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Lindsay A. Berkstresser  
Associate

lberkstresser@postschell.com  
717-612-6021 Direct  
717-731-1977 Direct Fax  
File #: 178868

September 17, 2020

***VIA ELECTRONIC FILING***

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

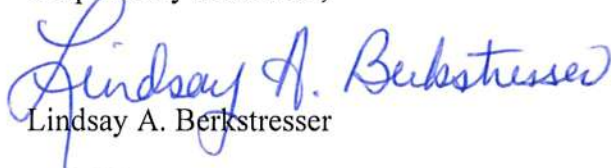
**Re: Petition of PPL Electric Utilities Corporation for Approval of Its Default Service  
Plan for the Period of June 1, 2021 through May 31, 2025  
Docket No. P-2020-3019356**

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Dear Secretary Chiavetta:

Attached for filing is the Statement of PPL Electric Utilities Corporation in Support of Partial Settlement in the above-referenced proceeding. Copies are being provided per the Certificate of Service.

Respectfully submitted,

  
Lindsay A. Berkstresser

LAB/kl  
Attachment

cc: Honorable Elizabeth Barnes  
Certificate of Service

## 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) and the Pennsylvania Public Utility Commission's March 20, 2020 Emergency Order at Docket No. M-2020-3019262.

### VIA E-MAIL

David T. Evrard, Esquire  
Aron J. Beatty, Esquire  
Office of Consumer Advocate  
555 Walnut Street, 5<sup>th</sup> Floor  
Harrisburg, PA 17101-1923  
[devrard@paoca.org](mailto:devrard@paoca.org)  
[abeatty@paoca.org](mailto:abeatty@paoca.org)

Gina L. Miller, Esquire  
PA Public Utility Commission  
Bureau of Investigation & Enforcement  
400 North Street, 2<sup>nd</sup> Floor West  
P.O. Box 3265  
Harrisburg, PA 17105-3265  
[ginmiller@pa.gov](mailto:ginmiller@pa.gov)

Steven C. Gray, Esquire  
Office of Small Business Advocate  
555 Walnut Street, 1<sup>st</sup> Floor  
Harrisburg, PA 17101  
[sgray@pa.gov](mailto:sgray@pa.gov)

Todd S. Stewart, Esquire  
Hawke McKeon & Sniscak LLP  
100 N. 10th Street  
Harrisburg, PA 17101  
[tsstewart@hmslegal.com](mailto:tsstewart@hmslegal.com)  
*Counsel for Intervenors  
EGS Parties*

Kenneth L. Mickens, Esquire  
316 Yorkshire Drive  
Harrisburg, PA 17111  
[Kmickens11@verizon.net](mailto:Kmickens11@verizon.net)  
*Counsel for Intervenor  
Sustainable Energy Fund*

Pamela Polacek, Esquire  
Adeolu A. Bakare, Esquire  
Jo-Anne S. Thompson, Esquire  
McNees, Wallace & Nurick  
P.O. Box 1166  
100 Pine Street  
Harrisburg, PA 17108-1166  
[ppolachek@mcneeslaw.com](mailto:ppolachek@mcneeslaw.com)  
[abakare@mcneeslaw.com](mailto:abakare@mcneeslaw.com)  
[jthompson@mcneeslaw.com](mailto:jthompson@mcneeslaw.com)  
*Counsel for Intervenor PPLICA*

Elizabeth R. Marx, Esquire  
John W. Sweet, Esquire  
Ria Pereira, Esquire  
Pennsylvania Utility Law Project  
118 Locust Street  
Harrisburg, PA 17101  
[emarxpulp@palegalaid.net](mailto:emarxpulp@palegalaid.net)  
*Counsel for Intervenor CAUSE-PA*

Deanne M. O'Dell, Esquire  
Kristine E. Marsilio, Esquire  
Eckert Seamans Cherin & Mellott, LLC  
213 Market Street, 8<sup>th</sup> floor  
Harrisburg, PA 17101  
[dodell@eckertseamans.com](mailto:dodell@eckertseamans.com)  
[kmarsilio@eckertseamans.com](mailto:kmarsilio@eckertseamans.com)  
*Counsel for Intervenor Starion Energy PA,  
Inc.*

Gregory L. Peterson, Esquire  
Thomas F. Puchner, Esquire  
Kevin C. Blake, Esquire  
Phillips Lytle LLP  
201 West Third Street, Suite 205  
Jamestown, NY 14701-4907  
[gpeterson@phillipslytle.com](mailto:gpeterson@phillipslytle.com)  
*Counsel for Intervenor StateWise*

Derrick Price Williamson, Esquire  
Barry A. Naum, Esquire  
Spilman Thomas & Battle  
1100 Bent Creek Boulevard, Suite 101  
Mechanicsburg, PA 17050  
[dwilliamson@spilmanlaw.com](mailto:dwilliamson@spilmanlaw.com)  
[bnaum@spilmanlaw.com](mailto:bnaum@spilmanlaw.com)  
*Counsel for Intervenor IECPA*

Robert D. Knecht  
Industrial Economics Incorporated  
2067 Massachusetts Avenue  
Cambridge, MA 02140  
[rdk@indecon.com](mailto:rdk@indecon.com)  
*Consultant for OSBA*

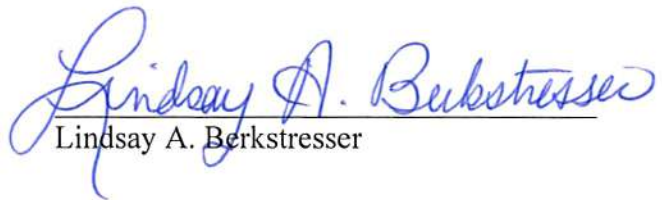
Barbara Alexander  
Consumer Affairs Consultant  
83 Wedgewood Drive  
Winthrop, ME 04364  
[barbalex@ctel.net](mailto:barbalex@ctel.net)  
*Consultant for OCA*

Date: September 17, 2020

John F. Lushis, Jr., Esquire  
Norris McLaughlin P.A.  
515 West Hamilton Street, Suite 502  
Allentown, PA 18101  
[jlushis@norris-law.com](mailto:jlushis@norris-law.com)  
*Counsel for Intervenor Calpine Retail Holdings LLC*

Lauren M. Burge, Esquire  
Deanne M. O'Dell, Esquire  
Eckert Seamans Cherin & Mellott, LLC  
600 Grant Street, 44<sup>th</sup> Floor  
Pittsburgh, PA 15219  
[lburge@eckertseamans.com](mailto:lburge@eckertseamans.com)  
*Counsel for Intervenor Inspire Energy*

