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September 3, 2020

Rosemary Chiavetta, Secretary
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Re: Petition of PPL Electric Utilities Corporation for
Approval of a Default Service Program for the
Period of June 1, 2021 through May 31, 2025
Docket No. P-2020-3019356

Dear Secretary Chiavetta:

Attached for electronic filing please find the Office of Consumer Advocate's Main Brief in the above-referenced proceeding.

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

Respectfully submitted,

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cc: The Honorable Elizabeth H. Barnes (**email only**)
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Certificate of Service

*295186

CERTIFICATE OF SERVICE

Re: Petition of PPL Electric Utilities Corporation for :
Approval of a Default Service Program for the : Docket No. P-2020-3019356
Period of June 1, 2021 through May 31, 2025 :

I hereby certify that I have this day served a true copy of the following document, the Office of Consumer Advocate's Main Brief, 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 3rd day of September 2020.

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of PPL Electric Utilities Corporation for :
Approval of a Default Service Program for the : Docket No. P-2020-3019356
Period of June 1, 2021 through May 31, 2025 :

MAIN BRIEF
OF THE
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TABLE OF CONTENTS

I. INTRODUCTION..... 1

II. CAP SHOPPING..... 2

 A. PPL’s CAP Shopping History..... 2

 B. PPL’s DSP V Proposal..... 5

 C. OCA’s Position on PPL’s Proposal 6

 D. OCA’s Response to EGS Testimony 9

 E. Conclusion 10

III. STANDARD OFFER PROGRAM (SOP)..... 11

 A. PPL’s Experience with SOP 11

 B. PPL’s SOP Proposals..... 13

 C. OCA’s Position on PPL’s Proposals..... 14

 D. OCA Response to EGS Testimony 15

 E. Conclusion 18

IV. CONCLUSION 19

TABLE OF AUTHORITIES

	Page(s)
Statutes	
Customer Choice Act.....	10, 11, 14
Electricity Generation Customer Choice and Competition Act (66 Pa.C.S. §2801 <i>et seq.</i>).....	16
Other Authorities	
52 Pa. Code § 5.231	1, 3, 4

I. INTRODUCTION

On March 25, 2020, PPL Electric Utilities Corporation (PPL or Company) filed with the Public Utility Commission (Commission) a Petition for Approval of its Fifth Default Service and Procurement Plan (DSP V) to establish the terms and conditions by which the Company will acquire and provide default service to its non-shopping customers for the period beginning June 1, 2021 through May 31, 2025.

The Office of Consumer Advocate (OCA) entered the case on May 7, 2020, with the filing of its Answer to PPL's Petition and its Notice of Intervention. The OCA engaged in eight rounds of discovery and filed seven pieces of testimony by its two expert witnesses in this case, Ms. Barbara R. Alexander and Dr. Steven L. Estomin. Each witness submitted Direct, Rebuttal and Surrebuttal testimony. Ms. Alexander also filed Supplemental Direct Testimony.

In addition to the OCA, the Commission's Bureau of Investigation and Enforcement, and the Office of Small Business Advocate, other intervenors in this case are: the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA), Inspire Energy Holdings LLC, Calpine Retail Holdings LLC, Starion Energy PA Inc., StateWise Energy Pennsylvania LLC, SFE Energy Pennsylvania, Interstate Gas Supply Inc., Shipley Choice LLC, NRG Energy Inc., Vistra Energy Corp., ENGIE Resources LLC, Direct Energy Services LLC, the Industrial Energy Consumers of Pennsylvania, the Sustainable Energy Fund and the PP&L Industrial Customer Alliance.

The case was assigned to Administrative Law Judge Elizabeth Barnes. A telephonic prehearing conference was held among the Company, statutory advocates and other intervenors on May 15, 2020, at which a procedural schedule was established. During the course of the procedural schedule, PPL, in accordance with the Commission's policy encouraging settlements (52 Pa. Code § 5.231) and

paragraph 16 of the Procedural Order (encouraging settlement negotiations) in this case (issued May 15, 2020), initiated settlement discussions among the parties. Those discussions resulted in a partial settlement of the case.¹ The partial settlement addresses the majority of the issues raised in this proceeding, but specifically reserves three matters for litigation: (1) the use of 1-Coincident Peak (CP) versus 5-CP for calculating Network Service Peak Load (NSPL); (2) all issues related to shopping by customers on the Company's Customer Assistance Program (CAP); and (3) all Standard Offer Program (SOP) issues except for the use of guidelines and scripts in PPL Electric's and Hansen's communications with customers. Of the items reserved for litigation, the OCA offered testimony on issues (2) and (3) only.² Accordingly, this brief will be limited to a discussion of those issues to the extent not covered by the partial settlement.³

II. CAP SHOPPING

A. PPL's CAP Shopping History

¹ It is anticipated that a Joint Petition for Approval of Partial Settlement (with accompanying Statements in Support) will be submitted to ALJ Barnes coincident with the filing of Reply Briefs on September 17, 2020.

