirement that default service supplies be procured “at prevailing market prices”, 66 Pa. C.S. § 2807(e), and directed that default service providers procure supplies through a prudent mix of spot market purchases, short-term contracts (no more than four years) and long-term contracts (more than four years but not more than twenty years). Act 129 requires that this prudent mix of contracts must be designed to be “least cost to customers over time.”

On November 3, 2008, PPL submitted supplemental direct testimony to modify its DSP Plan to address the new Act 129 requirements. PPL’s supplemental direct testimony proposed to incorporate long-term contracts and shortened the DSP Plan’s term by 12 months to end on May 31, 2013. Specifically, under the modified DSP Plan, the Company reduced the amount of Residential and Small C&I load to be acquired through short term

contracts and proposed that approximately 10% be acquired through long term contracts with five-year and ten-year terms. The remaining load would continue to be acquired through load following contracts at spot market prices. The modified DSP Plan did not alter the procurement strategy for Large C&I customers.

OTS did not make any modifications to the proposed Plan in testimony. Per the Settlement, residential customer load will be obtained through a mix of spot market, short term and long term contracts. For the Small C&I class, 90% of supply will be procured through fixed price, load-following contracts and 10% obtained from the PJM spot market. Load for Large C&I customers would be acquired on a real-time hourly basis through the PJM spot market. Act 129 requires that default service must be acquired through a “prudent mix” of spot market, short-term and long-term contracts. OTS maintains that the Settlement is in the public interest as PPL’s DSP Plan contains this prudent mix, which should result in stable default service rates for PPL ratepayers and is designed to be least cost to customers over time.

OTS filed testimony to address a recommendation put forth by Direct Energy Services to aggregate low income customers and offer retail electricity service from a competitive Electric Generation Supplier. The Office of Consumer Advocate and the Company recommended that this proposal be denied for a host of reasons including, but not limited to, the impact on price stability, administrative costs, customer confusion, and various implementation issues. OTS supported the opposition to the proposed program in OTS Statement No. 1-SR. Per the Settlement, the parties agree to convene a collaborative to further address the residential customer aggregation proposal. Joint

Petition ¶ 62. Giving parties a forum to continue discussion of this proposal is in the public interest in order to fully explore the potential costs and benefits of such a program.

For the reasons stated above, the Office of Trial Staff respectfully requests that the Joint Petition be approved without modification as the terms and conditions are in the in the interests of PPL ratepayers and the public.

Respectfully submitted,



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Prosecutor

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Dated: March 11, 2009

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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of PPL Electric Utilities Corporation :
For Approval of Its Default Service Program :
And Rate Mitigation Plan For The Period : Docket No. P-2008-2060309
January 1, 2011 through May 31, 2013 :

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**STATEMENT OF THE OFFICE OF CONSUMER ADVOCATE
IN SUPPORT OF THE
JOINT PETITION FOR SETTLEMENT**

The Pennsylvania Office of Consumer Advocate (OCA), one of the signatory parties to the Joint Petition for Settlement (Settlement or Joint Petition) in this docket, respectfully requests that the terms and conditions of the Settlement be approved by the Administrative Law Judge and the Pennsylvania Public Utility Commission (PUC or Commission). The OCA respectfully submits that the proposed Settlement is in the public interest and is in the interest of the customers of PPL Electric Utilities Corporation (PPL or Company).

I. INTRODUCTION AND PROCEDURAL BACKGROUND

On August 28, 2008, PPL filed with the Commission a Petition seeking approval of its Default Service Program for the period beginning January 1, 2011 and extending to May 31, 2014. PPL requested in its Petition that the Commission approve its procurement and implementation plan to acquire default service power supply for its customers. PPL also requested approval for recovery of costs and its proposed tariff associated with this procurement. Additionally, PPL requested that the Commission approve the proposed supply master agreement as an affiliated interest agreement under Section 2102 of the Public Utility Code and pro forma Requests for Proposals (RFP) Process and Rules. On September 11, 2008, PPL filed the Direct

Testimony of its witnesses in support of its Petition. On November 3, 2008, PPL filed Supplemental Testimony and exhibits in response to the requirements of Act 129, which was signed into law on October 16, 2008.

The OCA intervened on September 16, 2008, and simultaneously filed an Answer to the Company's Petition. Other Interventions and Answers were filed by the Office of Trial Staff (OTS), Office of Small Business Advocate (OSBA), the PPL Industrial Customer Alliance (PPLICA), Retail Energy Supply Association (RESA), Richards Energy Group, the Sustainable Energy Fund (SEF), Citizens for Pennsylvania's Future (PennFuture), Direct Energy Services, LLC (Direct), Reliant Energy, Inc., Constellation New Energy and Constellation Energy Commodities Group (Constellation), Consolidated Edison Solutions, Eric J. Epstein, Penn State, and the National Railroad Passenger Corporation (Amtrak).

The OCA through its Intervention sought to protect the interests of PPL customers by investigating the reasonableness of default service procurement (DSP) plan, the rate design, and other proposed changes. The OCA also sought to review retail competition issues that may occur as a result of PPL's Plan.

Following extensive discovery, on December 22, 2008, the OCA submitted the prepared written Direct Testimony of Richard S. Hahn, OCA Statement No. 1, on the default service plan and procurement issues. Among other things, Mr. Hahn in his direct testimony recommended that PPL implement a procurement plan for residential customers based upon a simplified managed portfolio approach that considers a broader selection of long-term products, shorter term forward block purchases and an appropriate level of spot purchases directly from PJM. Mr. Hahn concluded that this alternative procurement plan would better facilitate compliance with the new requirements under Act 129. More specifically, Mr. Hahn

recommended that PPL:

Utilize separate purchases of capacity and blocks of energy, in place of fixed price, full requirements, load following products.

Purchase 24-hour and 16-hour forward blocks of energy of 12-month and 24-month terms once the program reaches steady state.

Purchase approximately 10% of the requirements from long-term resources, but change the products considered to include blocks and unit entitlements, especially from renewable energy resources.

Target purchasing approximately 10% of the requirements directly from the PJM spot energy markets without going through a third party supplier.

Establish a three-month window for purchasing each tranche of default service load to facilitate the application of expert knowledge of market conditions.

Adjust the procurement schedule to reach steady state earlier than proposed by the Company.

OCA St. 1 at 4-5. Mr. Hahn also supported the Company's proposal, contained in its Supplemental Testimony, to shorten the default service plan period to 29 months from 41 months.

On January 20, 2009, the OCA submitted the Rebuttal Testimonies of Richard S. Hahn and Barbara R. Alexander in OCA Statement Nos. 1R and 2R, respectively. Mr. Hahn's rebuttal provided a response to the direct testimonies of RESA, Constellation, and the OSBA. OCA witness Alexander's rebuttal provided a response to the direct testimonies of Direct Energy and RESA. Among other things, Ms. Alexander's response addressed the proposal that PPL implement a purchase of receivables (POR) agreement to purchase the receivables of an EGS without recourse, the proposal for a customer referral program, and the proposal for an aggregation program.

On February 6, 2009, the OCA submitted the Surrebuttal Testimony of Richard S.

Hahn, OCA Statement No. 1S, in response to PPL, RESA, Constellation, and OSBA rebuttal testimonies.

Following the parties' submission of testimonies, additional extensive discovery, and evidentiary hearings where the testimony of the parties was admitted into the record and subjected to cross examination, the parties engaged in extensive negotiations. As a result of those discussions, the parties reached a Settlement that addresses all of the issues in the proceeding except for two issues reserved for litigation. The Settlement represents a reasonable resolution of the OCA's concerns presented in its testimony. The OCA submits that for the reasons stated below, the Settlement is in the public interest.

II. TERMS AND CONDITIONS OF JOINT SETTLEMENT PETITION

A. Residential Default Service Procurement Plan (Settlement, ¶¶23-32)

As part of its default service filing, PPL initially proposed a DSP plan for residential customers extending from January 1, 2011, to May 31, 2014. The plan for residential customers proposed to serve 90% of the residential load through fixed price, full requirements load serving contracts with wholesale suppliers and 10% of the load was to be served at spot market prices through a contract with a third party supplier. PPL's plan for residential customers included a transition program and a steady state program. The transition program consisted of eight procurements for terms of 5, 8, 11, 14, 17, 20, 23 and 26 months made between July 2009 and October 2010 for power to be delivered commencing on January 1, 2011. The transition program also included a spot market contract with a 5-month term solicited in October 2010. OCA St. 1 at 7.

The steady state program consisted of laddered purchases of fixed price, full requirements service with 12-month and 24-month terms with initial delivery dates about 3 months apart. The steady state program also contained a contract with a third party to provide supply at spot market prices. The spot market contract is to have a term of 12 months. OCA St. 1 at 7-8.

After the passage of Act 129, PPL modified its program for residential customers in two respects. First, PPL proposed to shorten the default service period from 41 months to 29 months. The new term would run from January 1, 2011 to May 31, 2013. Second, PPL modified the program to include the purchase of fixed blocks of energy and capacity with five year and ten year terms for 10% of the residential load. See OCA St. 1 at 8. The percentage of residential load to be served by the fixed price, full requirements contracts was reduced from

90% to 80% in PPL's modified plan.

In its Direct Testimony in this proceeding, the OCA raised concern with the Company's proposal for residential customers, particularly its reliance on full requirements contracts purchased on pre-established dates and with pre-established procurement quantities. See OCA St. 1 at 13-14. The OCA raised concern that by relying primarily on full requirements supply, the Company's plan would require the Company to pay unnecessary risk premiums and profit margins to third party suppliers. The OCA, among other things, also raised the concern that the Company's plan could limit the potential benefits of the energy and demand reduction targets contained in Act 129 and could require the Company to pay additional costs for spot market supplies above the spot market price. See OCA St. 1 at 14-17. It was the OCA's view that the Company's procurement plan for residential customers, as proposed, was not optimally designed to achieve the least cost, reliable supply over time as called for in Act 129.

The OCA recommended that the Company utilize a simplified managed portfolio approach to acquire a broader array of generation products for residential customers rather than relying on full requirements, load following supply to better achieve the goals of Act 129. Under a managed portfolio approach, the Company would be expected to develop a procurement strategy and then execute the procurement strategy over the default service period. OCA witness Hahn described the managed portfolio approach in detail in his Direct Testimony at pages 18-26. OCA witness Hahn also presented a simplified DSP plan for residential customers based on the principles of a managed portfolio approach. Mr. Hahn recommended a plan that coincided with the general structure of the Company's proposal so that it could be easily implemented by the Company during this first transitional default service period. See OCA St. 1 at 47-55.