Dr. Steven L. Estomin  
Dr. Serhan Ogur  
Exeter Associates, Inc., Suite 300  
10480 Little Patuxent Parkway  
Columbia, MD 21044  
[sogur@exeterassociates.com](mailto:sogur@exeterassociates.com)  
[sestomin@exeterassociates.com](mailto:sestomin@exeterassociates.com)  
*Consultants for OCA*

  
Lindsay A. Berkstresser

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

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**STATEMENT OF  
PPL ELECTRIC UTILITIES CORPORATION  
IN SUPPORT OF PARTIAL SETTLEMENT**

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Kimberly A. Klock (Pa. Bar I.D. 89716)  
Michael J. Shafer (Pa. Bar I.D. 205681)  
PPL Services Corporation  
Two North Ninth Street  
Allentown, PA 18101  
Phone: 610-774-5696  
Fax: 610-774-4102  
E-mail: [kklock@pplweb.com](mailto:kklock@pplweb.com)  
E-mail: [mjshafer@pplweb.com](mailto:mjshafer@pplweb.com)

Michael W. Hassell (Pa. Bar I.D. 34851)  
Lindsay A. Berkstresser (Pa. Bar I.D. 318370)  
Post & Schell, P.C.  
17 North Second Street, 12<sup>th</sup> Floor  
Harrisburg, PA 17101-1601  
Phone: 717-612-6029  
Fax: 717-731-1985  
E-mail: [mhassell@postschell.com](mailto:mhassell@postschell.com)  
E-mail: [lberkstresser@postschell.com](mailto:lberkstresser@postschell.com)

Dated: September 17, 2020

Attorneys for PPL Electric Utilities Corporation

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## I. INTRODUCTION

PPL Electric Utilities Corporation (“PPL Electric”) hereby files this Statement in Support of the Joint Petition for Approval of Partial Settlement (“Settlement”) in the above-captioned proceeding. The Settlement represents a partial settlement to resolve all but three of the issues and concerns raised in the above-captioned proceeding requesting Pennsylvania Public Utility Commission (“Commission”) approval of PPL Electric’s fifth Default Service Program and Procurement Plan (“DSP V Program”) to establish the terms and conditions under which PPL Electric will acquire and supply default service or provider of last resort service (“Default Service”) from June 1, 2021 through May 31, 2025 (the “DSP V Program Period”). (See PPL Electric Exhibit No. 1)

PPL Electric furnishes electric distribution, transmission and default supply services to approximately 1.4 million customers throughout its certificated service territory, which includes all or portions of twenty-nine counties and encompasses approximately 10,000 square miles in eastern and central Pennsylvania. PPL Electric is a “public utility,” an “electric distribution company” (“EDC”), and a Default Service provider as defined in Sections 102 and 2803 of the Pennsylvania Public Utility Code, 66 Pa.C.S. §§ 102, 2803. (PPL Electric Ex. 1, p. 3)

Consistent with its obligations as a Default Service provider under Act 129 of 2008,<sup>1</sup> on March 25, 2020, PPL Electric filed a Petition requesting Commission approval of its DSP V Program. The DSP V Program, *inter alia*, consists of a proposal for competitive procurement of Default Service supply and Alternative Energy Credits (“AECs”) during the DSP V Program Period; an implementation plan; a proposed rate design, including a Time-of-Use (“TOU”) rate

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<sup>1</sup> Act 129, among other provisions, amended the Electricity Generation Customer Choice and Competition Act to require EDCs, in their role as Default Service providers, to procure default generation supply through competitive processes utilizing a “prudent mix” of contracts, and to offer a TOU rate option to customers with smart meters. 66 Pa.C.S. § 2807.

option for Default Service during the DSP V Program Period; a proposal to modify the Company's current Standard Offer Referral Program ("SOP"); a proposal to require Customer Assistance Program ("CAP") customers to take Default Service; a proposal to establish an optional Renewable Rate Program; and a contingency plan for the DSP V Program. Copies of a *pro forma* Default Service Request for Proposals Process and Rules ("Default Service RFP"), a *pro forma* Default Service Supply Master Agreement ("Default Service SMA"), a *pro forma* Block Energy Request for Proposals Process and Rules ("Block RFP"), a *pro forma* Block Energy Supply Master Agreement ("Block SMA"), a *pro forma* Alternative Energy Credit Request for Proposals Process and Rules ("AEC RFP"), and a *pro forma* Alternative Energy Credit Supply Master Agreement ("AEC SMA") were included with the Petition. The filing also contained *pro forma* tariff pages to implement rates under the DSP V Program and *pro forma* tariff pages for the proposed Renewable Rate Program.

A Notice of Appearance was filed by the Commission's Bureau of Investigation and Enforcement ("I&E"). Notices of Intervention and Answers were filed by the Office of Consumer Advocate ("OCA") and Office of Small Business Advocate ("OSBA"). Petitions to Intervene were filed by the Coalition for Affordable Utility Service in PA ("CAUSE-PA"), Sustainable Energy Fund ("SEF"), Calpine Retail Holdings, LLC ("Calpine"), Statewise Energy Pennsylvania LLC and SFE Energy Pennsylvania, Inc. (collectively "Statewise"), Interstate Gas Supply, Inc., Shipley Choice LLC, NRG Energy, Inc, Vistra Energy Corp., ENGIE Resources LLC, WGL Energy and Direct Energy Services, LLC (collectively, the "EGS Parties"), Starion Energy PA, Inc.

(“Starion”), Inspire Energy Holdings, LLC (“Inspire”), Industrial Energy Consumers of Pennsylvania (“IECPA”) and PP&L Industrial Customer Alliance (“PPLICA”).<sup>2</sup>

The Parties engaged in extensive discovery, held several settlement conferences, and exchanged several settlement proposals and counterproposals. As a result of these efforts, the Parties were able to achieve a partial settlement in principle. PPL Electric, I&E, OCA, OSBA, the EGS Parties, SEF and Calpine are all signatory parties to the Settlement (hereinafter “Signatory Parties”).<sup>3</sup> The partial settlement in principle resolved all of the issues and concerns among the Parties, except the following three issues, which are reserved for litigation: (1) all SOP issues except for the use of guidelines and scripts in PPL Electric’s and a third-party administrator’s communications with customers;<sup>4</sup> (2) all CAP SOP issues; (3) and the use of 1 coincident peak (“1 CP”) versus a five coincident peak (“5 CP”) methodology for calculating Network Service Peak Load (“NSPL”), a primary input to calculating charges for Network Integration Transmission Service, a Federal Energy Regulatory Commission (“FERC”) approved rate for wholesale interstate transmission service.