² The OCA was assisted in its review of the Companies' filings by Dr. Steven Estomin, a Senior Economist and principal with Exeter Associates, Inc. and Barbara Alexander, a Consumer Affairs Consultant. Dr. Estomin holds B.A., M.A., and Ph.D. degrees in economics from the University of Maryland. His areas of academic concentration included industrial organization, environmental economics, and econometrics. Dr. Estomin is an accomplished energy professional employed in the area of energy, utility, and telecommunications consulting for the past 36 years working on a wide range of issues. Most of his work has addressed electric utility integrated planning, load forecasting, environmental issues, power supply procurement, and renewable energy issues. In recent years, the focus of much of his professional work has been in the areas of electric power supply procurement; renewable energy project analysis; and market analysis related to electric energy, capacity and renewable energy. Dr. Estomin's qualifications are detailed in OCA St. No. 1 at 1-3 and Appendix A. Ms. Alexander works on consumer protection and customer service issues associated with utility regulation. Ms. Alexander is an attorney, and a graduate of the University of Michigan (1968) and the University of Maine School of Law (1976). Prior to opening her consulting practice in 1996, she spent nearly ten years as the Director of the Consumer Assistance Division of the Maine Public Utilities Commission. Her current consulting practice is directed to consumer protection, customer service and low-income issues associated with both regulated and retail competition markets. Ms. Alexander's qualifications are detailed in OCA St. 2 at Attachment BA-1.

³ Much of OCA witness Alexander's testimony involved a discussion of the scripts used by PPL and its third-party agent, Hansen, in presenting the SOP to customers and her review of call recordings (obtained through discovery) of both PPL and Hansen representatives discussing the SOP with customers. Matters related to the scripts and or guidelines used by PPL and Hansen representatives and the supervision of Hansen and its representatives by PPL are covered by the partial settlement.

Like all of PPL's customers, CAP customers have been able to shop for electricity since the beginning of customer choice in January 2010. In DSP IV, in response to significant information that CAP customers were paying more than the PPL Price to Compare (PTC), PPL implemented its current CAP Shopping program which took effect on June 1, 2017. The Company established a separate Standard Offer Program (SOP) specifically for CAP customers, known as CAP SOP. Under the program, Electric Generation Suppliers (EGSs) interested in participating in CAP SOP agree to enroll CAP customers at a 7% discount to the Price to Compare (PTC) at the time of enrollment. The rate remains fixed for twelve months, but customers are permitted to terminate the contract at any time without incurring termination or cancellation fees. At the end of the contract term, CAP SOP customers must be returned to the CAP SOP pool and re-enrolled in a new CAP SOP contract with a 7% discount off the then current PTC unless the customer has requested to be returned to default service or is no longer in CAP. PPL St. 3 at 7.

In testimony, PPL witness Melinda Stumpf indicates that the program has not been without its difficulties. The main difficulty according to Ms. Stumpf has been inconsistent supplier participation. She states that "supplier participation in the CAP SOP has been minimal and those suppliers who have participated have only done so for a short period of time." PPL St. 3 at 8. She notes that this causes confusion for CAP customers who at times can shop and at other times must receive default service because no suppliers are participating. Id.

Witness Stumpf testified that between June 2017 and May 2018, there were at most two EGSs participating in CAP SOP. From June 2018 through February 2020, however, there were no EGSs participating and the program was inactive.⁴ During this time, CAP customers were not eligible to shop. Nevertheless, based on the Company's analysis of CAP customer shopping, as of January 2020,

⁴ Beginning March 1, 2020, one EGS is participating in CAP SOP. PPL St. 3 at 9.

there were nearly 8,000 CAP customers who had contracts with EGSs. The Company states that these customers entered their EGS contracts prior to participating in the CAP program. PPL St. 3 at 8-9. According the terms of the CAP SOP, customers enrolled with an EGS prior to entering CAP, are allowed to remain with their existing supplier until the end of the contract term. Id. at 9.

According to PPL, the majority of CAP customers with existing EGS contracts have paid higher rates than non-shopping customers. As PPL witness Stumpf testified, “customers who shopped prior to enrolling in [CAP], continue to pay significantly higher prices than the PTC.” Id. Specifically, based on the Company’s analysis of CAP customer shopping, in 2018 an average of 68% of the CAP customers who shopped were paying a rate above the PTC. In 2019, the average was 62% of CAP customers. PPL St. 3 at 11.