Under the alternative plan, Mr. Hahn recommended, among other things, that the

Company use competitive procurement processes with RFPs to purchase capacity, forward blocks of energy (both 7x24 and 5x16 blocks of energy) and other necessary products (such as Alternative Energy Credits under the Alternative Energy Portfolio Standards Act and ancillary services) instead of relying on full requirements contracts. Mr. Hahn also recommended that the Company procure its own spot energy requirements directly from PJM rather than going through a third party supplier as the Company proposed. Mr. Hahn recommended that the Company consider other long term resources as part of the prudent mix of resources to serve residential customers, including long term block purchases and unit entitlement purchases. Mr. Hahn's procurement plan was detailed in OCA St. 1 at 47-55, Exhs. RSH-7, 8 and 9.

After extensive negotiations, the parties reached a settlement regarding the term of the first default service plan and the DSP plan for each of the customer classes. The parties agreed that PPL's modified proposal for a shorter term for this first, post-transition default service plan should be for 29 months, from January 1, 2011, through May 13, 2013. The OCA submits that this shorter term will allow PPL to more quickly bring the benefit of its experience with this first default service plan, and the benefit of its implementation of other Act 129 requirements, to its customers.

With respect to the settlement procurement plans for the various customer classes, the OCA will only address the procurement plan for residential customers. Settlement, ¶¶23-32. Under the Settlement, PPL has agreed to procure additional blocks of energy in the wholesale markets and acquire the capacity and ancillary services from the PJM-administered markets for these blocks of energy. PPL will also procure the Alternative Energy Credits for these blocks of energy for the residential customer load. Under the Settlement, PPL will acquire 200 MW of one year energy blocks and 100 MW of five year energy blocks. The purchases will be for "around

the clock” (i.e. 7x24 or delivery in all hours) wholesale blocks of energy. In addition, PPL will procure 50 MW for a ten year term under a unit entitlement contract. These purchases represent procurement by PPL of 350 MW of supply, or about 20% of PPL’s typical weekday residential load of 1,880 MW. OCA St. 1 at 49.

PPL will utilize a competitive RFP process to purchase the blocks of energy from the wholesale markets as well as to make the unit entitlement. Settlement, ¶¶23, 25. The details of the RFP for the unit entitlement will be addressed in a collaborative and filed for Commission approval at a later date. Settlement, ¶26.

The remaining residential load will be served through the acquisition of full requirements, load following contracts of one and two year duration and spot market purchases through a contract with a third party. Settlement, ¶¶28, 32. Under the settlement, of the residential load remaining after the block purchases, 90% will be served with the full requirements contracts and 10% will be served through the spot market contract. The full requirements contracts will be laddered as originally proposed by the Company. Settlement, ¶29. The spot market contract will be procured annually with the first solicitation in October of 2010 for a delivery period from January 1, 2011 to May 31, 2011, and the subsequent solicitations will be conducted in April of each year for a 12-month term. Settlement, ¶32.

The Settlement also calls for the Company to work with interested parties to develop specific reporting mechanisms on the procurement processes for the various customer groups, with appropriate confidentiality provisions. Settlement, ¶44.

In the OCA’s view, the Settlement represents an initial step in developing default service procurement plans for the residential class that will begin to realize the goals of Act 129 to provide a “prudent mix” of long term, short term and spot market purchases resulting in the

least cost reliable supply for default service customers over time. 66 Pa.C.S. §§2807(e)(3.4). While the settlement does not adopt a managed portfolio approach as recommended by the OCA, PPL's agreement to purchase blocks of energy with one-, five- and ten-year terms as part of the product mix used to serve its residential customers and to separately procure capacity, ancillary services and AECs for these blocks of energy is a step in the right direction. The OCA anticipates that PPL's procurement of blocks of energy, capacity, ancillary services and AECs will provide information regarding the pricing of different products available in the wholesale market, and will provide PPL with broader experience with the wholesale market structures which would not be fully achieved under a full requirements approach.

Importantly from the OCA's perspective, rather than complete reliance on full requirements supply to meet the needs of residential customers, PPL will directly purchase blocks of energy (around the clock), capacity, ancillary services and Alternative Energy Credits (AECs) directly from the wholesale markets. These purchases by PPL of different products from the wholesale markets will result in a more diverse array of products being used to serve residential load. The OCA submits that this broader mix of products should bring benefits to residential customers. The OCA also anticipates that by seeking more diverse products, a broader group of wholesale market participants will be able to bid to provide supply to PPL's residential customers. It is the OCA's position that broadening the "mix" of contracts is essential to bringing adequate and reliable supply at the least cost to customers over time.

The Settlement also ensures that in addition to a more diverse array of products, the procurement plan contains a mix of purchases and contracts of short, medium and long term duration, as well as spot priced supply. Of particular importance, PPL has agreed to seek to enter a 50 MW unit entitlement contract as part of this residential default service plan. This long term

unit entitlement contract can provide important opportunities for the development of reliable supply in the PJM region. The parties have agreed to work collaboratively to develop a Request for Proposal for this unit entitlement contract. The parties, among other issues, will specifically consider whether a renewable product should be procured and whether the RFP should request firm service. Settlement, ¶26. The collaborative will give the parties the opportunity to explore all of the issues related to unit entitlement contracts, which may be one of the first entered by a default service provider in Pennsylvania since restructuring of the electric industry.

Through the Settlement, PPL will also procure full requirements supply contracts with one and two year terms through a laddered, competitive procurement approach. Between the block purchases and the full requirements purchases, PPL will be acquiring a mix of contracts with short, medium and long terms, as well as securing spot market-priced supply. These terms, and the laddered procurement, will be able to reflect changes in market prices over the course of the plan without sacrificing all stability in the rates.

As noted, the Settlement does not reflect a managed portfolio approach as detailed in the testimony of OCA witness Hahn. Importantly, however, to address the requirements of the Act for a mix of short term, long term purchases and spot market purchases that will result in the least cost, reliable service to customers over time, PPL has agreed to secure a broader mix of products, including long term blocks and unit entitlement contracts. PPL's agreement here will help to inform the discussion as to how best to achieve the standards set forth in Act 129 in the future. To that end, PPL has also agreed to work with the parties to develop reporting mechanisms on the various residential procurement processes, subject to appropriate confidentiality protections. Settlement, ¶44. The information collected for these reports will provide valuable assistance to PPL and the OCA in evaluating the different products,

procurement methods, and the robustness of the wholesale markets for different products. The OCA anticipates that the information obtained from the reporting process will be valuable when developing PPL's next default service plan.

The OCA supports the Settlement as it concerns the residential procurement process. While all settlements are a matter of compromise, the OCA submits that the Settlement will begin to advance the goals of Act 129 in attempting to achieve the least cost, reliable default service over time for residential customers. The OCA urges the ALJ and the Commission to approve the Settlement.

B. Residential Rate Design (Settlement, ¶45-47)

In his Direct Testimony OCA witness Hahn recommended that the Company consider a longer phase-out period for the residential Rate RTS customers. OCA St. 1 at 56-57. There is a rate differential between Rate R and Rate RTS, a differential that reflected the usage of the Rate RTS customers in the off-peak, lower priced periods. The Company proposed to eliminate this differential beginning on January 1, 2011. Rather than eliminate the differential in one step, Mr. Hahn recommended a phase out and that the Company consider other mechanisms to continue to provide the benefit of the lower costs of off-peak usage to customers, such as time-of-day rates. See OCA Statement 1 at 57.

The Settlement in this matter provides that the Company will adopt a further phase out period for the Rate RTS customers. The Rate will now be phased out over a two-year period. Settlement, ¶47. One half of the rate differential will be eliminated as of January 1, 2011 and the remaining differential will be eliminated as of January 1, 2012. Settlement, ¶47.

The OCA submits that this is a reasonable approach to dealing with the phase out of the Rate RTS differential. A two year phase out will mitigate the rate impact of the rate

change for customers. In addition, the two-year period will allow for the development of PPL's pilot time-of-use program which is to begin its ramp up in the 2009-2010 time period. PPL St. 4 at 6; PPL St. 4-R at 3-4. The time-of-use program could provide another option for Rate RTS customers in managing their energy bills.

C. Retail Market Issues

1. Purchase of Receivables Program (Settlement, ¶¶58-59)

In their Direct Testimony, Direct Energy witnesses Ronald M. Cerniglia and Christopher H. Kallaher recommended that PPL implement a Purchase of Receivables (POR) program. Mr. Kallaher stated that PPL should implement a POR program because the Commission has already indicated that it is in the public interest to consider implementing POR programs in each service territory. See Direct Energy St. 2 at 17. Mr. Cerniglia recommended that the Company implement a POR program with consolidated billing that would allow termination for failure to pay Electric Generation Supplier (EGS) charges. See Direct Energy St. 1 at 8-9. RESA witness Richard J. Hudson, Jr. also recommended that PPL implement a POR program that would allow termination of service for failure to pay EGS charges. See RESA St. 1 at 36.

In her Rebuttal Testimony, OCA witness Alexander stated that she does not oppose POR programs under all circumstances but asserted that certain consumer protections must be in place that recognize that customers will be receiving a bill that includes both regulated and unregulated charges. Such consumer protections should include a provision that a customer's electric service could not be terminated for failure to pay unregulated EGS charges to the extent that those charges were higher than regulated Electric Distribution Company (EDC) charges if termination is to be permitted for the purchased receivables. See OCA St. 2R at 15-

17. Ms. Alexander also noted that the Retail Market Working Group (RMWG) is considering these issues on a statewide basis. OCA St. 2-R at 14-15, 16.

Under the Settlement, PPL agrees to file a revised POR program as part of its next base rate case with best efforts to file the proposed plan so that it will be put into effect by January 1, 2011. If PPL does not plan to file a rate case with rates effective January 1, 2011, it will file a stand-alone POR program by July 1, 2010. See Settlement, ¶58. Further, PPL agrees to hold at least three meetings with interested parties to discuss details of the POR program including whether service may be terminated for supplier charges that exceed default service charges. Settlement, ¶59. The Settlement, in part, provides:

PPL Electric will file a revised voluntary purchase of receivables (“POR”) plan as part of its next distribution rate case. PPL Electric also will propose to unbundle uncollectible accounts expense as part of that filing. If PPL Electric does not file a distribution rate case with an effective date of on or before January 1, 2011, after suspension, it will file a stand alone POR plan no later than July 1, 2010. The POR plan filed by the Company shall include at a minimum the following elements:

- ability to terminate service for non-payment of supplier charges, with appropriate protections for customers and the Company.
- non-recourse as to correct EGS charges, and subject to the termination and protection provisions above.
- elimination of the current provision of reversion to separate billing for nonpayment by a customer of the EGS portion of the bill.
- discounts to POR payments to suppliers to reflect incremental uncollectible expenses not included in distribution rates, which may include the unbundled uncollectible accounts percentage; provided, however, that customers will not be responsible for any reconciliation of the discount against actual results.
- ability for PPL Electric to also recover through the discount rate POR program implementation costs and other POR-

related expenses not included in distribution rates. The Company's filing will provide an estimate of these costs.

