


COMMONWEALTH OF PENNSYLVANIA



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April 29, 2020

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

Re: Joint Default Service Plan for Citizens' Electric Company of
Lewisburg, PA and Wellsboro Electric Company for the
Period June 1, 2021 through May 21, 2025
Docket Nos. P-2020-3019383
P-2020-3019384

Dear Secretary Chiavetta:

Enclosed please find the Answer of the Office of Consumer Advocate in the above-referenced proceedings.

Copies have been served as indicated on the enclosed Certificate of Service.

Respectfully submitted,

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Enclosures:

cc: The Honorable Benjamin J. Myers (**email only**)
Certificate of Service

*287411

CERTIFICATE OF SERVICE

Re: Joint Default Service Plan for Citizens' Electric :
Company of Lewisburg, PA and Wellsboro : Docket Nos. P-2020-3019383
Electric Company for the Period June 1, 2021 : P-2020-3019384
through May 21, 2025 :

I hereby certify that I have this day served a true copy of the following document, the Office of Consumer Advocate's Answer, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 29th day of April 2020.

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*287413

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Joint Default Service Plan for Citizens’	:	
Electric Company of Lewisburg, PA and	:	
Wellsboro Electric Company for the	:	Docket No. P-2020-3019383
Period June 1, 2021 Through May 31, 2025	:	Docket No. P-2020-3019384

ANSWER OF THE
OFFICE OF CONSUMER ADVOCATE

I. INTRODUCTION

On March 31, 2020, the Citizens’ Electric Company of Lewisburg, PA and Wellsboro Electric Company (the Companies) filed a Joint Default Service Plan (Plan) with the Pennsylvania Public Utility Commission (Commission) seeking approval of the proposed Default Service Plan (DSP) for the period beginning June 1, 2021 and ending May 31, 2025. The Companies’ current DSP was approved by the Commission at Docket Nos. P-2017-2596815 and P-2017-2596838 by its Order entered December 28, 2017. The current DSP is scheduled to expire on May 31, 2021. The Companies distributed their Direct Testimony in support of the Plan on April 9, 2020. They have filed this Plan in order to establish the method by which they will procure the energy and other products needed to serve their default service customers beginning June 1, 2021. To establish the proposed 4-year Plan, the Companies are seeking a waiver of the Commission regulation (52 Pa. Code §69.1804) which prescribes that DSPs should be of two years duration, unless otherwise directed by the Commission.

II. ANSWER

This is the Sixth Joint Default Service Plan (Plan) the Companies have filed. In it, they propose to continue, in substantial part, the existing Fifth Joint DSP. Plan at 1. The Companies propose to maintain the same Procurement and Implementation Plan used in the Fifth Joint DSP as well as the same Rate Design Plans. Plan at 1, 2. Regarding energy procurement, the Companies propose to again conduct a competitive bid process and enter into index-based, Load-Following Full Requirements contracts with one or more wholesale suppliers to serve all default service customers. Plan at 1. Each Company will independently select a wholesale supplier; the Companies may be served the same supplier or different suppliers depending on the lowest qualifying bid for each territory. Plan at 1, 2.

With respect to rate design, the Companies state that the current Generation Supply Service Rate (GSSR) for each company will continue to be used to calculate the price of default supply. Plan at 2. This will include the fixed-price GSSR-1 for residential and small commercial customers. Plan at 2. One change being proposed by the Companies has to do with interim changes to the GSSR to address cost or computational changes. The Companies state that their current tariffs provide for such interim changes to be made on 10-days' notice. They seek to reduce this notice period to 5 days. Plan at ¶ 38.

In addition to matters of energy procurement and rate design, the filing details the Companies' plans regarding Alternative Energy Portfolio Standard Act (AEPSA) compliance, retail market enhancement programs and contingency planning. The Companies also respond to certain questions/issues posed by the Commission and directed to be addressed by EDCs in their next DSP cases.