The Company further analyzed billing data of CAP shopping customers back to 2013. Putting it in dollar terms, Ms. Stumpf’s testimony presented “Table 4. – Shopping On Track Customer Net Costs and Savings.” Id. at 12. This table shows the total amounts paid by CAP shopping customers in excess of the PTC for the years 2013 through January 2020 along with the amounts saved by CAP shopping customers whose prices were below the PTC for the same period and nets the difference. Over that period of time, the costs (prices higher than the PTC) exceeded the savings (prices below the PTC) by more than \$30 million. Id. These results led to the following testimony by Ms. Stumpf:

Q. Does the CAP SOP sufficiently protect low-income customers from paying a rate that is higher than the PTC?

A. No. What we have discovered is that CAP SOP in its current form only protects CAP customers from in-program shopping. CAP SOP does not protect customers who were shopping before entering OnTrack [CAP]. The data that we have gathered demonstrates that there are a significant number of customers engaging in pre-program shopping who are paying costs above the PTC. This is highlighted in Tables 2, 3, 4 and MS-1, all which show OnTrack customer shopping while the CAP SOP was inactive, with more than 60% of those customers paying rates above the PTC, resulting in average net annual costs in

2018 and 2019 of over \$3.5 million. Effectively, pre-program shoppers are suffering the same harm as they would have been before CAP SOP was implemented.

PPL St. 3 at 13 (footnote omitted).

This situation has implications not only for the CAP shopping customers but for the entire residential class of customers that funds the CAP program. Through the Company's Universal Service Rider, residential customers pay for the shortfall between a CAP customer's fixed CAP payment amount and the full amount of customer's electric bill. When a CAP customer pays in excess of the PTC, this necessarily raises the shortfall amount. Further, a CAP customer paying more than the PTC will more quickly use his predetermined CAP credit. If that credit is exhausted, the customer will be placed on CAP Budget Billing. If the budget billing amount is more than the customer can pay, there is an increased likelihood of default and if that occurs, all residential customers will pay for the resulting uncollectible amounts. PPL St. 3 at 5-6.

B. PPL's DSP V Proposal

Given this history as background, in the instant DSP V proceeding, PPL proposes to eliminate CAP SOP and require that all CAP customers receive default service. Thus, beginning June 1, 2021, CAP customers will be required to remain, or be placed, on default service prior to enrolling in CAP. PPL Petition ¶ 108; PPL St. 3 at 15. For a customer who qualifies for CAP but who is being served by an EGS, PPL witness Stumpf states that during the CAP intake process, the customer will be notified that to enroll in CAP they will have to cancel their supplier contract within two weeks of learning that they are CAP-eligible. The customer will also be told to inquire about early termination fees when they contact the supplier. Once the supplier contract has been canceled, the customer will automatically be enrolled in CAP. If the customer chooses to remain with the supplier, they will be denied entry into CAP but told that they may reapply when they no longer are under contract with an EGS. PPL St. 3 at 16. With respect to early

termination fees, Ms. Stumpf states that it is ultimately the customer's decision whether to: (1) cancel the contract and incur the fees, if any, and enroll in CAP; or (2) avoid the fees by remaining in the contract but being denied entry into CAP. According to Ms. Stumpf, the customer will at least have an understanding of the benefits and costs of the decision and be able to make an informed choice whether to cancel the contract to enroll in CAP. Id.

If there are customers already in CAP who have an existing EGS contract, PPL states that they will be allowed to remain in their contract until the earlier of the contract expiring or their needing to be recertified for CAP eligibility. At that point, the customer will be required to be on default service to participate in CAP. Id. at 17.

In summarizing PPL's DSP V proposal, witness Stumpf stated as follows:

Given PPL Electric's experience with CAP customer shopping in its service territory, the Company believes that this proposal is necessary to protect CAP customers from exceeding their CAP credits, as well as to protect all residential customers from subsidizing amounts that are not benefitting CAP customers.

PPL St. 3 at 15.

C. OCA's Position on PPL's Proposal

OCA witness Alexander was in general agreement with PPL's proposal. In her Direct Testimony she explained why:

I agree that PPL's recommendation that CAP customers be served on default service is a reasonable means to ensure the protections the Commission has recognized as essential for CAP customers and other ratepayers. PPL's recommendation reflects its own experience with the CAP SOP that has not attracted sufficient EGSs to justify the expenses associated with a more complex program. This approach reflects the easiest and least costly approach to ensure that CAP customers are not harmed by EGS contracts that are more expensive than the PTC approved by the Commission for default service.

OCA St. 2 at 20.