Settlement, ¶ 58.

The interested parties will meet in a collaborative setting and take appropriate consumer protections into consideration. This approach will allow the parties to thoroughly discuss the issues, give time for the Retail Market Working Group (RMWG) to finish its process and allow the interested parties to take the RMWG's recommendations into consideration during the collaborative process. The OCA submits that this process will provide the opportunity to design a POR program with appropriate consumer protections. The OCA supports a collaborative process as the most appropriate way to resolve this issue.

2. Release of Customer Information (Settlement, ¶65)

In his direct testimony RESA witness Hudson, recommended that the Company make available a customer list to licensed EGSs beginning on July 1, 2010. Mr. Hudson recommended that the customer list include the following information: account number, customer name and address, telephone number, rate code, municipal tax code, meter read cycle date, meter type, load profile and most recent 12-month usage. Mr. Hudson also recommended that customers have the opportunity to opt out of having their information included on the customer list. See RESA St. 1 at 37-38.

In her Rebuttal Testimony, OCA witness Alexander stated that she had no objection to the use of a mass customer list, similar to that put into effect in the early days of retail competition in Pennsylvania. Ms. Alexander noted that all customers must be notified of the creation of such a list and that customers must have the right to opt out of being included in such a list. Further, Ms. Alexander recommended that the previously adopted Commission

guidelines¹ concerning the creation and distribution of such a list should be reflected in any future use of mass customer lists. See OCA St. 2R at 20.

The Settlement in this matter provides:

PPL Electric will update its customer Release of Information (“ROI”) database through a one-time mailing (either bill insert or post card) to customers in the first half of 2010 to update customer information release preferences as part of its customer education plan. PPL Electric acknowledges that it will comply with 52 Pa. Code § 54.8 in undertaking the mailing.

Settlement, ¶65.

The Company agrees to update its customer information release preferences and make updated customer information available to EGSs in 2010. This will be done in accordance with Commission Orders and regulations, which contain the necessary consumer protections. The OCA submits that an up-to-date customer list will benefit retail marketers and competition. Also, the OCA submits that the customer protections in place will allow customers to determine what, if any, information they will allow PPL to make available to EGSs.

3. Customer Referral Collaborative (Settlement, ¶62)

In his Direct Testimony, Direct Energy witness Cerniglia recommended that PPL initiate a customer referral program, whereby PPL customer service representatives would inquire whether customers would like to participate in the program whenever PPL receives customer calls regarding initiation of service, a high bill or other type of questions. If the customer agrees to participate, he or she would switch to an EGS and receive a two-month discount off the commodity portion of his or her bill. After two months the customer may switch back to PPL without penalty. Also, it would be PPL’s responsibility to promote the program.

¹ See, for example, 52 Pa. Code §54.8 and Procedures Applicable To Electric Distribution Companies and Electric Generation Suppliers During The Transition To Full Retail Choice, Docket No. M-00991230, slip op at 21-25 (Order entered May 18, 1999).

See Direct Energy St. 1 at 13-14.

In his Rebuttal Testimony, PPL witness Krall stated that the Company did not support a customer referral program because PPL agreed with the Commission that customer referral programs should be addressed on a statewide basis and such a program is already being considered in the Commission's RMWG. See PPL St. 4-R at 11. Further, PPL's POLR plan is in place for 2010 and major changes would be inappropriate. Mr. Krall also identified specific concerns with Direct Energy's plan including lengthened response time to customers' calls, costs associated with maintaining current supplier information, and the fact that EGSs in other utility service territories have already offered discount programs to customers through the Commission's Choice website, without a referral program. See PPL St. 4-R at 11-12.

In her Rebuttal Testimony, OCA witness Alexander recommended that additional obligations not be imposed on PPL in this proceeding with regard to referral programs because many details and administrative procedures would have to be considered and resolved prior to the implementation of such a program. Instead, Ms. Alexander stated that it would be more efficient to consider these proposals and the implementation details and costs in the generic discussions of the RMWG. See OCA St. 2R at 18-19.

The Settlement, in relevant part, provides:

PPL Electric agrees to convene a collaborative to discuss a residential and small commercial and industrial direct mail referral program PPL Electric agrees to hold at least three collaborative meetings. PPL Electric will consider the results of the collaborative in developing the plan design for its next default service plan proceeding.

Settlement, ¶ 62.

The OCA submits that a collaborative is the proper vehicle to determine whether the Company should move forward with a direct mail customer referral program and if so, the

parameters of such a program. Furthermore, the interested parties will have the benefit of the discussions at the RMWG regarding customer referral programs for use in the collaborative.

5. Aggregation Program Collaborative (Settlement, ¶62)

In his Direct Testimony, Direct Energy witness Kallaher recommended that PPL pool all of its low income customers and offer them service from an EGS (referred to as the LICAP or aggregation program). An EGS would be chosen using the RFP process, and the winning EGS would supply commodity to the pooled customers for a period of time. See Direct Energy St. 2 at 4-6.

In her Rebuttal Testimony, OCA witness Alexander identified significant concerns with the Direct Energy aggregation proposal. See OCA St. 2R at 26-31. PPL witness Timothy Dahl also noted significant issues with Mr. Kallaher's proposal in his Rebuttal Testimony. See PPL St. 5-R at 13-17.

The Settlement provides:

PPL Electric agrees to convene a collaborative to discuss . . . a residential customer aggregation program. PPL Electric agrees to hold at least three collaborative meetings. PPL Electric will consider the results of the collaborative in developing the plan design for its next default service plan proceeding.

Settlement, ¶ 62.

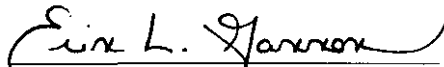
The Company has agreed to establish collaboratives in order to consider other forms of aggregation programs. The OCA submits that a collaborative approach is the proper vehicle to consider these programs. It will give the interested parties the opportunity to consider proposals to determine if they are viable and also to work through various issues and continue to provide appropriate consumer protections. PPL can then consider this work in developing its next default service plan.

III. CONCLUSION

For all of the reasons set forth herein, the OCA submits that the proposed Settlement is in the public interest.

WHEREFORE, the OCA respectfully requests that the Administrative Law Judge and the Public Utility Commission approve the terms and conditions of the Joint Settlement Petition.

Respectfully submitted,



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Dated: March 11, 2009
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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of PPL Electric Utilities Corporation :
for Approval of a Default Service Program :
and Procurement Plan for the Period : **Docket No. P-2008-2060309**
January 1, 2011 through May 31, 2014 :

**STATEMENT OF THE
OFFICE OF SMALL BUSINESS ADVOCATE
IN SUPPORT OF THE SETTLEMENT PETITION**

Introduction

The Small Business Advocate is authorized and directed to represent the interests of the small business consumers of utility services in the Commonwealth of Pennsylvania under the provisions of the Small Business Advocate Act, Act 181 of 1988, 73 P.S. §§ 399.41 - 399.50. Pursuant to that statutory authority, the OSBA filed a Notice of Intervention and Protest with respect to the Petition of PPL Electric Utilities Corporation (“PPL” or the “Company”) for Approval of a Default Service Program and Procurement Plan for the Period January 1, 2011 through May 31, 2014 (“*Petition*”).

The OSBA filed the direct, rebuttal, and surrebuttal testimony of its witness in this proceeding, Robert D. Knecht. The OSBA also actively participated in the negotiations that led to the proposed settlement, and is a signatory to the Joint Petition for Settlement (“*Settlement Petition*”). The OSBA submits this statement in support of the *Settlement Petition*.

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The Settlement Petition

The *Settlement Petition* sets forth a comprehensive list of issues that were resolved through the negotiation process.

The OSBA agreed in principle with many aspects of PPL's proposed default service plan, especially its primary reliance on load-following, full-requirements contracts for the acquisition of default service supply for the Small Commercial and Industrial ("Small C&I") customers. The *Settlement Petition* preserves the core of PPL's filed procurement plan, *i.e.*, reliance on load-following, full-requirements contracts to serve the Small C&I load.

The following issues were of significance to the OSBA when it concluded that the *Settlement Petition* was in the best interests of PPL's small business customers.

Small C&I Procurement Methodology - As set forth in the *Settlement Petition*, PPL will procure 90% of the required Small C&I supply under a series of fixed price, load-following supply contracts inclusive of energy, capacity, transmission (other than Network Integration Transmission Service), ancillary services, transmission and distribution losses, congestion management costs, and Alternative Energy Portfolio Standards ("AEPS") credits. The remaining 10% will be procured through the spot market. The OSBA supports this methodology for procuring the default supply for the Company's Small C&I customers. In fact, the OSBA has advocated for load-following, full-requirements supply contracts in this and other proceedings. Consistent with that advocacy, the OSBA submits that the procurement methodology set forth in the *Settlement Petition* conforms to the requirements of Act 129, *i.e.*, it will provide a

“prudent mix” of competitively acquired products likely to provide the “least cost” to Small C&I customers over time. See OSBA Statement No. 1, at 5-7.

Elimination of the Long-Term Fixed Block Purchases – PPL modified its original proposal in order to include the purchase of long-term fixed block supplies for Small C&I customers. OSBA witness Robert D. Knecht explained the proposal as follows:

In response to the enactment of Act 129, PPL Electric modified its original default service procurement proposal to include long-term supplies. However, rather than enter into long-term load-following contracts, PPL Electric proposes to contract for long-term ‘block’ products. Under these contracts, PPL Electric will purchase a level load over every hour of the year, for a fixed dollar-per-MWh price. PPL Electric proposes to conduct four procurements, two for 5-year blocks and two for 10-year blocks. Each block will be 75 MW, of which 40 percent (30 MW) will be assigned to the Small C&I rate class group and 60 percent will be assigned to the Residential rate class group.

OSBA Statement No. 1, at 14.

The OSBA was concerned that such fixed-block purchases would create significant price risk for the Company’s Small C&I customers, as the potential existed that such block purchases for five and ten years may have had to be made at relatively high prices. Consequently, if the fixed block prices were significantly higher than eventual market prices, a substantial number of customers might leave default service, thereby leaving the remaining customers stuck with even higher rates. See OSBA Statement No. 1, at 15-16.

Consequently, the OSBA supports the *Settlement Petition’s* proposal to eliminate the five and ten-year blocks for Small C&I customers and serve 90% of the Small C&I load with full-requirements, load-following contracts.

The 500 kW Dividing Line –The Commission’s default service regulations provide that 500 kW should be the dividing line between fixed price and hourly priced service. However, PPL proposed to divide customers between fixed and hourly priced service on the basis of existing rate classes rather than on the basis of the Commission’s regulations. In that regard, PPL proposed to place all GS-3 customers (who take service at secondary distribution voltage) in the Small C&I procurement group even though some GS-3 customers have maximum peak demands of greater than 500 kW. Similarly, PPL proposed to place all LP-4 customers (who take service at primary distribution voltage) in the Large C&I hourly-priced procurement group, even though some LP-4 customers have less than 500 kW in maximum peak demand. In effect, PPL proposed to segregate “large” and “small” business customers based on service voltage, rather than on size of customer.