On September 3, 2020, parties submitted Main Briefs on the issues reserved for litigation. Concurrent with the filing of Reply Briefs, the Signatory Parties filed the Partial Settlement, along with their respective Statements in Support or letters of non-opposition. PPL Electric submits that the Partial Settlement is in the public interest and should be approved. For the reasons explained below, PPL Electric respectfully requests that Administrative Law Judge Elizabeth H. Barnes

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<sup>2</sup> Retail Energy Supply Association (“RESA”) initially intervened in the proceedings, but subsequently withdrew its intervention. Collectively, PPL Electric and the Intervenors in this proceeding are hereinafter referred to as the “Parties.”

<sup>3</sup> Statewise, PPLICA”), Starion, Inspire and IECPA do not oppose the Settlement.

<sup>4</sup> As first established in the Company’s DSP II proceeding, the Company uses a third-party to provide details of the SOP program and to enroll customers who elect SOP. PPL Electric Statement No. 4, p. 4.



(“ALJ”) and the Commission approve the proposals set forth in PPL Electric’s above-captioned Petition subject to the terms and conditions of the Partial Settlement and a decision on the issue reserved for litigation.

## **II. COMMISSION POLICY FAVORS SETTLEMENT**

Commission policy promotes settlements. *See* 52 Pa. Code § 5.231. Settlements lessen the time and expense that parties must expend litigating a case and, at the same time, conserve precious administrative resources. The Commission has indicated that settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding. *See* 52 Pa. Code § 69.401. The Commission has explained that parties to settled cases are afforded flexibility in reaching amicable resolutions, so long as the settlement is in the public interest. *Pa. PUC v. MXenergy Electric Inc.*, Docket No. M-2012-2201861, 2013 Pa. PUC LEXIS 789, 310 P.U.R.4th 58 (Opinion and Order entered Dec. 5, 2013). In order to accept a settlement, the Commission must first determine that the proposed terms and conditions are in the public interest. *Pa. PUC v. Windstream Pennsylvania, LLC*, Docket No. M-2012-2227108, 2012 Pa. PUC LEXIS 1535 (Opinion and Order entered Sept. 27, 2012); *Pa. PUC v. C.S. Water and Sewer Assoc.*, Docket No. R-881147, 74 Pa. PUC 767 (Opinion entered Jul. 22, 1991). As explained in the next section of this Statement in Support, PPL Electric believes that the Partial Settlement is just, reasonable, in the public interest, and should be approved without modification.

## **HI. THE SETTLEMENT IS IN THE PUBLIC INTEREST**

The Partial Settlement reflects a carefully balanced compromise of the competing interests of all of the Signatory Parties in this proceeding. The Signatory Parties unanimously agree that the Partial Settlement is in the public interest. The fact that the Partial Settlement is unopposed in this major Default Service proceeding in and of itself provides strong evidence that the Partial

Settlement is reasonable and in the public interest, particularly given the diverse interests of these Parties and the active role they have taken in this proceeding.

Moreover, the Partial Settlement was achieved only after a comprehensive investigation of PPL Electric's proposals set forth in its DSP V Program. PPL Electric responded to numerous discovery requests, many of which had multiple subparts, and the Parties served five rounds of written testimony, including PPL Electric's direct testimony, other parties' direct testimony, rebuttal testimony, surrebuttal testimony, and rejoinder testimony. Further, the Parties participated in several settlement discussions and formal negotiations that ultimately led to the Partial Settlement.

Finally, the Parties in this proceeding, and their counsel, have considerable experience in Default Service proceedings. Their knowledge, experience and ability to evaluate the strengths and weaknesses of their litigation positions provided a strong base upon which to build a consensus in this proceeding on the settled issues.

For these reasons and the more specific reasons set forth below, the Partial Settlement is just, reasonable, and in the public interest. Therefore, the proposals set forth in PPL Electric's DSP V Program should be approved subject to the terms and conditions of the Partial Settlement and a decision on the issues reserved for litigation.

**A. GENERAL – THE DSP V PROGRAM, AS MODIFIED BY THE TERMS AND CONDITIONS OF THE PARTIAL SETTLEMENT, IS IN THE PUBLIC INTEREST**

The Partial Settlement initially provides that, subject to the terms and conditions of the Partial Settlement and a decision on the issue reserved for litigation, the proposals set forth in PPL Electric's DSP V Program are acceptable and should be adopted by the Commission. (Partial Settlement ¶ 18) The Partial Settlement further provides that Signatory Parties agree that PPL Electric's DSP V Program, as modified by the terms and conditions of the Partial Settlement,

includes and/or addresses all of the elements prescribed by Section 2807 of the Public Utility Code, the Commission's regulations, and the Commission's policies for a Default Service plan. (Partial Settlement ¶ 19)

The requirements for a Default Service plan appear in Section 2807 of the Public Utility Code. 66 Pa.C.S. § 2807.<sup>5</sup> Also applicable are the Commission's Default Service Regulations, 52 Pa. Code §§ 54.181-54.189, and a Policy Statement addressing Default Service plans, 52 Pa. Code §§ 69.1802-69.1817. Finally, the Commission has directed EDCs to consider incorporating certain program changes into their Default Service plans in order to foster a more robust retail competitive market. *See Proposed Policy Statement Regarding Default Service and Retail Electric Markets*, Docket No. M-2009-2140580, 2011 Pa. PUC LEXIS 65 (Final Policy Statement entered Sept. 23, 2011) (hereinafter "*DSP Policy Statement*"); *Investigation of Pennsylvania's Retail Electricity Market: End State of Default Service*, Docket No. I-2011-2237952, 2013 Pa. PUC LEXIS 306; 303 P.U.R.4th 28 (Final Order entered Feb. 15, 2013) (hereinafter "*End State Order*"). PPL Electric submits that the proposed DSP V Program, as modified by the terms and conditions of the Partial Settlement, is in the public interest because it includes and/or addresses all of the elements prescribed by Section 2807 of the Public Utility Code, the Commission's regulations, and the Commission's policies for a Default Service plan.