The OCA has preliminarily reviewed the Companies' Plan and identified several key issues presented by the filing. The OCA anticipates that additional issues may arise as a more comprehensive review of the Companies' filing is undertaken and discovery is conducted. The preliminary issues identified by the OCA are as follows:

A. Procurement Methodology

As noted above, the Companies propose to continue to obtain default service supply pursuant to a competitive bid/request for proposal (RFP) process with wholesale suppliers for index-based, Load-Following Full Requirements contracts that will be in effect for the full term of the Sixth DSP period. Plan ¶ 21. Under this proposal, the price for the energy component of residential and small commercial customers' default service will be adjusted every six months based on changes in the PJM Interconnection, LLC West Hub on-peak monthly forward pricing. Plan ¶ 26. As with the Fifth Joint DSP, the Companies will use the Intercontinental Exchange as the index source for determining PJM West Hub pricing. Plan ¶ 26. The default service product will consist of five other principal cost components in addition to energy. They are: 1) a Supplier Adder; 2) a direct pass through of Network Integrated Transmission Service (NITS) costs; 3) a direct pass through of Regional Transmission Expansion Plan/Transmission Enhancement Costs (RTEP/TEC); 4) a direct pass through of Capacity Costs; and Company Administrative Costs. Plan ¶ 25.

The Supplier Adder will be a fixed, uniform cents-per-kilowatt hour charge paid to the winning supplier for the four year term of the contract. The Supplier Adder will compensate the wholesale supplier "for all costs and risks for delivery to the wholesale meter for the Citizens' or Wellsboro Aggregate Bus, including ancillary services, congestion, transmission charges (other than NITS and RTEP/TEC), AEPS costs, marginal losses, customer load variability, and customer

migration.” Plan ¶ 29. The Companies note that the Supplier Adder operates to place the risk of deviations in actual versus forward energy costs, sales, on-peak/off-peak customer usage and on-peak/off-peak wholesale pricing differentials on the wholesale supplier. Plan at FN 20. Residential customers, however, will be at risk for changes in the index price on which the wholesale cost is based.

Company Administrative Costs include all costs of administering the DSP, such as education, regulatory, litigation, tariff filings, working capital and information system costs, legal, regulatory and consulting fees, as well as PJM charges and membership fees, as may be incurred on an ongoing basis for various supply-related purposes.

In this proceeding, the OCA will examine closely the allocation of costs and risks between customers and suppliers to ensure that the proposed allocation is appropriate and results in just and reasonable rates for the Companies’ residential default supply customers. Through its participation in this proceeding, the OCA intends to review all aspects of the Companies’ procurement methodology to ensure it complies with the requirements of Act 129 and that the plan is designed to provide the least cost to customers over time.

B. Alternative Energy Portfolio Standard Act (AEPSA) Compliance

As is the case under the current Fifth Joint DSP, the Companies propose to meet their requirements under the AEPSA for the period of the Sixth Joint DSP by assigning compliance obligations to the wholesale suppliers. Plan ¶ 31. The wholesale suppliers will obtain alternative energy credits (AECs) and assign the AECs to the Companies by way of the Generation Attribute Tracking System. Plan ¶ 31. Regarding costs, as previously mentioned, the Plan requires that the wholesale suppliers include the costs associated with AEPS procurements in the Supplier Adder, which will be reflected in retail rates through the GSSR. Plan ¶ 32.

The OCA will examine whether the Companies' plan to assign procurement of AECs to the wholesale suppliers produces the lowest reasonable cost for the credits.

C. Rate Design

The Companies propose to maintain the general design and structure of the existing GSSR. Plan ¶ 33. Under the current Fifth Joint DSP, the Companies have two GSSRs -- a GSSR-1 and a GSSR-2. Plan ¶ 34. Residential and Small Commercial customers pay the GSSR-1 rate and Large Commercial and Industrial customers will pay the GSSR-2 rate. Plan ¶¶ 34-35. As noted above, the GSSR-1 rate will be fixed for a six month period and then adjusted to reflect changes in forward electricity prices. In addition to the cost of energy, the GSSR-1 includes the Supplier Adder, the pass through costs for NITS, RTEP/REC and Capacity related to the GSSR-1 classes as well as Company Administrative Costs. Plan ¶ 34. The six-month adjustment in the GSSR-1 rate will include either a positive or negative charge to account for over or undercollections of prior GSSR-1 rates. Plan ¶¶ 34, 36.

As noted above, although GSSR-1 rates will adjust every six months, the Companies propose having the right to file interim adjustments on 5 days' notice if a substantial over or under-collection would occur. Plan ¶ 38. This is a change from the Fifth Joint DSP which provided for interim adjustments on 10 days' notice.