Despite her general agreement with PPL's proposal, there is one aspect of the proposal with which Ms. Alexander takes issue. Ms. Alexander was concerned with the Company's requirement

that prospective CAP enrollees with an existing EGS contract would be denied entry into CAP if they do not cancel the EGS contract. Ms. Alexander was particularly concerned with the extra requirement placed on the CAP customers to also pursue an end to the EGS contract. On this point, Ms. Alexander states:

Rather, PPL should take actions to ensure... that customers qualified for the program are enrolled unless the customer affirmatively communicates the choice to remain with the supplier contract and decline the low income program benefits. In every case, PPL should take action to presume that the customer's enrollment with CAP should take primacy over the supplier's contract.

OCA St. 2-S at 6.

Ms. Alexander states that "PPL's proposal to ultimately drop a qualified customer from [CAP] due to the presence of a supplier contract based on a negative option notice should not be adopted." Id. at 6-7. By referring to a "negative option notice," Ms. Alexander likens PPL's proposal to deny a customer entry into CAP for failure to cancel an existing supplier contract to the "negative option" that allows suppliers to retain customers at the end of a contract term in the absence of any affirmative action taken by the customer.

PPL's proposal places a requirement on the customer to take an additional action to see that the EGS contract is canceled before entering CAP. The OCA would note that at the time a low-income customer seeks assistance with his or her utility bill, including enrollment in CAP, the customer is often in the midst of a crisis (financial, medical or otherwise) that is burdening and possibly overwhelming them. Asking the customer to also contact the EGS to cancel a contract is not the most reasonable approach under these circumstances and may result in customers missing out on the benefits of CAP. The OCA submits that a customer in this circumstance should not be automatically denied entry into CAP.

Ms. Alexander summarized her recommendation as follows:

PPL should not implement its proposal to remove customers from CAP or deny the CAP program to customers who have not affirmatively terminated their EGS contracts. Rather, PPL should follow the directives that were ordered by the Commission to resolve this same concern in its CAP SOP Implementation Order. In that Order, the Commission allowed customers on a fixed-duration contract to remain with the supplier until the expiration date of the contract or when the contract is terminated for any reason, whichever comes first, and required the supplier to return the customer to default service. Customers with a month-to-month contract must be dropped by the supplier to default service within 120 days after the customer is enrolled in CAP. PPL should communicate with these customers and inform them of their right to return to default service even sooner. These policies appropriately shift the burden to the supplier to return the CAP customer to default service.

OCA St. 2 at 4-5 (footnote omitted). In Surrebuttal testimony, Ms. Alexander further recommended that PPL seek a Commission order, if necessary, that upon entering CAP, the customer's supplier contract will be dropped within a reasonable time. OCA St. 2-S at 7.

PPL raised a concern that returning a customer to default service could result in termination fees and that the customer should be informed of such and determine whether to incur those fees. PPL St. 3 at 16. In Surrebuttal, Ms. Alexander acknowledged PPL's concern, but as Ms. Alexander explained, Suppliers that seek to collect early termination fees cannot do so through the EDC bill or the Purchase of Receivables program and must, therefore, decide whether it is cost effective to pursue collection of such a fee to the low-income customer through normal debt collection channels. OCA St. 2-S at 7. The customer, though, could be deterred from entering CAP if the discussion of termination fees becomes overwhelming. Ms. Alexander stated:

I am concerned that warning the low income customer about the potential for such fees may discourage these customers from participating in [CAP], resulting in higher costs to the customer that outweigh a one-time early termination fee.

OCA St. 2-S at 7. CAUSE-PA witness Geller also testified on this subject stating:

PPL's CAP rules should be amended to bar suppliers from charging any early termination or cancellation fee to CAP customers who return to default service upon entry into CAP. Without this added protection from termination and cancellation fees, economically vulnerable customers who have already evidenced an inability to pay will – in essence - be charged an upfront fee (in the form of an early termination

or cancellation fee) to access critical rate assistance through CAP. Such an outcome is contrary to the statutory obligation for the Commission to ensure that universal service programs – including CAP – are accessible to those in need.

CAUSE-PA St. 1 at 29-30. The OCA agrees with CAUSE-PA’s further recommendation.

The OCA submits that PPL’s proposal, as modified by the OCA and CAUSE-PA, is reasonable under the circumstances presented in this case. The CAP SOP has failed to remedy the harm to CAP customers, and other residential customers, that has persisted with CAP customer shopping. As such, the OCA supports PPL’s proposal and recommends adoption of the modifications discussed herein.