Pursuant to Section 2807(e)(3.1) of the Public Utility Code, a Default Service provider shall provide Default Service pursuant to a Commission-approved competitive procurement plan that includes auctions, RFPs, and/or bilateral agreements. 66 Pa.C.S. § 2807(e)(3.1). Under the

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<sup>5</sup> These requirements include that the Default Service provider follow a Commission-approved competitive procurement plan; that the competitive procurement plan include auctions, requests for proposal, and/or bilateral agreements; that the plan include a prudent mix of spot market purchases, short-term contracts, and long-term purchase contracts designed to ensure adequate and reliable service at the least cost to customers over time; and that the Default Service provider shall offer a TOU program for customers who have smart meter technology. 66 Pa.C.S. §§ 2807(e), 2807(f).

proposed DSP V Program, PPL Electric will acquire the Residential and Small Commercial and Industrial (Small “C&I”) Customer Class default service supply through a series of 6- and 12-month fixed-price, load-following, full-requirements supply contracts. (PPL Electric Statement No. 1, pp. 14, 18-20) PPL Electric will also procure 100 MWs for Block Energy supply through staggered 5-year contracts to be used in serving the Residential customer class. (PPL Electric Statement No. 1, p. 14) For the Large Commercial and Industrial (“Large C&I”) Customer Class, PPL Electric will enter into annual contracts with suppliers for the provision of the default service spot market full-requirements supply. (PPL Electric Statement No. 1, p. 24)

The Company will obtain its default service supply needs through transparent competitive solicitations, with all qualified wholesale suppliers being eligible to participate. PPL Electric will implement the DSP V Program by holding solicitations pursuant to a series of RFPs to obtain the default service products from competitive wholesale generation suppliers. Separate bids will be solicited for the Residential, Small C&I, and Large C&I Customer Classes. (PPL Electric Statement No. 1, p. 9)

Section 2807(e)(3.2) of the Public Utility Code provides that electric power procured by a Default Service provider shall include a prudent mix of spot market purchases, short-term contracts, and long-term purchase contracts. 66 Pa.C.S. § 2807(e)(3.2). PPL Electric’s proposed DSP V plan consists of a prudent mix of products that include spot market purchases, short-term contracts, and long-term purchase contracts. For both the Residential and Small C&I Customer Classes, PPL Electric’s DSP V Program proposes to use fixed-price, full-requirements, load-following products with 6- and 12-month contract terms. (PPL Electric Statement No. 1, p. 48) In addition, the Company will procure a meaningful percentage (approximately 10.5%) of Residential supply through long-term block contracts. (PPL Electric Statement No. 1, p. 20) PPL

Electric's DSP V Program also proposes to continue to obtain Default Service supply on a real-time hourly basis through the PJM spot market for Large C&I Customer Class. (PPL Electric Statement No. 1, p. 24) Clearly, PPL Electric's DSP V Program will include spot market purchases, short-term contracts, and long-term purchase contracts. Thus, PPL Electric's DSP V Program as a whole contains a prudent mix of products as required by Section 2807(e)(3.2) of the Public Utility Code. Based upon a review of these products, PPL Electric's independent, outside expert concluded that PPL Electric's DSP V Program procurements are consistent with the "prudent mix" requirement. (PPL Electric Statement No. 2, p. 28)

Consistent with the requirements of 66 Pa.C.S. § 2807(e)(3.4), PPL Electric's DSP V Program will provide adequate and reliable service to customers. As explained above, PPL Electric's Default Service supply will be procured primarily through load-following, full requirements contracts. These products obligate a wholesale electricity supplier to provide a fixed percentage (referred to as a "tranche") of PPL Electric's default service hourly load during every hour of a product's term. By assuming this obligation, wholesale suppliers are responsible for managing the acquisition of energy, capacity, transmission (other than defined non-market based transmission services), ancillary services, and any other related products (exclusive of AECs and net of transmission and distribution losses) to meet Default Service customers' hourly load. (PPL Electric Statement No. 2, p. 4) These contracts will ensure that PPL Electric will be able to provide sufficient and reliable Default Service to customers.

Pursuant to Section 2807(e)(3.4) of the Public Utility Code, Default Service providers are to obtain Default Service supply at the "least cost to customers over time." 66 Pa.C.S. § 2807(e)(3.4). The fixed-price, load-following supply for Residential and Small C&I Default Service customers will be procured through widely advertised, well-defined solicitations where

the overarching objective is to seek out the lowest-cost suppliers. By obtaining the Residential and Small C&I Default Service supplies through competitive solicitations in the form of an auction, PPL Electric is able to obtain default supplies at the lowest possible cost for the product being procured. (PPL Electric Statement No. 2, p. 33) Wholesale competition among suppliers of the spot market-priced product will ensure that PPL Electric provides default service for Large C&I customers at the lowest possible cost available at the time. (PPL Electric Statement No. 2, p. 21) Based upon a review of these products, PPL Electric's independent, outside expert concluded that PPL Electric's DSP V Program procurements are consistent with the "least cost to customers over time" requirement. (PPL Electric Statement No. 2, pp. 31-33)

Section 2807(f)(5) of the Public Utility Code provides that a Default Service provider shall offer TOU rates to all customers that have been provided smart meter technology. 66 Pa.C.S. § 2807(f)(5). The Company's TOU rate option is addressed in the Partial Settlement as further explained below.

The Alternative Energy Portfolio Standards Act ("AEPS Act"), 73 P.S. §§ 1648.1 – 1648.8, and the Commission's implementing regulations further require EDCs to obtain AECs in an amount equal to certain percentages of electric energy sold to retail customers in this Commonwealth. *See* 52 Pa. § Code 54.182. The Company proposal to procure AECs to meet its obligation under the AEPS Act is addressed in the Partial Settlement as further explained below.

The Commission's Default Service Regulations require that a default service plan include copies of agreements or forms to be used in the procurement of electric generation supply for Default Service customers. *See* 52 Pa. Code § 54.185(e)(6). Copies of a Default Service Request for Proposals Process and Rules ("RFP"), Default Service Supply Master Agreement ("SMA"), Block Energy Request for Proposals Process and Rules ("Block RFP"), Block Energy Supply

Master Agreement (“Block SMA”), Alternative Energy Credit Request for Proposals Process and Rules (“AEC RFP”), and an Alternative Energy Credit Supply Master Agreement (“AEC SMA”) were included with the Petition as Attachments A through F, respectively. (PPL Electric Exhibit No. 1, Attachments A-F) PPL Electric’s Petition also contained *pro forma* tariff provisions for the Generation Supply Charge-1 (“GSC-1), the Generation Supply Charge-2 (“GSC-2), and the Transmission Service Charge (“TSC”) to implement rates under the DSP V Program. (PPL Electric Exhibit No. 1, Attachment G), as well as *pro forma* tariff provisions for the proposed Renewable Rate Program (PPL Electric Exhibit No. 1, Attachment H).