The OSBA was concerned that the smaller LP-4 customers would be considerably less attractive to electric generation suppliers (“EGSs”) than larger customers, and that, as a result, PPL’s proposed approach could leave the smaller LP-4 customers exposed to hourly prices without competitive alternatives. *See* OSBA Statement No. 1, at 9-10. Although OSBA’s witness did not recommend excluding the over-500 kW GS-3 customers from the Small C&I rate class group, he acknowledged that there were good reasons to do so. In particular, including the very large GS-3 customers (who are most likely to shop) in the Small C&I procurement group would have the effect of increasing the risk premium built into bid prices by default service suppliers.

The *Settlement Petition* moves the Rate Schedule LP-4 customers with less than 500 KW peak demand into the Small C&I procurement group, and places the Rate

Schedule GS-3 customers with 500 kW or greater peak demand in the Large C&I procurement group. *See* OSBA Statement No. 3, at 6-9 (“[I]deally, rate class groups should be based on customers with similar load profiles.”) The OSBA submits that this delineation is in the public interest as it classifies LP-4 and GS-3 customers as either “large” or “small” commercial and industrial customers based on the actual size and load profile of those customers, rather than service voltage. This classification better serves the smaller commercial and industrial customers who are less likely to shop, because *all* such customers will have access to stable default service rates which are not subject to excessive risk premiums that could result if large customers were included in that procurement group.

Aggregate Load Cap – The *Settlement Petition* establishes a load cap of 85% for the Small C&I customer class in each solicitation. Of particular importance to the OSBA, however, is that the *Settlement Petition* also places an aggregate load cap on individual wholesale suppliers for the Small C&I customer class of 65%. By placing a specific load cap on individual wholesale suppliers, the Small C&I customer class gains a measure of protection from the risk that a wholesale supplier will default, thereby forcing PPL to procure supplies at prices that may be injurious to the Company’s small business customers. *See* OSBA Statement No. 1, at 18-19.

Conclusion

For the reasons set forth in the *Settlement Petition*, as well as the additional factors that are enumerated in this statement, the OSBA supports the proposed *Settlement Petition* and respectfully requests that the ALJ and the Commission approve the *Settlement Petition* in its entirety and without modification.

Respectfully submitted,



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Dated: March 10, 2009

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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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Petition of PPL Electric Utilities :
Corporation for Approval of a Default : Docket No. P-2008-2060309
Service Program and Procurement Plan :

**RETAIL ENERGY SUPPLY ASSOCIATION AND
DIRECT ENERGY SERVICES, LLC
JOINT STATEMENT IN SUPPORT OF JOINT PETITION FOR SETTLEMENT**

The Retail Energy Supply Association (“RESA”) and Direct Energy Services, LLC (“Direct Energy”) submit this Joint Statement in Support of Pennsylvania Public Utility Commission (“Commission”) approval of the Joint Petition For Settlement (“Settlement”) regarding petition filed by PPL Electric Utilities Corporation (“PPL Electric”) in this proceeding.

RESA is a non-profit organization and trade association of retail energy suppliers who share the common vision that robust and sustainable competitive retail energy markets deliver more efficient, customer-oriented outcomes than regulated utility structures. RESA members include several companies that are licensed electric generation suppliers (“EGSs”) in the Commonwealth of Pennsylvania and sell, or are authorized to sell, electric energy in PPL Electric’s service territory.¹

Direct Energy Services, LLC (“Direct Energy”) is a member of RESA, the second largest retail energy and energy services provider in North America, and a licensed

¹ RESA’s members include Commerce Energy, Inc; Consolidated Edison Solutions, Inc; Direct Energy Services, LLC; Gexa Energy; Hess Corporation; Integrys Energy Services, Inc.; Liberty Power Corp.; Reliant Energy Retail Services, LLC; Sempra Energy Solutions; SUEZ Energy Resources NA, Inc. and US Energy Savings Corp. 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.

competitive energy supplier in Pennsylvania, currently providing electricity and/or natural gas in several utility territories.

The Settlement proposes to set forth the terms and conditions pursuant to which default service will be provisioned by PPL Electric effective January 1, 2011. The Settlement contains several significant measures that will aid in the development of retail competition in the PPL Electric service territory and addresses concerns raised by RESA and Direct Energy regarding the initial proposal. More specifically, the Settlement: (1) modifies PPL Electric's original procurement proposal to make it more market responsive, (2) agrees to unbundle uncollectible accounts expense in PPL Electric's next base rate case; and, (3) makes various commitments regarding retail market issues, including a process whereby a Purchase of Receivables ("POR") program will be developed for implementation on January 1, 2011.

Procurement Plan

Long Term Contracts

Neither RESA nor Direct Energy support long-term fixed price contracts because they impede the goal of promoting retail competition by decoupling the default service price from changing wholesale market prices.² Moreover, there is no guarantee that such contract will produce lower costs for customers and may deny customers price decreases in a time of declining prices.

In the Settlement, the quantity of supply served through the long term contracts has been significantly reduced.³ While the procurement plan proposed by the Settlement

² RESA Statement No. 1 at 19-28; Direct Energy Statement No. 2 at 18.

³ Settlement at ¶¶ 23, 33.

does not eliminate all long-term contracts from the proposed plan, it does represent a significant improvement from the originally proposed plan and, therefore, is supported by RESA and Direct Energy.

Residential Customers

The Settlement produces a more market-reflective and market-responsive default service procurement structure for the Residential customers. As discussed above, the Settlement proposal reduces the amount of supply acquired through long-term contracts and provides parties an opportunity to develop the details of the ten-year unit entitlement RFP in a collaborative process that will result in a separate filing for Commission approval. These changes represent a reasonable approach that RESA and Direct Energy can support.

Small C&I Customers

The Settlement produces a more market-reflective and market-responsive default service procurement structure for the Small Commercial and Industrial (“C&I”) customers. The Settlement proposal eliminates the long-term (5- and 10-year) contracts that were initially proposed, and would move Rate Schedule LP-4 customers with less than 500 kW peak demand to the Small C&I procurement group and moves Rate Schedule GS-3 customers with 500 kW or greater peak demand to the Large C&I procurement. These changes represent an improvement over the initial proposal and provides a reasonable approach that RESA and Direct Energy can support.

Large C&I Customers

PPL Electric originally proposed hourly default service for Large C&I customers. That proposal is accepted in the Settlement. But, the Settlement provides for a separate

collaborative for interested parties to develop an optional monthly or quarterly load following service for Large C&I customers.⁴ RESA and Direct Energy continue to support an hourly priced service as the most appropriate default service structure for large C&I customers. The agreement reached in the Settlement preserves hourly pricing as the default service for Large C&I customers, and the collaborative process to consider an optional monthly or quarterly optional service will specifically seek to avoid any impediments to, or restrictions on shopping.

Allocation of Default Service Costs

Section 54.187(a) of the Commission's regulations require that all default service related costs should be reflected in default service rates and that no default service costs are to be recovered through the distribution rate.⁵ In its initial petition, PPL Electric failed to include in its default service rate for a wide range of default service related costs. This is a significant competitive issue because EGSs use the default price to assist in pricing their own products. If EDCs are permitted to recover the costs of default service from distribution rates (which are not competitive rates), then EGSs will be at a significant competitive advantage compared to the EDC's default service which will fail to reflect all of the costs of providing generation service. Moreover, improperly allocated costs will result in consumers paying twice for some cost components (i.e., once to PPL Electric through their distribution rates and once to the EGS through their generation rate).⁶

⁴ Settlement at ¶ 40.

⁵ 52 Pa. Code § 54.187(a).

⁶ RESA Statement No. 1 at 32-35.

In the Settlement, PPL Electric has agreed to unbundle uncollectible accounts expenses as part of its next distribution rate case.⁷ This is progress toward the goal of ensuring that the PTC accurately reflects the true costs of providing default service so that EGSs are not placed at a competitive disadvantage. Additional unbundling issues can be pursued in a future base rate case proceeding to further ensure that default service rates properly reflect all default service costs.

Retail Market Issues

Purchase of Receivables Program

In addition, PPL Electric also commits to taking the actions necessary to permit the implementation of a revised purchase of receivables (“POR”) program on January 1, 2011.⁸ This includes a commitment to lead at least three meetings with interested parties to discuss the details of the POR program. PPL Electric also makes filing commitments through which the revised POR program would be submitted to the Commission. In the Settlement, PPL Electric has agreed to file a program with elements necessary to make the program successful, including: (1) the ability to terminate service subject to the appropriate consumer protections, (2) a POR program without recourse, (3) removal of the reversion to separate billing, and, (4) an appropriate discount which reflects incremental uncollectible expense and other incremental POR-related expenses that are not included in distribution rates.⁹

A properly structured POR Program is essential to fostering the development of retail competition because it places EGSs on equal footing with the EDC in terms of

⁷ Settlement at ¶¶ 58-59.

⁸ Settlement at ¶ 58-59.

⁹ Settlement at ¶ 58.

uncollectible accounts expense.¹⁰ PPL Electric's commitment to work with interested parties and to file a revised POR program is important to enabling the competitive market (and PPL Electric) to operate more efficiently. While there is still significant work to be done in structuring the program, the Settlement sets forth the process within which such work will occur and sets forth the avenue by which a POR proposal will be submitted to the Commission. Both RESA and Direct Energy look forward to working with interested parties to ensure that the POR program is structured to ensure that a competitive market is developed.

Release of Information Database

In the Settlement, PPL Electric commits to updating its customer Release of Information database.¹¹ This commitment is a step in the right direction to ensuring that a competitive market is developed, and is supported by RESA and Direct Energy.

Low-Income Aggregation Program

Direct Energy proposed a low-income aggregation program to offer low income customers in PPL Electric's service territory the option to participate in the competitive market and realize lower energy costs than they would otherwise receive as PPL Electric default service customers.¹² In response, some parties presented various operational difficulties and concerns about how such a program would be structured and implemented. In the Settlement, PPL Electric agrees to convene a collaborate to address alternative customer aggregation proposals such as the one proposed by Direct Energy and to consider incorporating the results of this process in its next default service case.¹³

¹⁰ RESA Statement No. 1 at 35-37; Direct Energy Statement No. 1 at 8-13.

¹¹ Settlement at ¶ 65.

¹² See Direct Energy Statement No. 2.

¹³ Settlement at ¶ 62.