D. OCA’s Response to EGS Testimony

Several EGSs have objected to PPL’s proposal.⁵ Inspire Energy, a participant in CAP SOP, opposes PPL’s proposal to eliminate the program. Inspire St. 1 at 3. Inspire witness Aaron Jacobs-Smith states that “The CAP-SOP provides a clear benefit to low-income customers by maintaining their access to the competitive market and providing service at a rate 7% below the price-to-compare.” Id. at 5. He also refers to the CAP SOP rate as a “guaranteed 7% discount.” OCA witness Alexander responded to Mr. Jacobs-Smith’s characterization of the program and the discount:

Mr. Jacobs-Smith alleges that the SOP provides “savings” to CAP customers and should continue. He refers to this program as offering a “guaranteed 7% discount.” However, he is incorrect in his description of this program since the customer is not guaranteed savings and the fixed price may be higher or lower than the PTC over the 12-month SOP contract term. The CAP customers who enrolled with Inspire have experienced the up and down nature of the “savings.” CAP customers who enrolled with Inspire prior to June 2020 are currently receiving a discount of 2.55% below PPL’s current PTC. Regardless of whether PPL is required to develop a CAP Shopping Program, the current CAP-SOP does not conform to the Commission’s policies and must be substantially reformed or eliminated.

OCA St. 2-R [CORRECTED] at 6.

⁵ The OCA would note that EGS Parties’ witness Kallaher proposed that suppliers be allowed to retain CAP customers with an SOP contract at or below the PTC. While this recommendation is exactly as the OCA has proposed, Mr. Kallaher does not appear to recognize that the CAP SOP does not conform to the Commission’s CAP shopping guidemines since the discount is not permanent and the CAP SOP price can exceed the PTC when it changes. OCA St. 2-R at 5-6. As currently constructed, the CAP SOP places CAP customers at risk and is not acceptable.

EGS Parties witness Kallaher also opposed PPL's proposal arguing that the proposal may run afoul of PJM's proposed protocols for its Minimum Price Offer Rule (MOPR). OCA witness Estomin explained the flaws in Mr. Kallaher's opposition:

Mr. Kallaher's assessment that the exclusion of CAP customers from participation in customer choice poses a violation of what will be PJM's ultimately FERC-approved parameters is without any basis. Any residential default service customer is eligible to leave default service and opt for generation service from an EGS. Those residential customers participating in the CAP, however, would simply need to forgo participation to accommodate shopping.

OCA St. 1-R at 11.

The OCA would also note that several of the EGS arguments regarding the SOP regarding the value of EGS supply were also related to the elimination of the CAP SOP. The OCA addresses those arguments in detail in the next section. Importantly, as Ms. Alexander points out, the purpose of the Customer Choice Act was explicitly to lower the cost of generation supply. OCA St. 2-R [CORRECTED] at 4. This is even more critical when addressing low income customers in the Company's CAP program.

E. Conclusion

The OCA strongly supports the elimination of CAP SOP. The OCA also supports the proposal to require CAP customers to be served under default service, but recommends that PPL not deny eligible low-income customers entry into CAP if they do not cancel a pre-existing shopping contract. The OCA further recommends that PPL be required to investigate how it might be possible for shopping customers entering CAP to be relieved of any cancellation or termination fees associated with their shopping contract.

III. STANDARD OFFER PROGRAM (SOP)

A. PPL's Experience with SOP

PPL established its SOP as part of its DSP II Program. The SOP is currently available to residential customers, excluding CAP customers, and small commercial and industrial customers with a peak demand below 25 kW.⁶ PPL St. 4 at 2. The SOP provides participants with a 7% discount from the PTC at the time of enrollment and the SOP contract remains in effect for a twelve-month period. The customer's SOP contract is with an EGS that has elected to participate in the SOP program. A customer may terminate an SOP contract at any time without penalty and then re-enroll in SOP with a new rate, select another EGS or return to default service. Id. at 3. Participation in SOP from 2017 through 2019 has averaged 41,823 customers per year. During 2019, ten EGSs participated in SOP serving residential customers during the first six months and fifteen participated during the second half of the year. Id.

Pursuant to Commission regulations applicable to EGSs, when an SOP customer's contract nears the end of its twelve-month term, the EGS is required to notify the customer of the contract's impending expiration along with the terms and conditions of a new post-SOP contract with that supplier. The customer then has the option to renew with the existing supplier, enter a contract with another supplier or return to default service. Unless the customer affirmatively elects to change suppliers or return to default service, the customer is automatically enrolled in a new month-to-month contract with their existing supplier at a new rate. PPL's witness on SOP issues, Michelle LaWall-Schmidt, testified with respect to SOP customer action at the end of the contract period as follows:

⁶ The SOP is typically offered to customers only in certain situations as when they call PPL with a billing complaint or a question about shopping. If a customer is already shopping, PPL does not inform the customer about SOP unless the customer specifically requests such information. There is also an option to enroll in SOP on the Company's website. PPL St. 4 at 3.