Section 69.1807(8) of the Commission’s Default Service and Electric Retail Markets Statement of Policy provides that the competitive bid solicitation process should be monitored by an independent evaluator to achieve a fair and transparent process for each solicitation. 52 Pa. Code § 69.1807(8). The Default Service and Electric Retail Markets Statement of Policy also states that the independent evaluator should have expertise in the analysis of wholesale energy markets, including methods of energy procurement. *Id.* Consistent with these requirements, PPL Electric has retained NERA Economic Consulting as the independent third-party manager 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. (PPL Electric Statement No. 1, p. 30)

The Commission’s Default Service Regulations require that a Default Service plan include contingency plans to ensure the reliable provision of default service if a wholesale generation supplier fails to meet its contractual obligations. *See* 52 Pa. Code § 54.185(e)(5). In this proceeding, PPL Electric proposed to continue the contingency plan from the DSP IV Program for previously offered products. (PPL Electric Statement No. 1, p. 58) PPL Electric will implement

different contingency plans for block energy contracts and AEC contracts. (PPL Electric Statement No. 1, pp. 59-60) For the block energy contracts, if the Commission rejects all bids for a given product, in any solicitation, or if there are not at least two wholesale suppliers submitting offers for the block energy tranches, the Company will offer the unsuccessful block energy tranches during the next default service auction. The term of the block contract will remain at five years when rebid. Following the third unsuccessful auction for the block products, PPL Electric will cease offering the block product and instead seek Commission guidance. For AEC contracts, the contingency plan includes two steps – first, procuring AECs necessary for compliance from brokers, and second, in the instance procurement from brokers is unsuccessful, PPL Electric will seek guidance from the Commission. (PPL Electric Statement No. 1, pp. 59-60)

The Commission’s Default Service Regulations require that a Default Service plan include a rate design plan recovering all reasonable costs of Default Service, including a schedule of rates, rules and conditions of default service in the form of proposed revisions to its tariff. *See* 52 Pa. Code § 54.185(e)(3). The costs incurred by PPL Electric to provide Default Service to the Residential and Small C&I Customer Classes will be recovered through the Generation Supply Charge-1 (“GSC-1”), which is separately computed with respect to each Customer Class. Costs recovered in the GSC-1 will include, among other costs, those costs incurred under the various supplier contracts, AEC-only contract costs, and costs incurred to acquire the supply and administer the DSP V Program. (PPL Electric Statement No. 1, p. 23) The Partial Settlement addresses GSC-1 reconciliation and is discussed below. The costs incurred by PPL Electric to provide Default Service to the Large C&I Customer Class will be recovered through the Generation Supply Charge-2 (“GSC-2”). Costs recovered in the GSC-2 will include PJM spot market energy, PJM capacity charges, the suppliers’ charge for all other services based upon



winning bids in the annual solicitation, the AEC-only contract charges allocated to the Large C&I class, and PPL Electric's costs to acquire the supply and administer the DSP V Program. (PPL Electric Statement No. 1, p. 25)

The Commission's Default Service Regulations require that a Default Service plan be consistent with the legal and technical requirements pertaining to the generation, sale and transmission of electricity of the RTO or other entity in whose control area the default service provider is providing service, and that the default service procurement plan's period of service must align with the planning period of that RTO or other entity. *See* 52 Pa. Code § 54.185(e)(4). The Company will provide Default Service within the control area of PJM Interconnection, LLC ("PJM"), which is an RTO approved by the Federal Energy Regulatory Commission ("FERC"). PPL Electric's DSP V Program is consistent with the legal and technical requirements pertaining to the generation, sale and transmission of electricity of PJM. (PPL Electric Statement No. 1, pp. 56-57) PPL Electric's DSP V Program aligns with the PJM's planning period, *i.e.*, begins June 1. (PPL Electric Statement No. 1, p. 57)

In this proceeding, PPL Electric proposed to continue the four-year plan format that was successfully used in DSP IV. (PPL Electric Statement No. 1, p. 15). This approach will save litigation time and costs for PPL Electric, other parties that participate in DSP proceedings and the Commission. No party opposed PPL Electric's proposal to continue the four-year program term.

As summarized above, PPL Electric's DSP V Program, as modified by the terms and conditions of the Partial Settlement, includes and/or addresses all of the elements prescribed by Section 2807 of the Public Utility Code, the Commission's regulations, and the Commission's policies for a Default Service plan. Approval of the DSP V Program, as modified by the Partial Settlement, is in the public interest.

## **B. NITS**

Network Integration Transmission Service (“NITS”) charges are part of a broader group of charges defined within the PPL Electric Default Service SMA as Non-market-based Transmission Services (“NMB”). This group of charges includes: 1) NITS, 2) Transmission Service Credits, 3) Regional Transmission Expansion Plan (“RTEP”), 4) and Generation Deactivation Charges. Appendix C of PPL Electric’s SMA (“DS Supply Specifications”) specifically states that “the Company shall be responsible, at its sole cost and expense, for the costs of Non-market-based Transmission Services.” These costs, as being defined within the SMA, cover default service load only. All other costs are the responsibility of each individual wholesale supplier. Additionally, all costs incurred by Retail Electric Generation Suppliers (“EGS”) are the responsibility of the EGS. (PPL Electric Statement No. 1-R, p. 11)

In this proceeding, PPL Electric did not propose any changes to the responsibility for or the recovery of NMBs. PPL Electric proposed to continue assuming the responsibility for directly acquiring NMB services with respect to default service customers only. (PPL Electric Statement No. 1-R, p. 11) The EGS Parties, on the other hand, proposed that PPL Electric should treat NITS as it treats other NMBs and collect and remit them on behalf of all customers through a non-bypassable charge. EGS Parties’ Statement No. 1, p. 36. As PPL Electric explained, the EGS Parties’ proposal is based on the incorrect premise that PPL Electric recovers some NMBs through a non-bypassable charge. The Company does not recover any NMBs through a non-bypassable charge. All NMBs for default service customers are recovered in the same way – through the TSC, as a component of the PTC. Retail suppliers are responsible for recovering NMBs associated with the customers who shop with them. (PPL Electric Statement No. 1-R, p. 14)

PPL Electric opposed the EGS Parties' proposal, noting that the Commission has already rejected this proposal on two previous occasions – in the PPL Electric DSP II Plan<sup>6</sup> and the PPL Electric DSP III Plan.<sup>7</sup> In fact, in the DSP III Order, the Commission specifically noted that the approach taken by the Company in DSP III - assuming NMB responsibility for default service load only, whereas EGSs assume responsibility for NMBs of shopping load – was already approved by the Commission in PPL Electric's DSP II Plan. Further, the Commission stated that “[i]n that proceeding, we rejected a similar proposal to that proffered by RESA in the instant proceeding to require PPL to assume responsibility for NMB costs related to both default service load and shopping load, and to recover those costs through a non-bypassable charge. We find nothing on the record to indicate that there has been any significant change in circumstances surrounding PPL's current approach with regard to these NMB costs since our prior approval of it in PPL DSP II.”<sup>8</sup> The EGS Parties have presented no new reasons or changed circumstances why their proposal should be adopted in the DSP V and instead relied on the same arguments that were previously rejected by the Commission.