By creating a forum for interested parties to share their concerns and ideas, the Settlement establishes a process whereby low income customers may be able to receive the benefit of the competitive market in the future. In consideration of the complexity of these issues, this resolution is a reasonable approach that Direct Energy supports.

Direct Mail Referral Program

PPL Electric's original petition did not propose any new and specific programs to increase awareness of EGS options to consumers. In response, Direct Energy proposed that PPL Electric implement a customer referral program similar to those implemented by various EDCs in New York.¹⁴ Such programs assist in the development of a robust retail market by introducing them to competitive alternatives. Although PPL Electric opposed an immediate implementation of such a program, in the Settlement it agrees to lead a collaborative to explore implementation of a referral program that will be considered in the context of PPL Electric's next default service plan filing.¹⁵ While Direct Energy continues to support implementation of a customer referral program as soon as possible, establishing a process whereby the logistics of such a program can be discussed among various stakeholders for potential future implementation is a reasonable alternative that Direct Energy can support.

For the reasons stated above, RESA and Direct Energy request that the Commission approve PPL Electric's Default Service Program and Procurement Plan, as modified by the Settlement.

¹⁴ Direct Energy Statement No. 1 at 13-14.

¹⁵ Settlement at ¶ 59.

Respectfully submitted,



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Dated: March 11, 2009

Attorneys for the
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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of PPL Electric Utilities Corporation :
for Approval of a Default Service Program :
and Procurement Plan for the Period : Docket No. P-2008-2060309
January 1, 2011 through May 31, 2014 :

**STATEMENT OF THE SUSTAINABLE ENERGY FUND
OF CENTRAL EASTERN PENNSYLVANIA
IN SUPPORT OF JOINT PETITION FOR
SETTLEMENT**

TO ADMINISTRATIVE LAW JUDGE SUSAN D. COLWELL:

I. INTRODUCTION

1. The Sustainable Energy Fund of Central Eastern Pennsylvania ("SEF"), by its attorneys, submits the following in support of the Joint Petition for Settlement ("Settlement") presented in the above-captioned proceeding. SEF supports the portion of the Settlement in Section II.M. related to PPL Electric Utilities Corporation ("PPL") continuation of funding for SEF's Solar Scholars™ program in 2009, additional funding in the amount of \$175,000 in 2010 for the Solar Scholars™ program or the Green Scholars program, at SEF's discretion, as well as PPL's commitment to consider SEF's proposed Green Scholars program and SEF's proposed Energy Management Education Series as part of PPL's comprehensive conservation filing under Act No. 129. SEF takes no position in regard to the settlement of the other issues associated with PPL's proposed Default Service Program and Procurement Plan ("DSP Plan") as proposed by the other parties to the proceeding.

II. SPECIFIC SETTLEMENT TERMS

2. The Solar Scholars™ program is a proven solar energy education program dedicated to Pennsylvania universities and colleges that promotes awareness and use of solar energy. Solar Scholars™ provides students and their schools with funding and incentives for in-depth study, training and research in photovoltaic technologies as part of an overall academic curriculum in renewable energy. Its mission is to prepare the next generation of solar energy leaders to make informed decisions that are science, business and technology based.

3. The settlement in PPL's 2007 distribution rate case at Docket No. R-00072155 provided that PPL would contribute \$250,000 to collaboratively partner with SEF in the Solar Scholars™ program. During 2008, with the educational program co-funding from PPL, SEF expanded the Solar Scholars™ program, and provided detailed solar training via a week-long conference to approximately thirty (30) colleges and universities in PPL's service territory. These institutions are integrating renewable energy into their on-going curriculum, and SEF, through matching competitive grants, is currently helping twelve (12) of these colleges to design and install educational photovoltaic systems at their campuses in 2008 and the remainder of 2009.

4. SEF proposed the Green Scholars program, modeled on the successful Solar Scholars™ program, based upon a survey of colleges and universities that indicated that they would be interested in additional education focusing on topics that address sustainable building practices, such as building envelope improvement, window shading and window replacement, lighting upgrades, equipment efficiency and building automation systems. The Green Scholars program will aid colleges and universities in integrating the concept of sustainable energy into their curriculum providing detailed training in designing, planning and the execution of energy

based sustainability projects. The program focuses on maximizing energy efficiency, creating a sustainable energy supply and promoting socially responsible energy use. The program, similar to the Solar Scholars™ program, will educate the future business leaders, policymakers, educators, employees and homeowners of tomorrow, as well as encouraging colleges and universities to compete for a matching grant to implement sustainability projects on their campuses.

5. The continuation of funding for 2009 for the Solar Scholars™ program, and the provision of \$175,000 in 2010 for the continuation of the Solar Scholars™ program or the Green Scholars program, at SEF's discretion, is clearly in the public interest. The Solar Scholars™ program is a proven, successful program, the continuation of which supports the larger state goal of advancing renewable energy in Pennsylvania and, in particular, providing a skilled and trained workforce for the growing renewable energy industry in the state. The need for a skilled and trained solar workforce is critical, since the solar industry in Pennsylvania is expected to increase dramatically with the 2009 onset of Pennsylvania's Renewable Energy Rebate program.

6. In addition, the continuation of the Solar Scholars™ program also is in the public interest since the further education and installation of photovoltaic or thermal systems will directly contribute to PPL's ability to meet the reduced consumption guidelines in Act No. 129. 66 Pa.C.S. § 2806.1.

7. The use of funding in 2010 for the Green Scholars program is in the public interest for the same reasons as the Solar Scholars™ program. The program promotes maximizing energy efficiency, creating a sustainable energy supply and promoting socially responsible energy use. It too will support the energy conservation and energy efficiency requirements of Act No. 129.

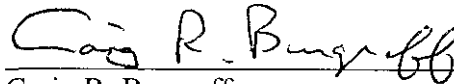
8. Finally, PPL's commitment to consider the Green Scholars program and the Energy Management Education Series for inclusion in its comprehensive conservation filing required by Act No. 129 is in the public interest. As noted earlier, Act No. 129 imposes reduced consumption guidelines on PPL and the SEF recommended programs clearly can aid PPL in meeting Act No. 129's requirements.

III. CONCLUSION

9. It is the policy of the Commission to encourage parties in contested proceedings to enter into settlements. 52 Pa. Code § 5.231(a). The portion of the settlement detailing PPL's continued funding of the Solar Scholars™ program in 2009, additional funding of \$175,000 in 2010 for the Solar Scholars™ program or the Green Scholars program, at SEF's discretion, and the consideration of the Green Scholars program and the Energy Management Education Series for inclusion in PPL's Act No. 129 conservation filing is in the public interest and consistent with the Commission's stated policy encouraging settlements.

WHEREFORE, the Sustainable Energy Fund of Central Eastern Pennsylvania requests that Administrative Law Judge Susan D. Colwell recommend approval of and the Public Utility Commission approve those terms contained in Section II.M. of the Joint Petition for Settlement.

Respectfully submitted,



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DATED: March 10, 2009

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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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Petition of PPL Electric Utilities Corporation :
for Approval of a Default Service Program :
and Procurement Plan for the Period January :
1, 2011 Through May 31, 2013 :

Docket No. P-2008-206030

**STATEMENT IN SUPPORT OF JOINT PETITION FOR SETTLEMENT
PP&L INDUSTRIAL CUSTOMER ALLIANCE**

On March 11, 2009, PPL Electric Utilities Corporation ("PPL" or "Company"), the Office of Trial Staff ("OTS"), the Office of Consumer Advocate ("OCA"), the Office of Small Business Advocate ("OSBA"), the Retail Energy Supply Association ("RESA"), the Sustainable Energy Fund ("SEF"), the PP&L Industrial Customer Alliance ("PPLICA"), Direct Energy Services, LLC ("Direct Energy"), Constellation New Energy, Inc. and Constellation Energy Commodities Group, Inc. (collectively, "Constellation"), PPL Energy Plus, Reliant Energy Inc. ("Reliant"), Richards Energy Group, Inc. ("Richards") and Eric Joseph Epstein ("Mr. Epstein") (collectively, "Parties" or "Joint Petitioners") submitted to the Pennsylvania Public Utility Commission ("PUC" or "Commission") a Joint Petition for Settlement proposing a negotiated resolution of almost all outstanding issues in the above-captioned proceeding. The only two issues not resolved by the Joint Petition concern default service for Amtrak and whether to include certain default provisions in the Supply Master Agreements ("SMA"); however, resolution of these issues will have no effect on any of the issues outlined in the Joint Petition. PPLICA hereby provides this Statement in Support, which explains the background and provisions of the Joint Petition, and establishes that approval of the Joint Petition without modification is appropriate and in the public interest.

I. BACKGROUND

1. On August 28, 2008, PPL submitted to the Commission a Petition for Approval of a Default Service Program and Procurement Plan for the Period January 1, 2011, through May 31,

2014, ("DSP" or "Petition") indicating that the request was submitted pursuant to Section 2807 of the Public Utility Code, 66 Pa. C.S. § 2807 and 52 Pa. Code §§ 54.181-54.189.

2. In its Petition, PPL set forth a proposed plan to procure needed generation beginning in July 2009 and to establish the terms and conditions under which the Company will supply Provider of Last Resort ("POLR") service beginning on January 1, 2011, until May 31, 2014. The proposed DSP would apply to all retail customers in PPL's service territory. PPL proposed separate treatment for: (1) Residential Customers served under Rate Schedules RS, RTS and RTD; (2) Small Commercial and Industrial ("C&I") Customers taking service under Rate Schedules GS-1, GS-3, GH-1, GH-2, IS-1, BL, SA, SM, SHS, SE, TS, SI-1, and standby service for the foregoing schedules; and (3) Large C&I Customers served under Rate Schedules LP-4, LP-5, LP-6, LPEP, IST, ISM and standby service for the foregoing schedules.

3. On September 26, 2008, PPLICA filed a Petition to Intervene and Answer in Opposition to the DSP. In its Answer, PPLICA raised its concern with PPL's proposal to eliminate a fixed-price option for Large C&I Customers and instead offer Large C&I customers only a real-time hourly-priced generation service with no fixed price alternative. Accordingly, PPLICA argued that the Commission must consider requiring the Company to offer Large C&I Customers a monthly rate, consistent with the recently adopted Default Service Regulations and Policy Statement.

4. On October 14, 2008, Governor Rendell signed House Bill No. 2200, subsequently identified as Act No. 129 of 2008 ("Act 129"), which, among other things, established revised requirements for the acquisition of POLR supply by electric distribution companies. Because Act 129 was passed after PPL filed its DSP, the Company requested and was granted the right to file revisions to the DSP Plan. In addition, a revised procedural schedule as agreed upon and adopted by Order on October 27, 2008.