Further, as previously noted, the Companies will maintain their non-bypassable Customer Choice Support (CCS) Riders as a means to recover any "appropriate costs approved by the Commission for recovery by the Companies. Plan at 2.

The OCA intends to examine each component of the GSSR-1 to ensure that costs are being properly assigned and that the mechanisms for the pass through of costs and the reconciliation of the rate yield accurate and appropriate rates.

E. Contingency Planning

In the Plan, the Companies describe the actions they will take if wholesale suppliers fail to deliver or if there are no bidders in the RFP. In that event, the Companies propose to procure replacement power through the PJM spot market and pay all ancillary service, capacity and transmission costs on a fully reconcilable basis. Plan ¶ 54. The affected Company of Companies will also contact other suppliers that submitted bids to the original RFP to gauge interest in assuming the non-performing wholesale supplier's obligations at the price, terms and conditions in place at the time of default. If no supplier is willing to assume the terms of the existing contract, or in the case of insufficient bidders to the RFP, the Companies will submit a Contingency Plan to the Commission to replace the interim PJM spot market purchasing program within 14 days. Plan ¶ 54. The OCA submits that the contingency plan should limit the price risk on ratepayers as a result of its reliance on spot market purchases. The OCA will review the Companies' contingency plans to ensure that they represent a reasonable and least cost means of procuring replacement supplies.

F. Retail Market Enhancement (RME) Programs

In response to various Commission orders seeking to enhance the market for electric shopping, the Companies have established a New/Moving Customer Referral Program¹, they display the Price-to-Compare on customers' bills and they include sample customer bills on their company website. Plan ¶¶ 45-47. In addition, the Companies have implemented a Seamless Move and Instant Connect Program as directed in the Commission's End State Order.² Plan ¶ 45.

¹ Customers calling the Companies to initiate service or arrange a move within the service territory are directed to PA Powerswitch.com to explore competitive options and are given additional customer choice information. Plan ¶ 46.

² *Investigation of Pennsylvania's Retail Electricity Market: End State of Default Service*; Docket No. I-2011-2237952 (Order entered February 15, 2013) (End State Order)

This eliminates the need for new or relocating customers to enroll temporarily in default service before being switched to service through an Electric Generation Supplier of their choice. The Companies have also implemented Electronic Data Interchange (EDI), which enables competitive suppliers to obtain customer usage and other data and to submit billing and other requests over an electronic interface. The OCA will review the terms under which the Companies' retail enhancement measures are operated to ensure that appropriate customer protections remain in place and that costs are reasonable.

G. Responses to Secretarial Letter at Docket No. M-2019-300701

As mentioned above, the Commission issued a Secretarial Letter in January 2020, directing EDCs to address certain issues in their upcoming DSP proceedings.³ For the small EDCs, the Secretarial Letter required: (1) consideration of whether to offer a Time of Use (TOU) rate for Electric Vehicle charging; and (2) an explanation of how the Plan complies with the product mix requirements of the Public Utility Code and case law.

With respect to a TOU rate for Electric Vehicle charging, the Companies state that they do not currently have TOU rates of any kind for residential or small commercial customers. They maintain that implementing and reconciling a TOU rate for Electric Vehicle charging "would be difficult." Plan ¶ 49.

Regarding whether the Plan complies with statutory requirement for a prudent mix of long-term, short-term and spot market products, the Companies state that their use of a 4-year contract with a supplier that relies on laddered one-year forward price "strips" that are determined every six months, together with the hourly-priced default service they provide large commercial and industrial customers, satisfy the prudent mix requirement. Plan ¶ 50.

³ The Secretarial Letter was the culmination of the Commission's Investigation into Default Service and PJM, LLC Settlement Reforms at Docket No. M-2019-300701.

The OCA will review the Companies' rationale for the position taken on both the TOU for Electric Vehicle charging and prudent mix of supply issues to determine if the Companies' position is in the best interest of ratepayers.

III. CONCLUSION

For the reasons set forth above, the Office of Consumer Advocate respectfully requests that the Commission examine Citizens' Electric Company of Lewisburg, PA's and Wellsboro Electric Company's Sixth Joint Default Service Plan to ensure that they are consistent with the provisions of the Public Utility Code and the Commission's regulations governing the provision of default service.

Respectfully Submitted,

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