Analysis of customer actions after the conclusion of the SOP contract has shown that most customers do not take any action upon expiration of their SOP contract and therefore are placed on a new contract at a new rate with their existing supplier. This result is problematic because the customer's new rate is oftentimes higher than the then effective PTC and higher than the customer's previous rate.

PPL St. 4 at 8.

The results of the analysis to which Ms. LaWall-Schmidt refers are set forth in her Direct Testimony. That analysis involved a review of customers who "rolled off" their SOP contracts between 2015 and 2019. The review examined customers' decisions for the four months following the expiration of their SOP contract. According to Ms. LaWall-Schmidt's testimony, approximately 28% of SOP customers, within one month of the expiration of their SOP contract, make an affirmative decision to re-enroll in SOP with their existing supplier, re-enroll with a different supplier, return to default service, or leave SOP altogether and shop with a new supplier. PPL St. 4 at 8-9. However, Ms. LaWall-Schmidt goes on to state as follows:

...the number of Residential customers who are rolled-over to a non-SOP contract does slowly decrease each month following the expiration of their SOP contract. This means that those customers who did not take any action upon expiration of their SOP contract and were automatically converted to a new, non-SOP contract are later choosing to exit that contract. However, even after four months following the conclusion of their SOP contract, 58% of these customers continued to be served under a new contract with their prior SOP supplier.

PPL St. 4 at 9.

In addition to reviewing the percentage of SOP customers who take no action at the end of their SOP contract and are automatically placed on a new contract with their existing supplier, PPL also analyzed the rates paid by these customers under their new contracts. Ms. LaWall-Schmidt explained the results of this aspect of PPL's analysis as follows:

As the charts show, 93% of residential customers who remain with their SOP supplier after the conclusion of their SOP contract are paying a rate at or above the PTC in the first month following the end of their SOP contract. Four months later, this value slightly

increases to 94% are still paying rates at or above the PTC, with over 89% paying 10% or more above the PTC. Only 6% of these customers are paying at or below the PTC.

PPL St. 4 at 12.

Asked to summarize the findings of PPL's analysis, Ms. LaWall-Schmidt stated:

PPL Electric finds that most customers who remain with their SOP supplier upon the conclusion of their SOP contract end up paying significantly more than the currently effective PTC. PPL Electric is concerned that this is occurring simply because the customers are taking no action in response to the notice that their contract is expiring.

PPL St. 4 at 12.

In light of these findings, PPL is proposing certain changes to the SOP.

B. PPL's SOP Proposals

With respect to matters at issue in this brief, PPL is proposing two changes to SOP for DSP V: (1) the Company will educate SOP customers of their options prior to the conclusion of their SOP contract; and (2) the Company will automatically transfer SOP customers to default service upon expiration of their SOP contract.

Regarding SOP customer education, PPL proposes a two-step communications process. First, three months prior to the expiration of a SOP contract, the Company will communicate with a customer, informing them of their options upon completion of the SOP contract. The goal of this communication will be to provide information to help the customer become a "proficient shopper" by teaching the customer how to properly evaluate supplier offers. PPL St. 4 at 14. The second step of the communication process will occur thirty days before SOP contract expiration when PPL will notify the customer that upon contract expiration, they will be transferred to default service. Id.

PPL's objective in having SOP customers returned to default service at the conclusion of their contract was explained by witness LaWall-Schmidt:⁷

⁷ It must be noted that SOP customers who take affirmative action such as re-enrolling with their current supplier or switching to another supplier as their contract comes to an end will not be returned to default service. Also, customers

PPL Electric's proposal would prevent situations in which a customer's inaction upon expiration of the SOP contract leads to that customer being placed on a new contract with their existing EGS at a higher rate than the customer is accustomed to paying.

PPL St. 4 at 13.

C. OCA's Position on PPL's Proposals

OCA witness Alexander is strongly supportive of the Company's proposals with respect to SOP for DSP V. In her Direct Testimony, Ms. Alexander states:

PPL's analysis of the prices paid by SOP customers after the 12-month SOP contract documents that the renewal process implemented by suppliers typically results in significant harm to SOP customers in the form of higher prices that vastly exceed the PTC. I recommend that PPL's proposal to require that customers who enter SOP contracts should automatically be returned to default service unless the customer affirmatively enrolls with a supplier ... be adopted. Once returned to default service, the customer can then re-enroll in the SOP, remain with default service, or sign up with any supplier. PPL's proposal includes customer notifications from PPL as to the customer's options. This approach fulfills the intended purpose of the SOP which is to expose the customer to the retail energy market and then allow the customer's experience to inform the customer's future actions. The extremely high prices that PPL discovered for customers who remained with their SOP supplier in a renewal contract cannot be justified and, if not prevented, will harm PPL's reputation as well as that of the retail energy market generally.