5. Pursuant to the revised schedule, PPL submitted supplemental Direct Testimony on November 3, 2008, in response to the enactment of Act 129. The November 3 Direct Testimony

proposed two modifications to the originally filed Petition. First, the term of the plan was shortened by 12 months, to conclude on May 31, 2013, instead of May 31, 2014; and second, PPL proposed to incorporate long-term contracts (greater than four year terms) into its procurement plan for Residential and Small C&I Customers. Nothing in the Company's revised testimony changed PPL's plan to offer Large C&I customers only a real-time hourly-priced generation service with no fixed price alternative.

6. A Prehearing Conference was held in this proceeding, at which time a litigation schedule was developed. Pursuant to that schedule, the Parties submitted testimony and an evidentiary hearing was held. The Company also responded to multiple sets of written interrogatories providing detailed explanations of various issues related to each request.

7. In accordance with the Commission's policy encouraging negotiated settlement of contested proceedings, the Joint Petitioners engaged in negotiations to resolve the issues raised by the various parties. These discussions resulted in the Joint Petition for Settlement, which includes a resolution of all outstanding issues between PPLICA and PPL in this proceeding as set forth below.

II. STATEMENT IN SUPPORT

8. The Commission has a strong policy favoring settlements. As set forth in the PUC's regulations, "[t]he Commission encourages parties to seek negotiated settlements of contested proceedings in lieu of incurring the time, expense and uncertainty of litigation." 52 Pa. Code § 69.391; see also 52 Pa. Code § 5.231. Consistent with the Commission's policy, and as noted above, PPLICA and PPL, both on their own and in conjunction with the other Parties, engaged in negotiations in an effort to settle the issues raised by PPLICA. These ongoing discussions produced the applicable provisions of the Settlement as discussed herein.

9. The Joint Petition reflects a reasonable and appropriate compromise of the various Parties' positions in this matter, particularly balancing the interests of PPL, PPLICA and RESA to create the development and introduction of an optional monthly or quarterly fixed price service to

Large C&I customers, in addition to the hourly priced option as originally proposed. As PPLICA witness Gail Anderson of LaFarge North America testified, a monthly (or quarterly) fixed price service will provide a necessary and appropriate level of rate stability and predictability for Large C&I customers who are forced to rely on default service due to their inability to find an Electric Generation Supplier ("EGS") or whose EGS fails to deliver. See PPLICA Statement No. 1 at 4. RESA has repeatedly stated that EGSs will enter the PPL territory to provide fixed price options of longer durations. See RESA Statement No. 1 at 32; see also RESA Statement No. 1R at 17. Accordingly, the resolution of these issues as achieved through the Joint Petition is clearly in the public interest.

10. In addition, the development of a monthly or quarterly alternative will ensure that the plan is compliant with Act 129. Act 129 mandates that Electric Distribution Companies must include a "prudent mix of spot market purchases, short-term contracts [and] long-term contracts" for all for all its POLR service plans, not just for PPL's residential and Small C&I customers. 66 Pa. C.S. § 2807(e)(3.2). Without a monthly or quarterly (or longer duration) fixed price rate, the Large C&I plan includes only one of the potential elements of the "prudent mix" under Act 129 (*i.e.*, spot market purchases, short-term contracts, and long-term contracts). Development of the monthly or quarterly rate will ensure that short-term products are also reflected, which will comply with the "mix" aspect of 66 Pa. C.S. § 2807(e)(3.2).

11. The Settlement also ensures that appropriate evaluations *will occur* of the procurement methodologies. See Joint Petition at ¶ 44. This will ensure that the parties and the PUC can evaluate in the future whether PPL's proposal to auction off the Large C&I hourly product is appropriate, or whether a more reasonable rate can be achieved by PPL acting as the load serving entity for the hourly product. This was an issue that PPLICA raised in its Prehearing Memorandum. See PPLICA Prehearing Memorandum at 2.

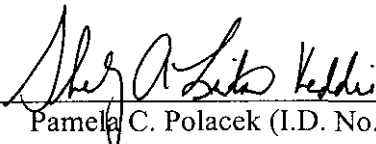
12. PPLICA supports the foregoing Joint Petition because it is in the public interest; however, in the event that the Joint Petition is rejected by Administrative Law Judge Susan D. Colwell or the Commission, PPLICA will resume its litigation position, which differs from the terms of the Joint Petition.

13. As set forth above, PPLICA submits that the Settlement is in the public interest and adheres to the Commission policies of promoting negotiated settlements. The Settlement was achieved after numerous settlement discussions. While Joint Petitioners have invested time and resources in the negotiation of the Joint Petition, this process has allowed the parties, and the Commission, to avoid expending the substantial resources that would have been required to fully litigate this proceeding while still reaching a just, reasonable and non-discriminatory result. Joint Petitioners have thus reached an amicable resolution to this dispute as embodied in the Settlement. Approval of the Settlement will permit the Commission and Joint Petitioners to avoid incurring the additional time, expense and uncertainty of further current litigation in this proceeding. See 52 Pa. Code § 69.391.

WHEREFORE, for the public interest considerations set forth herein, the PP&L Industrial Customer Alliance respectfully requests that the Commission adopt the Joint Petition for Settlement without modification.

Respectfully submitted,

McNEES WALLACE & NURICK LLC

By 
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Counsel to PP&L Industrial Customer Alliance

Dated: March 11, 2009

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OF RETAIL ENERGY SUPPLY ASSOCIATION

(APPENDIX F)

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modified such Petition through supplemental testimony filed on November 3, 2008⁴ in Docket No. P-2008-2060309, *Petition of PPL Electric Utilities Corporation for Approval of a Default Service Program and Procurement Plan for the Period January 1, 2011 through May 31, 2014* (collectively, the “Modified DS Program”).

2. Constellation submitted and circulated to parties in this proceeding direct, rebuttal and surrebuttal testimony for the Commission’s consideration, in order to provide an analysis of the Modified DS Program.⁵
3. The Constellation Testimony concluded that PPL Electric’s Modified DS Program would be consistent with the recently enacted requirements of *Act 129 of 2008*,⁶ passed by the General Assembly of Pennsylvania and signed into law (“Act 129”), if revised to include: (1) certain limited changes to the product mix procured by PPL Electric; and (2) certain improvements to the Supply Master Agreements (“SMAs”) to encourage broader participation by potential bidders.⁷
4. Over the course of this proceeding, the parties engaged in discussions to try to achieve a settlement of some or all of the issues in this case. As a result of those negotiations, the Joint

⁴ *Supplemental Testimony of PPL Electric Utilities Corporation*, Commission Docket No. P-2008-2060309 (Nov. 3, 2008) (“PPL Electric Supp.”).

⁵ See *Direct Testimony of Michael D. Smith on Behalf of Intervenors Constellation Energy Commodities Group, Inc. and Constellation NewEnergy, Inc.*, Commission Docket No. P-2008-2060309 (Dec. 22, 2008) (“Constellation Direct Testimony”); *Rebuttal Testimony of Michael D. Smith on Behalf of Intervenors Constellation Energy Commodities Group, Inc. and Constellation NewEnergy, Inc.*, Commission Docket No. P-2008-2060309 (Jan. 20, 2009) (“Constellation Rebuttal Testimony”); and *Surrebuttal Testimony of Michael D. Smith on Behalf of Intervenors Constellation Energy Commodities Group, Inc. and Constellation NewEnergy, Inc.*, Commission Docket No. P-2008-2060309 (Feb. 6, 2009) (collectively, the “Constellation Testimony”).

⁶ *Press Release, Governor Rendell Signs Energy Conservation Bill to Save Consumers Millions on Electricity; Urges Legislature to Pass Rate Mitigation Bill*, Pennsylvania Office of the Governor (Oct. 15, 2008) (http://www.portal.state.pa.us/portal/server.pt?open=512&objID=2999&PageID=431162&mode=2&contentid=http://pubcontent.state.pa.us/publishedcontent/publish/global/news_releases/governor_s_office/news_releases/governor_rendell_signs_energy_conservation_bill_to_save_consumers_millions_on_electricity_urgues_legislature_to_pass_rate_mitigation_bill.html).

⁷ See Constellation Direct Testimony at pp.3 (line 12) – 4 (line 2).

Petitioners were able to agree to a settlement of all but two issues. The issues encompassed by the Settlement include certain revisions to PPL Electric's Modified DS Program ("Revised DS Program"), which included revised forms of SMA ("Revised SMAs").

5. The issues that were not included in the Settlement and were reserved for litigation and decisions by the Administrative Law Judge ("ALJ") and the Commission (the "Reserved Issues") were: (a) Default Service for the National Railroad Passenger Corporation; and (b) Constellation's proposed SMA improvement that would provide for two-way termination language in the SMA, as is industry-standard, including for similar SMAs approved by the Commission and utilized by other large utilities in the Commonwealth.

II. CONSTELLATION'S SUPPORT FOR THE SETTLEMENT

6. Constellation's support of the Settlement does not imply Constellation's agreement for each of the aspects of its terms, individually. Though not all of Constellation's substantive issues – including the Reserved Issue regarding two-way termination provisions – are addressed fully by the Settlement, Constellation supports the Settlement's terms taken together, and believes that the Commission should approve the Revised DS Program, including the Revised SMAs (subject to litigation of the Reserved Issue regarding two-way termination provisions), as they are in the public interest as a reasonable settlement of the issues presented by the Joint Petitioners in this proceeding. The Settlement reasonably meets the requirements of Act 129, as laid out in the Constellation Testimony,⁸ based on the following characteristics:
 7. The Revised DS Program specifically utilizes a Default Service request for proposals ("RFP") structure ("RFP Structure") to procure its Default Service requirements, whether for

⁸ See Constellation Direct Testimony at p.6 (lines 4-21) and p.13 (lines 8-24).

(a) around-the-clock (7x24) block power supply products (“Block Supply Products”), (b) wholesale full requirements Default Service supply products (“FR Products”) or (c) power from the PJM Interconnection, L.L.C. (“PJM”)-administered spot markets along with the other requirements that make up full requirements Default Service supply (“Spot Market Products”).⁹

8. With respect to the 50 MW of 10-year unit entitlement contracts (“Long Term Unit Contracts”), the Joint Petitioners have agreed that such contracts also would be procured through a RFP, the details of which will be deferred to a collaborative and filed separately for Commission approval at a later date.¹⁰ Through that process, interested parties and the Commission will at that time be able to carefully consider whether and ensure that the Long Term Unit Contract RFP represents a competitive procurement process.
9. A reasonable settlement on a prudent mix of Default Service supply is accomplished primarily through the Revised DS Program’s continued reliance largely on FR Products to meet PPL Electric’s customers’ needs,¹¹ but also through (a) elimination of long term Block Supply Products from the Small Commercial and Industrial Customer Class’ supply mix, (b) limitations on the use of long term Block Supply Products to only 100 MW of the Residential Customer Class’ supply mix and under only five-year contracts, and (c) limitations on the use of Long Term Unit Contracts to only 50 MW of the Residential Customer Class’ supply mix.¹²

⁹ See Constellation Direct Testimony at p.7 (lines 1-12).