Further, there are many problems associated with its proposal to create a NITS non-bypassable rider as explained in the rebuttal testimony of PPL Electric witness Rouland. *See* PPL Electric Statement No. 1-R, pp. 14-17. Primary among the problems with the EGS Parties' proposal is the fact that it is inconsistent with the PJM rules which define Load Serving Entities (“LSE”) as “A Load Serving Entity (LSE) is any entity (or the duly designated agent of such an entity), including a load aggregator or power marketer that (a) serves end-users within the PJM

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<sup>6</sup> Pennsylvania Public Utility Commission Opinion and Order on the PPL Electric Default Service Plan II, issued January 24, 2013, at Docket No. P-2012-2302074 (“DSP II Order”).

<sup>7</sup> Pennsylvania Public Utility Commission Opinion and Order on the PPL Electric Default Service Plan III, issued January 15, 2015, at Docket No. P-2014-2417907 (“DSP III Order”).

<sup>8</sup> DSP III Order, pp. 63-64.

Control Area, and (b) is granted the authority or has an obligation pursuant to state or local law, regulation or franchise to sell electric energy to end-users located within the PJM Control Area.”<sup>9</sup> In PJM, all LSEs are charged market-based and NMB costs based on each LSE’s load share. PPL Electric bears the associated costs for default service customers and EGSs bear the costs for those customers shopping with the EGS. (PPL Electric Statement No. 1-R, p. 15)

Calpine, an EGS, also opposed the EGS Parties’ proposal. (Calpine Statement No. 1) According to Calpine, the EGS Parties’ proposal would negatively impact competition by taking away the competitive efficiencies and discipline of the market. Under the EGS Parties’ proposal, neither the LSE nor their customers would be incentivized to manage load because their obligation to pay for NITS would be based on the average demand experienced by PPL Electric. (Calpine Statement No. 1, p.4)

The Partial Settlement does not adopt the EGS Parties’ proposal and provides that the EGS Parties’ proposal for PPL Electric to create a non-bypassable charge to recover NITS costs is withdrawn for purposes of this proceeding only. (Partial Settlement ¶ 20) By not adopting the EGS Parties’ proposal, the Partial Settlement is consistent with the Commission’s prior rulings on this subject. As PPL Electric pointed out, EGS have other options, such as pass-through clauses, to recover transmission costs from customers. (PPL Electric Statement No. 1-R, p. 15) Notably, the Partial Settlement provision provides that the proposal is withdrawn for this proceeding only and preserves the EGS Parties’ right to advance the proposal in future proceedings. Because the Partial Settlement term is consistent with the Commission’s prior directives on this issue, PPL Electric submits that the Partial Settlement term is in the public interest and should be approved.

### **C. GSC-1 RECONCILIATION**

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<sup>9</sup> See PJM Glossary of terms at: [https://www.pjm.com/Glossary#index\\_L](https://www.pjm.com/Glossary#index_L)

PPL Electric did not propose any change in the reconciliation process currently used by the Company, which was approved by the Commission as a component of the DSP IV proceeding. The current process involves a reconciliation balance that is calculated over a six-month period and collected (or refunded) with interest, over the following six-month period, with a lag of approximately two months. (PPL Electric Statement No. 6-R, p. 6)

OCA witness Estomin proposed to modify the reconciliation process so that PPL Electric would use a 6-month reconciliation amortized over 12-months instead of being broken down into two 6-month amortizations. The OCA's proposal is based on witness Estomin's belief that the current reconciliation process used by the Company leads to adjustments of a greater magnitude than those that would be produced using the OCA's approach. (OCA St. No. 1, pp. 19-20)

Upon review of the OCA's proposal, PPL Electric determined that the Company generally agreed with Mr. Estomin's assessment of the volatility associated with the current process, which is due primarily to the 2-month lag necessary when filing a rate with 30 days' notice. In a 6-month reconciliation period, one-third of that reconciliation relates to a prior rate period. One of those 2-month periods includes the time frame when PPL Electric typically compensates net metering customers (this occurs one time per year in May). In addition to the 2-month lag, another reason for the volatility is seasonality related to residential usage. (PPL Electric Statement No. 6-R, p. 7)

In rebuttal testimony, the Company agreed that a change in the reconciliation process would produce less volatility. Specifically, PPL Electric agreed with Mr. Estomin's proposal of amortizing the over/under collection over a 12-month period, rather than the current 6-month period with one modification. The Company proposed that the reconciliation should also be calculated for a 12-month period rather than a 6-month period. This is consistent with other PPL

Electric rider mechanisms and is consistent with the GSC-1 Section 1307(e) Reconciliation Statement. (PPL Electric Statement No. 6-R, p. 8)

The Partial Settlement adopts the OCA's proposal as modified by PPL Electric. Specifically, the Company will reconcile 12 months of over/under collections over a 12-month period consistent with its other Section 1307 surcharges. (Partial Settlement ¶ 21) This Partial Settlement provision is in the public interest because it will reduced the volatility associated with PPL Electric's current reconciliation process. In addition, the Partial Settlement provides that in the event the GSC-1 E-factor exceeds 10 percent of the Price-to-Compare for Small C&I GSC-1 customers, the Company agrees to consult with the OSBA regarding the causes for this variance and steps being taken to reduce GSC-1 variances. (Partial Settlement ¶ 21) Taking steps to reduce these variances is in the best interest of customers.

#### **D. RENEWABLE ENERGY RIDER**

In its DSP V, PPL Electric proposed to offer a new rate program for default service customers. The intent of the rate was to provide a voluntary renewable energy option for customers who receive default service. Mr. Rouland fully explained the proposed Renewable Energy Rate Program in his direct testimony. *See* PPL Electric Statement No. 1, pp. 72-78.

I&E, CAUSE-PA and OCA all offered support for the Company's proposed Renewable Energy Rate Program; however, each party provided recommended adjustments to the program. (I&E Statement No. 1, pp. 6-7; CAUSE-PA Statement No. 1, p. 22; OCA Statement No. 1, p. 18)

Three parties, OSBA, SEF and the EGS Parties, recommended that the Renewable Energy Rate Program be rejected. In SEF's view, the renewable energy market is already vibrant and therefore does not need any intervention by PPL Electric. (SEF Statement No. 1, pp. 6-7) OSBA also recommended against PPL Electric's proposal based on a perceived lack of customer demand that is not already being met by the EGS community. (OSBA Statement No. 1, p. 17) The EGS

Parties contended that there is no legal support for the proposal and that the retail market already provides similar offers to customers. (EGS Parties' Statement No 1, p. 23)

Given parties' conflicting views on this issue, as part of the Partial Settlement, the Company has agreed to withdraw its proposed Renewable Energy Rider without prejudice to future re-filing in a default service docket either as part of a new plan or an amendment to an existing plan. (Partial Settlement ¶ 21) The Partial Settlement term reflects a compromise of the parties' positions in that it recognizes the Renewable Energy Rider will not be implemented in the DSP V, but may be proposed in a future default service proceeding in which all interested parties, including EGSs, would have an opportunity to evaluate and comment on the proposal. The Partial Settlement term is in the public interest and should be approved.