OCA St. 2 at 3-4.

Later in her testimony, Ms. Alexander responds to the question of whether she agrees with PPL's concern regarding the renewal of SOP contracts in the case of customer inaction. She states:

Yes. This situation, if not resolved properly, will harm the reputation of PPL and the retail energy markets generally. The supplier prices identified in PPL's analysis of charges to customers based on negative option renewals of SOP contracts cannot be justified since those prices are far in excess of the PTC, far in excess of prices advertised on PaPowerSwitch, and raise the suspicion that these prices reflect the supplier's attempt to gain revenues lost as a result of the lower priced SOP contracts.

OCA St. 2 at 15.

who are transferred to default service will be able to re-enroll in SOP at any time or to shop with a supplier outside of SOP. PPL St. 4 at 15-16.

The OCA supports PPL's proposal. From the data presented by PPL, it is clear that customers are experiencing higher prices at the end of the SOP term. Rather than provide a positive experience with the retail market and inform customers of the benefits of shopping, the outcome at the end of the terms has been the opposite. PPL's efforts will better assist in educating customers and protecting customers as the end of their SOP term approaches.

D. OCA Response to EGS Testimony

EGS intervenors in this proceeding,⁸ oppose both changes proposed by PPL – the return of SOP customers to default service at the end of their contract term and the communication by PPL with those customers prior to the expiration of the SOP contract. Starion witness, Peter Muszi offers a number of reasons why he thinks SOP customers do not need “protection” from continuing with their supplier at the end of an SOP contract. Among those reasons, he states that “attempting to compare PPL's default service PTC with an EGS's competitive retail price is flawed because it does not factor in the broader benefits that a competitive market can offer and for which consumers may elect to pay more.” Starion St. 1 at 6. OCA witness Alexander responded to this assertion:

Mr. Muzsi provides the frequently made EGS response to the analysis of high supplier prices compared to default service, alleging that certain benefits excuse higher prices, such as “renewable products or desire to receive service from a particular EGS due to ease of communication with that EGS or other factors which are not available from PPL.” Inevitably, as Mr. Muzsi does as well, suppliers mention their “rewards” and “discounts” on products and services that have nothing to do with the customer's electric bill and are not included in the terms and conditions of the generation supply contract.

OCA St. 2-R [CORRECTED] at 3-4. She goes on to make several observations the alleged EGS benefits. Initially, she notes that the Electricity Generation Customer Choice and Competition Act (66

⁸ As noted previously, EGS intervenors in the case are Calpine Retail Holdings, Starion Energy, Inspire Energy and a coalition of EGSs styled as “EGS Parties,” consisting of Direct Energy Services, Interstate Gas Supply, Shipley Choice, NRG Energy, Vistra Energy, ENGIE Resources, and WGL Energy Services.

Pa.C.S. §2801 *et seq.*) was explicitly intended to lower the cost of generation supply service for customers. Ms. Alexander also observes that the purpose of the customer education program associated with the adoption of the retail market in Pennsylvania was and is to compare the EGS price for generation supply service with the PTC. She notes that any suggestion that this comparison should not be the basis for a customer's choice means that the millions of dollars incurred by ratepayers for these education programs was wasted. Ms. Alexander further observes that while the non-basic or non-commodity benefits do not appear on the electric bill, the higher supplier prices are billed and collected by the EDC under threat of termination for nonpayment pursuant to Purchase of Receivable policies. This distinction, in Ms. Alexander's view, supports her belief that the prices charged for generation supply service assume a higher level of concern than non-contract "benefits." Finally, with respect to renewable energy benefits, Ms. Alexander observes that those benefits depend on whether the renewable energy promoted by the supplier actually improves the amount of renewable energy delivered to Pennsylvania customers through the PJM wholesale energy market. She notes that Starion's renewable energy product offered in Pennsylvania does not identify the source of the renewable energy credits that it promises to purchase. Starion's supporting information for its "EcoGreen Secure" product says simply that, "We will match your electricity usage with renewable energy certificates (RECs) sourced from wind farms across the USA." OCA St. 2-R [CORRECTED] at 4-5.

EGS Parties' witness Kallaher argued against PPL's proposal but, as with the other EGS testimony, he provides no for his argument. As OCA witness Alexander explained:

He provides no evidence that contradicts the findings presented by PPL. Nor does he provide any evidence about the renewal prices charged by his coalition of suppliers. His emphasis on the notion that "positive action by a customer," "affirmative choice," and the "primacy of customer choice" should govern market choice is belied by the negative option policy governing renewal of supplier

contracts in which the lack of any “positive action” by the customer leads to a new supplier contract with terms that are not affirmatively agreed to by the customer. While Mr. Kallaher chooses to focus on the group of SOP customers who did make an affirmative choice, he fails to address the significant issue faced by the group of customers who did not make a choice and ended up with prices that were significantly in excess of PPL’s default service price. It is those group of customers that PPL’s proposal seeks to address and that I agree is a reasonable response to the evidence. PPL’s proposal will not impact those customers who have made an affirmative choice.