¹⁰ See Settlement at P26.

¹¹ See Constellation Direct Testimony at pp.10 (line 4) – 11 (line 16).

¹² See Constellation Direct Testimony at pp.7 (line 24) – 9 (line 14).

10. The Revised DS Program as structured represents a reasonable settlement of the balance between the characteristics of various customer classes and the types of products used to supply their respective load requirements.¹³
11. By relying largely on FR Products, the Revised DS Program reduces market risks to consumers through fixed-price products and, in this way, provides both adequate and reliable service to meet their needs.¹⁴
12. Whether for FR Products, Block Supply Products or Spot Market Products, the Revised DS Program ensures that PPL Electric's customers will receive adequate and reliable service in that it relies on obtaining wholesale supply from the PJM wholesale market.¹⁵
13. With respect to the RFP for the Long Term Unit Contracts, interested parties and the Commission through the collaborative and PPL Electric's subsequent filing will be able to carefully consider whether and ensure that the Long Term Unit Contract RFP will provide adequate and reliable service.¹⁶
14. Whether for FR Products, Block Supply Products or Spot Market Products, the Revised DS Program rightly relies on the use of competitive procurements to obtain generation supply contracts required to meet PPL Electric's Default Service obligations.¹⁷
15. With respect to the RFP for the Long Term Unit Contracts, interested parties and the Commission through the collaborative and PPL Electric's subsequent filing will be able to

¹³ See Constellation Direct Testimony at p.7 (lines 10-23).

¹⁴ See Constellation Direct Testimony at p.12 (lines 5-11).

¹⁵ See Constellation Direct Testimony at pp.12 (line 5) – 13 (line 5).

¹⁶ Constellation, for instance, may address at that time its concerns with respect to Long Term Unit Contracts, as expressed in the Constellation Rebuttal Testimony at pp.15 (line 6) – 16 (line 19).

¹⁷ See Constellation Direct Testimony at pp.13 (line 25) – 14 (line 12).

carefully consider whether and ensure that the Long Term Unit Contract RFP will include prudent steps necessary to negotiate favorable generation supply contracts.¹⁸

16. To the extent that the Revised DS Program procures products similar to those procured in various states throughout PJM's footprint, the RFP Structure, all else being equal, will promote robust levels of participation due to its well-designed, stable and non-discriminatory procurement process.¹⁹

17. With respect to the RFP for the Long Term Unit Contracts, interested parties and the Commission through the collaborative and PPL Electric's subsequent filing will be able to carefully consider whether and ensure that the Long Term Unit Contract RFP will be properly structured so as to be likely to encourage favorable competition and result in favorable generation supply contracts.²⁰

18. For the Revised DS Program's procurement of generation supply contracts (whether for FR Products, Block Supply Products or Spot Market Products), PPL Electric and NERA have designed the RFP structure such that winning bidders are able to be determined on the basis of "least cost" alone.²¹

19. By adopting one of the three SMA improvements proposed in the Constellation Testimony (noting that Constellation's two-way termination SMA improvement is a Reserved Issue), the Revised DS Program's competitive procurements (as compared to the Modified DS Program's RFPs using PPL Electric's original forms of SMA), are more likely to assure that

¹⁸ See Constellation Direct Testimony at pp.13 (line 25) – 14 (line 12). Constellation, for instance, may address at that time its concerns with respect to Long Term Unit Contracts, as expressed in the Constellation Rebuttal Testimony at pp.17 (line 11) – 19 (line 2).

¹⁹ See Constellation Direct Testimony at pp.14 (line 13) – 16 (line 9).

²⁰ See Constellation Direct Testimony at pp.14 (line 13) – 16 (line 9). Constellation, for instance, may address at that time its concerns with respect to Long Term Unit Contracts, as expressed in the Constellation Rebuttal Testimony at pp.17 (line 11) – 19 (line 2).

²¹ See Constellation Direct Testimony at pp.16 (line 10) – 17 (line 17).

the least cost generation supply contracts are selected for products procured for a long-term, short-term and spot market basis.²²

20. With respect to the RFP for the Long Term Unit Contracts, interested parties and the Commission through the collaborative and PPL Electric's subsequent filing will be able to carefully consider whether and ensure that the Long Term Unit Contract RFP will include prudent steps necessary to obtain least cost generation supply contracts on a long-term, short-term and spot market basis.²³

21. The Revised DS Program represents a reasonable settlement to encourage further retail market development, particularly through: (a) the procurement of different products for different classes of customers; (b) reasonable rules regarding shopping; and (c) PPL Electric's commitment to file a revised voluntary purchase-of-receivables plan, update its customer Release of Information database and hold a collaborative to discuss a direct mail referral program.

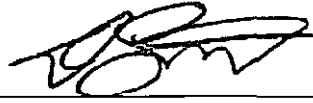
III. CONCLUSION

WHEREFORE, Constellation supports the Settlement as it is in the public interest and respectfully urges the ALJ and the Commission to expeditiously review and approve PPL Electric's Revised DS Program.

²² See Constellation Direct Testimony at p.17 (lines 7-17) and pp.18 (line 23) – 32 (line 14).

²³ See Constellation Direct Testimony at pp.16 (line 10) – 17 (line 17). Constellation, for instance, may address at that time its concerns with respect to Long Term Unit Contracts, as expressed in the Constellation Rebuttal Testimony at pp.19 (line 3) – 20 (line 12).

Respectfully Submitted,



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Counsel for Constellation

Dated: March 11, 2009

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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of PPL Electric Utilities :
Corporation for Approval of a Default :
Service Program and Procurement : DOCKET NO. P-2008-2060309
Plan for the Period January 1, 2011 :
through May 31, 2014 :

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**RELIANT ENERGY, INC.'S STATEMENT IN SUPPORT
OF JOINT PETITION FOR SETTLEMENT**

TO ADMINISTRATIVE LAW JUDGE SUSAN D. COLWELL:

INTRODUCTION

Reliant Energy, Inc. (Reliant) submits this Statement in Support of the Joint Petition for Settlement ("Settlement") in this proceeding, and respectfully requests that the Settlement be approved. Reliant is a licensed electric generation supplier authorized to provide electricity and energy services to customers in the Commonwealth of Pennsylvania as well as in other states. Also, through its subsidiaries, Reliant has more than 14,000 MW of power generation capacity in operation in the United States.

DISCUSSION

Reliant supports the Settlement because it will produce a more market responsive and market reflective default service procurement plan than the original petition filed by PPL Electric Utilities Corporation ("PPL Electric"). The Settlement reflects PPL Electric's shortened default service program term of 29 months, which will allow PPL Electric's default service plan to be adjusted sooner and will provide an opportunity to introduce greater market responsiveness in the default service pricing structure. The Settlement is also in the public interest because it: (1)

eliminates contracts with terms greater than 4 years from the small commercial and industrial default service procurement mix, (2) limits the total quantity of long-term contracts to 150 MW, and (3) preserves hourly pricing as the default service plan for large commercial and industrial customers.

Limiting the amount of long-term supply will ensure that future default service rates will better track market prices. Market responsive pricing is necessary to sustain competitive retail and wholesale market development. Thus, the Settlement is consistent with the Commonwealth's legislative policy objective of promoting electric competition:

[I]t is now in the public interest to permit retail customers to obtain direct access to a competitive generation market....

* * *

Competitive market forces are more effective than economic regulation in controlling the cost of generating electricity.

* * *

This Commonwealth must begin the transition from regulation to greater competition in the electricity generation market to benefit all classes of customers and to protect this Commonwealth's ability to compete in the national and international marketplace for industry and jobs.

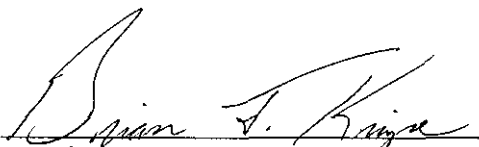
66 Pa.C.S. § 2802(3), (5), (7).

CONCLUSION

For all of the reasons set forth above, Reliant Energy, Inc. respectfully requests that Administrative Law Judge Susan D. Colwell and the Pennsylvania Public Utility Commission approve the Joint Petition for Settlement in this proceeding.

Respectfully submitted,

BUCHANAN INGERSOLL & ROONEY, P.C.

By: 
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Michael T. Killion, ID No. 201923

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Attorneys for Reliant Energy, Inc.

Dated: March 10, 2009

L

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of PPL Electric Utilities Corporation :
For Approval of a Default Service Program : Commission Docket No.
and Procurement Plan for the Period January : P-2008-2060309
1, 2011 through May 31, 2014 :

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STATEMENT OF RICHARDS ENERGY GROUP, INC.
IN SUPPORT OF THE JOINT STIPULATION
FOR SETTLEMENT OF RATE INVESTIGATION

TO THE HONORABLE SUSAN D. COLWELL, ADMINISTRATIVE LAW JUDGE:

Richards Energy Group, Inc. ("Richards"), an intervener in the above-captioned proceeding, files this Statement in Support, respectfully requesting that Your Honor recommend that the Commission approve the Joint Petition for Settlement ("Joint Petition") filed on behalf of the signatory parties.

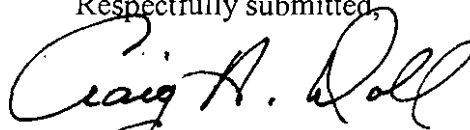
Within its Petition to Intervene Richards raised concern that the process of procuring generation supply for members of the Richards Energy Affinity Group ("REAP") and the structuring of the solicitation of bids for those members who remained default service customers during the period of time PPL's default service plan was in effect.¹ As proposed by PPL in its original filing, a GS-3 customer for distribution rate purposes would continue to be categorized as a GS-3 customer for procuring generation supply. During the course of the proceeding it became evident that various parties were proposing a division of customer procurement groups that did not coincide with distribution rate classifications. Under the various proposals,

¹ REAP is a power purchasing consortium composed of approximately 260 mid-sized industrial and larger commercial consumers, mostly in Pennsylvania who purchase roughly \$80 million of electricity per year. Many of the members of REAP are GS-1 or GS-3 customers of PPL.

commercial and industrial ("C&I") customers were to be divided into procurement groups based upon their peak demand.

The issue of potential customer confusion over a division of the procurement groups that differed from the distribution rate classifications and to clarify the exact determination of the classification break point, Richards and the other parties have agreed upon the provisions contained in paragraph 21 of the Joint Petition. As a result of these discussions, the break point will be determined by utilizing the customer's peak load contribution to PJM Interconnection, LLC ("PJM") peak load in the PJM 2008-2009 Planning Year. Additionally, those customers that will be affected by this change in classification for generation procurement purposes will be directly notified by PPL. Such actions should reduce any customer confusion. While Richards has not taken any position with regard to other paragraphs of the Joint Petition, Richards believes that the adoption of the Joint Petition will protect the interests represented by Richards, serve to reduce customer confusion, and to be in the public interest. Richards respectfully requests that Your Honor recommend to the Commission adoption of the Joint Petition.

