PENNSYLVANIA PUBLIC UTILITY COMMISSION

Harrisburg, Pennsylvania 17105-3265

Re: PPL Electric Utilities Corporation Supplement No. 71 to Tariff Electric-Pa. P.U.C. No. 201 regarding its proposed Time-of-Use rate program	Public Meeting: January 28, 2010 2122718-OSA Docket No. R-2009-2122718

STATEMENT OF CHAIRMAN CAWLEY

The Company has proposed a Time of Use (TOU) rate option for customers for service beginning on or after January 1, 2010. Under a properly designed TOU rate option, customers would pay on-peak and off-peak rates that are reflective of differences in the cost of power in the wholesale market. The rates paid for energy consumed during off-peak, lower cost periods would be reduced, while higher rates would be charged during on-peak, higher cost periods. The primary goal of such TOU pricing is to provide market-based incentives to shift usage from higher cost periods to lower cost periods, thereby reducing the overall cost of supply to both individual customers and, to a lesser extent, customers as a whole.

The Company's proposal, however, focuses less optimally on seeking to accommodate existing customer's habits, systems, and preferences. In the interest of taking small but positive steps, the proposed hours of on-peak and off-peak rates in PPL's TOU program are being approved by this Commission. However, going forward, the Company will need to focus more on aligning on-peak and off-peak rates, or other rate structures ,with wholesale markets to provide more optimal incentives to change consumer load profiles so that the goals of demand response can be achieved. As part of that strategy, the Company will need to change consumer habits where appropriate, or, where that is not achievable, educate consumers on opportunities to use automation and other technologies to achieve changes in customer electricity usage patterns.

The Company's TOU program is also less than optimal because of the failure to anticipate how its Competitive Bridge Plan will integrate with the TOU Program. Because all the payments to PPL's wholesale default service suppliers are based on a fixed rate regardless of when the energy is used by the customer, the wholesale market cost reductions from shifting demand from on-peak to off-peak periods is not passed directly on to default service customers, but to default service suppliers. We can all speculate as to whether or not wholesale default service suppliers incorporated the profiles of this customer segment into their initial bids, or whether or not they will in the next procurement. But, in the end, this impact is far less than when the wholesale market benefits of the TOU program are directly passed on to customers in real time.

Going forward, I hope that this more direct relationship will be developed. More optimal strategies for achieving a direct relationship include: (1) bidding out TOU programs to an alternative default service provider that may have more optimal economies of scale, (2) real-time and day-ahead pricing programs that are backed by wholesale hourly default service supply contracts, (3) wholesale full requirement contracts that provide for on-peak and off-peak fixed prices for an appropriate period of time for this TOU customer group, and (4) a combination of fixed block purchases and spot purchases that capture variations in wholesale market prices during different times of the day. The wholesale full requirements option could be designed such that the wholesale supplier bids both a fixed wholesale rate, regardless of the time of use, and an equivalent on-peak/off-peak fixed wholesale rate. These ratios can be established in the "Request For Proposals."

These are only some of the tools EDCs can use to avoid shifting costs to non-TOU default service customers and to provide for full cost recovery by the EDCs of the just and reasonable rates approved in the TOU programs.* Thus, default service filings should address how TOU programs will be incorporated through appropriate default service acquisition strategies.

January 28, 2010

Date

James H Cawley

James H. Cawley, Chairman

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* The just and reasonable standard of 66 Pa.C.S. §1301 must be harmonized with the prohibition against recovery of decreased revenues in 66 Pa.C.S §2807(f)(4)(ii) and the allowance of recovery of default service costs in 66 Pa.C.S. §2807(e)(3.9).