OCA St. 2-R [CORRECTED] at 2 (footnotes omitted).

EGS Parties’ witness Kallaher further argued that the higher contract prices at the end of the SOP term were supported by “potential savings” although the actual evidence of PPL showed otherwise. In attempting to support his position, Mr. Kallaher attached a document authored by the Retail Electric Supply Association, Ms. Alexander explained why this study is unsupported:

Mr. Kallaher attaches a document authored by the Retail Electric Supply Association that purports to show the savings between EGS offers and the Price to Compare for Pennsylvania electric distribution companies for April 2020, alleging that customers could save “more than \$61 million” and that PPL customers could have saved \$28 million by leaving default service. However, Mr. Kallaher is unable to provide the basis for any of the calculations in this document and it should, therefore, be ignored. Nor has Mr. Kallaher or his coalition of suppliers done any analysis of what customers actually pay over time for their own contracts compared to default service. Furthermore, while it may be possible for suppliers to offer savings based on a one-month snapshot, every publicly available analysis of supplier prices and default service in Pennsylvania and other retail market states concludes that on average and over any reasonable period of time (1-3 years), supplier prices are higher than default service.

OCA St. 2-R [CORRECTED] at 3 (footnotes omitted). Ms. Alexander also attached Exhibit BA-4 which compiled a list of citations to studies on the retail markets in other states that show that on average, supplier prices have been higher than default service prices when analyzed by those states.

Finally, Starion witness Muszi testified that he did not see how PPL’s proposal to return SOP customers to default service at the end of their SOP contract was any different than “slamming” because PPL is proposing to automatically switch the customer before receiving the customer’s

consent. Starion St. 1 at 6-7. In response, Ms. Alexander noted that if the provisions of the SOP contract require the return the customer to default service if the customer does not affirmatively accept a renewal offer from the supplier, this policy would not be slamming. Id. at 6.

In addition to her own responses to EGS testimony, Ms. Alexander also supported the Rebuttal Testimony (PPL St. 4-R) of PPL witness LaWall-Schmidt. Asked whether she agreed with PPL's response to the EGSs' testimony on SOP, Ms. Alexander stated:

Yes. Ms. LaWall-Schmidt properly rebuts the testimony from the suppliers concerning PPL's recommendations for reform of the SOP, particularly the recommendation to prevent SOP customers from being charged significantly higher prices in negative option renewal contracts at the end of the SOP contract. The evidence of the high prices documented by PPL was not controverted by any supplier testimony. Nor did the suppliers provide any evidence that would support the very high prices charged by the SOP suppliers as a result of the negative option renewal contracts as documented by PPL.... It is important to document that these suppliers charged prices in excess of both the customer's SOP price and the PTC in effect during that post-SOP period. The supplier testimony appears to assume that these prices are business as usual or hypothesize without any evidence that suppliers might have offered additional values or benefits. I agree with PPL's recommendations in this area to return SOP customers who do not affirmatively choose an offer by their SOP supplier to default service where these customers can enter the SOP, choose another supplier, or remain with default service.

OCA St. 2-S at 1-2.

E. Conclusion

Given the compelling evidence presented by PPL as to the significant percentage of SOP customers who take no action even four months after the expiration of their SOP contract, and the equally compelling evidence regarding the high prices paid by these customers in the aftermath of contract expiration, the OCA submits that the SOP reforms proposed by PPL are essential consumer protection measures that should be approved by the Commission and implemented by PPL.

IV. CONCLUSION

The OCA supports the proposals put forward by PPL in this proceeding with respect to CAP shopping and reform of the SOP. With respect to CAP Shopping, the OCA supports PPL's plan to require that all CAP customers be served under default service, albeit with some modifications for CAP-eligible customers who are on EGS contracts and do not cancel those contracts within the allotted time and relief from termination and cancellation fees for customers who do cancel their contracts. This requirement will be beneficial to CAP customers and will limit additional amounts paid to support CAP by all residential customers. With respect to PPL's SOP reforms, the OCA submits that the changes proposed by PPL are needed to protect SOP customers who take no action at the end of their SOP contract from being subject to excessive and harmful prices imposed by their SOP supplier. The OCA urges the Commission to approve the proposals made by PPL, subject to the concerns raised by the OCA.

Respectfully Submitted,

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