#### **E. AEC AUCTION**

To fulfill PPL Electric's obligations under the PA Alternative Energy Portfolio Standards ("AEPS") Act, PPL Electric proposed to procure AECs for all default service customer load through AEC-only contracts using a competitive auction process. (PPL Electric Statement No. 1, p. 13) PPL Electric's proposal is detailed in the direct testimony of Company witness Rouland. *See* PPL Electric Statement No. 1, pp. 30-36. PPL Electric believes that conducting AEC-only auctions will increase competition and achieve the least cost products for customers. The AEC auction process achieves increased competition through two fundamental actions: (1) separating the AECs from wholesale contracts, which allows this commodity to be separately auctioned and (2) using new contract terms associated solely with the AEC procurement process to improve supplier participation. A result of increased supplier participation and resulting competition is the opportunity for decrease prices, which results in lower rates for customers. (PPL Electric Statement No. 1, pp. 37-39) Increasing competition and thereby creating an opportunity for lower rates is the public interest.

In general, the other parties were supportive of the AEC Auction proposed by the Company. Many parties either did not comment on the AEC Auction or supported the Company's approach with minor modifications or reporting requirement recommendations. OCA witness Mr. Estomin supported PPL Electric's AEC auction, stating "I expect that the prices associated with the wholesale power supply combined with the prices obtained for the AEC procurements would result in lower overall aggregate prices." (OCA Statement No. 1, p. 13) I&E witness Mr. Keller stated that he does not oppose the procurement of AECs through an AEC-only auction, but recommended that the Company implement the program as a pilot and that the Company report on the results in the next DSP. (I&E Statement No. 1, p. 4) Similarly, SEF witness Mr. Costlow did not object to PPL Electric's approach to procure AECs through an AEC-only auction; however, he recommended PPL Corporation subsidiaries be excluded from the AEC Auction and recommended a modification to the product mix in the form of a solar set aside. (SEF Statement No. 1, p. 7) The only party to object to the implementation of the Company's AEC Auction was OSBA witness Knecht, who recommended the AEC Auction be rejected unless the Company includes EGS AECs in the auction. (OSBA Statement No. 1, pp. 12-13)

In rebuttal testimony, PPL Electric witness Rouland explained why PPL Corporation subsidiaries should not be excluded from the AEC auction. First, based upon the rules set forth in the PPL Electric Default Service, Block Energy, and AEC RFP Process and Rules, it is illegal for any PPL Electric subsidiary to circumvent the auction process and gain non-public information to participate in either the basic default service auctions or AEC Auctions. Second, an affiliate would not have access to non-public information because PPL Electric specifically utilizes a third-party auction manager to manage supplier communications and supplier bids and conduct the supplier



bid selection process based upon the least cost offering. PPL Electric has no involvement in these processes. (PPL Electric Statement No. 1-R, p. 24)

Mr. Rouland also expressed the Company's disagreement with SEF's solar set aside proposal. The proposal did not take into account the high costs and extended time required to obtain such AECs. In addition, Mr. Rouland explained PPL Electric's concerns that the solar set aside is overly complex, cumbersome, and is predicated upon an assumption that customers create AECs through PJM, that they are willing to sell them, and will engage with PPL Electric in a significant way to meet the targets set by SEF. In sum, PPL Electric concluded that there was not enough analysis to support the proposal. (PPL Electric Statement No. 1-R, pp. 27-29) Mr. Rouland also explained the Company's disagreement with OSBA's recommendation to allow EGSs to opt-in to the Company AEC Procurements. (*See* PPL Electric Statement No. 1-R, pp. 31-34)

The Partial Settlement provides that PPL Electric will operate the AEC Auction as a pilot program for the DSP V program period; provided, however, this proposal is contingent on full recovery of all costs of the program through the GSC-1 rate. Full-cost recovery in the GSC-1 rate will be subject to the determination that the costs are prudent and reasonable in the filing(s) in which PPL proposes recovery. (Partial Settlement ¶ 23) In addition, the Company has agreed to provide a summary report on each AEC Auction conducted throughout DSP V in its next DSP filing. This report will include forecast and actual AECs procured by customer group and Tier type; average pricing information by Tier type, customer group by period; number of customers by customer group; and reconciliation details by customer group. (Partial Settlement ¶ 24)

Implementation of the pilot program as provided for in the Partial Settlement is in the public interest because it will allow parties an opportunity to test the program on a pilot basis to

determine if the program should be implemented on a permanent basis in the future. In addition, PPL Electric has committed to providing information needed to evaluate the program in its next DSP filing. This information will allow PPL Electric and interested parties to determine if AEC auctions should continue and if any adjustments need to be made. The Partial Settlement terms pertaining to PPL Electric's AEC auction proposal are in the public interest and should be approved.

**F. STANDARD OFFER PROGRAM**

The Parties were able to resolve one issue with respect to the Standard Offer Program ("SOP") in the Partial Settlement. The settled issue pertains to the use of scripts versus guidelines in PPL Electric's and the third-party administrator's communications with customers. Other matters pertaining to the SOP have been reserved for litigation and are addressed in PPL Electric's Main Brief and Reply Brief.

PPL Electric's customer service representatives ("CSRs") offer the SOP when customers contact the Company under certain circumstances. PPL Electric's CSRs provide a brief overview of the SOP to eligible customers. If a customer is interested, PPL Electric transfers the customer to a third-party to provide details of the SOP program and to enroll customers who elect SOP. (PPL Electric Statement No. 4, pp. 4-5) In this proceeding, PPL Electric proposed to replace specific SOP scripting used by PPL Electric CSRs with guidelines to navigate the customers through the SOP process, while giving the Company flexibility to modify precise words if customer confusion becomes apparent. PPL Electric also proposed to update the third-party scripting to reflect changes made to the SOP. (PPL Electric Statement No. 4, pp. 4-5)

In testimony, OCA witness Alexander expressed her concerns with how the Company's CSRs and the third-party administrator's employees were reading the scripts. (*See* OCA Supplemental Direct Testimony) In response, PPL Electric witness LaWall-Schmidt explained

why the answer to Ms. Alexander's concerns is not more restricted scripting of the PPL Electric CSR calls. It is impossible to create a one-size fits all approach to scripting. Inevitably customers will have different levels of understanding of the program and seek additional information. It is in the customers' best interest that the PPL Electric CSRs are permitted to engage in a conversation about the SOP to explain the program. (PPL Electric Statement No. 4-R, p. 16) With respect to the third-party administrator scripts, PPL Electric expressed that it was not opposed to revisiting the scripts to provide additional guidance on how the third-party administrator's employees should respond to questions from a customer. (PPL Electric Statement No. 4-R, p. 19)