Respectfully submitted,



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cdoll76342@aol.com

Attorney I.D. # 22814

Attorney for Richards Energy Group, Inc.

DATED: March 10, 2009

M

**BEFORE THE
Pennsylvania Public Utility Commission**

Petition of PPL Electric Utilities :
Corporation for Approval of a Default :
Service Program and Procurement : Docket No. P-2008-2060309
Plan for the Period January 1, 2011 :
through May 14, 2014 :

Eric Joseph Epstein's Statement in Support of the Settlement

Topics:

Weekend rates

**Program for Low-Income Senior Citizens on Fixed Incomes &
Stakeholder Collaborative**

Public Input

Dated: March 10, 2009

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**Eric Joseph Epstein's Statement in
Support of the Settlement**

Weekend rates

Epstein Proposal:

I proposed a a Green Weekend rate or "Green Faith Program" in my Direct Testimony. I believe this rate is a natural extension of PPL's Time of Use (TOU) programming.

A voluntary Green Weekend TOU program is essentially a program where special or reduced "weekend rates" are available for eligible faith-based institutions, Community Based Organizations working with PPL as part of their CBO network, and qualifying nonprofit organizations. All entities must have qualifying tax status with either the Pennsylvania Department of Treasury or the Internal Revenue Service.

Settlement:

PPL Electric will consider Mr. Epstein's Green Weekend proposal in its mid-2009 time of use rate filing. PPL Electric will support a Public Input Hearing in Harrisburg with respect to that filing.

Public Interest:

Rate relief for non-profits will enhance the ability of these entities to deliver their mission, strengthen PPL's existing Universal Service infrastructure, an allow for the creation and implementation of programming after the expiration of the rate caps. This tariff will incent non-profits to use weekend and off-peak rates, and alternative consumption habits for residential rate payers.

A built in public input hearing in Harrisburg, advertised in tandem with PPL, ensures wider distribution and increased public participation. A hearing in Harrisburg minimizes expenses for most Active parties and well as statutory representatives.

**Eric Joseph Epstein's Statement in
Support of the Settlement**

Program for Low-Income Senior Citizens on Fixed Incomes

Epstein Proposal:

I proposed a Senior Rate in my Direct Testimony based on the unique demographics that permeates the residential profile in PPL's rate base.

Pennsylvania is the third oldest state in the nation, and its fastest growing population segment is octogenarians. An aging population base has unique and sensitized needs.

Currently, "There are no programs specifically targeted to senior citizens or that are available only to seniors (60 years of age or older)." (PPL POLR, Response to Epstein Interrogatories, Set I, Q. 19, D.A. Krall, October 16, 2008)

My proposed tariff would be activated for a senior household based on age and fixed income levels. Several eligibility variables need to be addressed and relate to when a low-income, senior rate payer's household reaches 62. That threshold must correlate with the amount of a low-income, senior rate payer's household's fixed income as a percentage of a federal poverty level.

Settlement:

PPL Electric will consider a senior citizen rate in its universal service filing that will be made in 2010 for the three year period 2011 – 2014. PPL Electric will support a Public Input Hearing with respect to that filing.

**Eric Joseph Epstein's Statement in
Support of the Settlement**

Public Interest:

Rate relief for low-income senior citizens living on a fixed income addresses a clear cut and desirable "public interest," and helps to minimize uncollectible accounts and terminations in this vulnerable demographic.

A built in public input hearing in Harrisburg, advertised in tandem with PPL, ensures wider distribution and increased public participation. A hearing in Harrisburg minimizes expenses for most Active parties and well as statutory representatives.

**Eric Joseph Epstein's Statement in
Support of the Settlement**

Stakeholder Collaborative

Epstein Proposal:

I suggested programming to mitigate the impact of “rate shock” on low-income, senior citizens. I believe we need to make available a senior relief program based on Lessons Learned from educational collaboratives we used for the Bridge to Competition and Time of Use tariffs.

“PPL Electric found the insights provided by the participants regarding the timing of on-peak periods, the ability of customers to adapt to changes and periods, and the identification of different methods of outreach fro consumer ‘ education to be valuable.” (PPL POLR, Response to Epstein Interrogatories, Set II, Q. 13, D.A. Krall, October 1, 2008)

“The ‘Lessons Learned’ from the CBP and the resulting changes that PPL Electric has incorporated into the Proposed Default Service program are detailed in pages 15 to 20 of statement No. 1 under the section labeled ‘The SMAs and RFP Rules.’” (PPL POLR, Response to Epstein Interrogatories, Set II, Q. 1, D.R. Stiner, October 1, 2008)

Settlement:

PPL Electric will consider special outreach to senior citizens to inform them of both the rate stabilization and rate mitigation plans, through a stakeholder collaborative modeled on the collaborative processes used the Competitive Bridge Program and Time of Use programming.

**Eric Joseph Epstein's Statement in
Support of the Settlement**

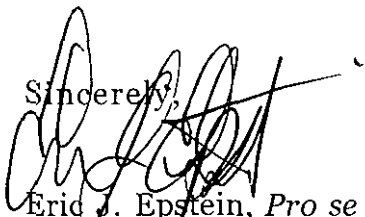
Public Interest:

This collaborative is consistent with the Commission's "Prepare Now" strategy and Correspondence of the Commissioners to Utility CEO's dated October 15, 2008 encourage proactive measure to minimize consumer hardships. All five Commissioners asked the Utility CEOs to engage in a number of activities including: "Exercise more leniency in establishing payment arrangement plans for all customers. Be as sensitive as possible to the needs of all customers." And, "Accelerate efforts to help customers meet their winter heating requirements in the most cost-effective manner possible."

Conclusion:

For the reasons set fourth, Eric Joseph Epstein supports the Settlement Agreement of Petition of PPL Electric Utilities Corporation for Approval of a Default Service Program and Procurement Docket No. P-2008-2060309 Plan for the Period January 1, 2011 through May 14, 2014.

Sincerely,



Eric J. Epstein, *Pro se*
4100 Hillside Road
Harrisburg, PA 17102

N

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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Petition of PPL Electric Utilities Corporation :
for Approval of a Default Service Program : Docket No. P-2008-2060309
and Procurement Plan for the Period :
January 1, 2011 Through May 31, 2013. :
:

STATEMENT IN SUPPORT OF SETTLEMENT

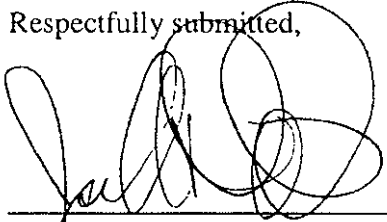
TO THE HONORABLE ADMINISTRATIVE LAW JUDGE SUSAN D. COLWELL:

PPL EnergyPlus, LLC (“PPL EnergyPlus”), an intervenor in this proceeding, has followed this proceeding with interest. PPL EnergyPlus initially was concerned about several issues raised by other parties in this proceeding, most notably the issues raised by the Office of Consumer Advocate (“OCA”) regarding the type and scope of procurement activities to be undertaken by PPL Electric Utilities Corporation (“PPL Electric”) and the issues raised by AMTRAK regarding 25 Hertz power presently provided to AMTRAK by PPL Electric. Ultimately, PPL EnergyPlus did not submit testimony related to procurement issues. However, PPL EnergyPlus did submit rebuttal testimony in this proceeding responding to the direct testimony filed by AMTRAK and cross-examined AMTRAK’s witnesses.

The procurement plan contained in the settlement is substantially similar to the plan proposed by PPL Electric, with certain limited changes to accommodate positions of other parties.

PPL EnergyPlus fully supports the Joint Petition for Settlement and requests that the Administrative Law Judge approve the Joint Petition for Settlement in its entirety.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Jesse A. Dillon', written over a horizontal line.

Jesse A. Dillon, Esquire (I.D. # 47580)
PPL Services Corporation
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Phone: (610) 774-5013

Counsel for PPL EnergyPlus, LLC

Date: March 11, 2009

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Attorneys and Counsellors at Law

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March 11, 2009

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
P.O. Box 3265
Harrisburg, PA 17105-3265

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Re: Petition of PPL Electric Utilities Corporation for Approval
of a Default Service Program and Procurement Plan for
the Period January 1, 2011 Through May 31, 2013
Docket No. P-2008-2060309

Dear Secretary McNulty:

We represent Consolidated Edison Solutions, Inc. ("Solutions") in the above-referenced matter. Please be advised that Solutions is not opposed to the terms and conditions set forth in the Joint Petition for Settlement of even date herewith and to which this letter is appended. Solutions will not, however, be a signatory to the settlement.

Very truly yours,

THOMAS, LONG, NIESEN & KENNARD

By

Charles E. Thomas, III

090311-Letter re No Opposition to Jt Petition.wpd

P



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NIESEN & KENNARD

Attorneys and Counsellors at Law

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March 10, 2009

VIA HAND DELIVERY

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Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
P.O. Box 3265
Harrisburg, PA 17105-3265

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Re: Petition of PPL Electric Utilities Corporation for Approval
of a Default Service Program and Procurement Plan for
the Period January 1, 2011 Through May 31, 2013
Docket No. P-2008-2060309

Dear Secretary McNulty:

We are counsel to The Pennsylvania State University ("Penn State"), an intervenor in the above matter. Please be advised that Penn State takes no position with respect to the terms and conditions set forth in the Joint Petition for Settlement to be filed in the matter.

Very truly yours,

THOMAS, LONG, NIESEN & KENNARD

By


Jennifer M. Sultzaberger

cc: Certificate of Service
Honorable Susan D. Colwell
Robert Cooper
Michael Prinkey
Daniel Bright

Q

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Attorneys at Law

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March 10, 2009

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David B. MacGregor, Esq.
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Re: Petition of PPL Electric 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

Dear Messrs. Hassell and MacGregor:

The National Railroad Passenger Corporation ("Amtrak") has reviewed the March 9, 2009 draft of the Joint Petition for Settlement in connection with the above-referenced proceeding. Since the proposed settlement expressly reserves all of the Amtrak-related issues for litigation and does not resolve those issues, Amtrak does not oppose the settlement.

Sincerely,



Marc D. Machlin

Enclosures

cc: All Parties of Record

Philadelphia

Boston

Washington, D.C.

Detroit

New York

Pittsburgh

Berwyn

Harrisburg

Orange County

Princeton

Wilmington

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S

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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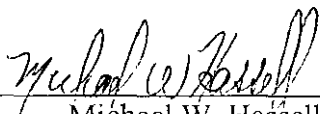
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Date: March 11, 2009



Michael W. Hassell