The Partial Settlement provides that PPL Electric will work with OCA, OSBA, and other interested parties in revising the guidelines used by PPL Electric's customer service representatives and scripts used by the third-party program administrator. Any such revisions must be completed within 90 days after the entry of a Commission order approving this settlement without modification. (Partial Settlement ¶ 25) As part of the Partial Settlement, PPL Electric has also committed to increase its monitoring of the third-party program administrator's employees to ensure that the complete conversation accurately reflects the SOP contract terms and required disclosures. The Company has also committed to take any necessary actions, including, but not limited to, additional training of the third-party administrator's employees, or terminating the Company's contract with the third-party administrator, as may be necessary. (Partial Settlement ¶ 26)

Authorizing PPL Electric CSRs to use guidelines in their SOP discussions with customers provides CSRs with the flexibility to offer a more customer-friendly experience, while maintain an accurate description of the program. PPL Electric's commitment to working with interested parties to develop scripts for the third-party administrator and monitoring the third-party

administrator's employees protects customers by helping ensure that the third-party administrator's conversation with the customer accurately reflects the SOP contract terms and required disclosures. The Partial Settlement terms will allow PPL Electric and interested parties an opportunity to work collaboratively to revise the SOP scripts and guidelines. These Partial Settlement terms are in the public interest and should be approved.

#### **G. TOU ANALYSIS**

Section 2807(f)(5) of the Public Utility Code provides that a Default Service provider shall offer TOU rates to all customers that have been provided smart meter technology. 66 Pa.C.S. § 2807(f)(5). In this proceeding, PPL Electric sought to maintain many elements of the currently effective TOU Program, including customer eligibility, seasonality, on-peak and off-peak hours, multipliers, and maintaining a webpage dedicated to the TOU Program. The Company proposed to make the following three changes to the TOU Program: (1) implement the TOU contingency plan employed under the DSP IV Program as the new primary plan in the DSP V Program (thereby eliminating the TOU auction and instead employing the DSP IV's TOU contingency plan calculation methodology); (2) change the release of the TOU rates to be in conjunction with the issuance of the PTC, 30 days in advance of the TOU and PTC rates going into effect; and (3) remove TOU eligibility from a small subset of grandfathered water heating customers based upon their complex configuration. (PPL Electric Statement No. 1, pp. 64-65)

Two parties, OSBA and CAUSE-PA, offered comments with respect to PPL Electric's TOU proposal. While generally supportive of PPL Electric's TOU proposal, OSBA witness Mr. Knecht recommended that the Company evaluate the key parameters for TOU rates, in particular with respect to on-peak hours and the off-peak percentage discount, in its next default service proceeding. (OSBA Statement No. 1, pp. 13-15) PPL Electric concurred with Mr. Knecht's

suggestion and agreed to provide the requested analysis as part of its next default service proceeding. (PPL Electric Statement No. 1-R, p. 35)

To address OSBA's recommendation and as part of the Partial Settlement, PPL Electric has agreed to perform additional analysis and reporting on the TOU program in its next DSP proceeding. Such analysis will include evaluation of the PPL Electric Residual Aggregation Point Locational Margin Prices (LMP) for the preceding two calendar years, and residential and small commercial and industrial customer load, by hour, for the preceding two calendar years. The analysis will focus on evaluating the appropriate on-peak hours for the next DSP TOU program. (Partial Settlement ¶ 27) The Partial Settlement term providing for PPL Electric to conduct additional analysis is in the public interest because the analysis will help PPL Electric and other interested parties effectively evaluate the Company's TOU Program as part of its next default service proceeding.

CAUSE-PA witness Geller supported excluding CAP customers from TOU but expressed concern regarding the potential risk of TOU to confirmed low-income customers and those with known medical usage. (CAUSE-PA Statement No. 1, pp. 20-21) PPL Electric witness Stumpf explained that low-income customer participation in the Company's TOU is small, and the Company already provides information needed to help customers make an informed decision regarding TOU. Therefore, customized confirmed low-income customer outreach and general communication is not warranted at this time. (PPL Electric Statement No. 3-R, pp. 10-11) Nevertheless, to address CAUSE-PA's concerns, PPL Electric has agreed to include the following information on its website regarding its time of use rate: (1) Time of Use rates may not be appropriate for customers that cannot change the time of day that they rely on electricity, such as those with medical devices that require electricity or customers who are home during peak hours;

and (2) If you are a low income customer, other programs and rate assistance may be available to help you to afford your bill. Contact PPL at [add phone number] for more information and to apply. (Partial Settlement ¶ 27) In addition, PPL Electric will evaluate the impacts of the Company's TOU rates on confirmed low-income customers as part of the annual report required by Act 129 of 2008. (Partial Settlement ¶ 28) These Partial Settlement terms are aimed at protecting low-income customers and should be approved.

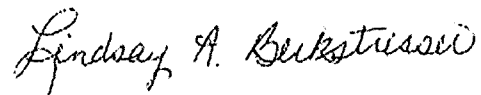
#### IV. CONCLUSION

Settlements are the result of a compromise of competing interests. In this case, a diverse group of interested parties have reached an agreement that resolves nearly all of the issues in this case. Therefore, PPL Electric respectfully requests as follows:

(a) That the Honorable Administrative Law Judge Elizabeth H. Barnes recommend approval of, and the Commission approve, this Joint Petition for Approval of Partial Settlement including all terms and conditions thereof without modification; and,

(b) Subject to the terms and conditions set forth herein, and a decision on the issues reserved for litigation, that the Honorable Administrative Law Judge Elizabeth H. Barnes recommend approval of, and the Commission approve, the proposals set forth in PPL Electric's Petition for Approval of the DSP V Program and the Attachments thereto.

Respectfully submitted,



Kimberly A. Klock (Pa. Bar I.D. 89716)  
Michael J. Shafer (Pa. Bar I.D. 205681)  
PPL Services Corporation  
Two North Ninth Street  
Allentown, PA 18101  
Phone: 610-774-5696  
Fax: 610-774-4102  
E-mail: [kklock@pplweb.com](mailto:kklock@pplweb.com)  
E-mail: [mjshafer@pplweb.com](mailto:mjshafer@pplweb.com)

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Michael W. Hassell (Pa. Bar I.D. 34851)  
Lindsay A. Berkstresser (Pa. Bar I.D. 318370)  
Post & Schell, P.C.  
17 North Second Street, 12<sup>th</sup> Floor  
Harrisburg, PA 17101-1601  
Phone: 717-612-6029  
Fax: 717-731-1985  
E-mail: [mhassell@postschell.com](mailto:mhassell@postschell.com)  
E-mail: [lberkstresser@postschell.com](mailto:lberkstresser@postschell.com)

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Attorneys for PPL Electric Utilities Corporation