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November 2, 2020

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
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400 North Street
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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 electric filing please find the Office of Consumer Advocate's Reply Exceptions 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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Certificate of Service
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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 Reply Exceptions, 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 2nd day of November 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 Period of June 1, 2021 through May 31, 2025	: : :	Docket No. P-2020-3019356

REPLY EXCEPTIONS OF THE OFFICE OF CONSUMER ADVOCATE

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I. INTRODUCTION

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

As explained in the Recommended Decision (R.D.) of Administrative Law Judge (ALJ) Elizabeth Barnes, issued October 13, 2020, many of the issues raised in this proceeding have been tentatively resolved by way of a Joint Petition for Partial Settlement, for which ALJ Barnes has recommended approval by the Commission. The Partial Settlement, however, provided that three issues in the case were reserved for litigation. The OCA addressed two of the three issues in its Main and Reply Briefs, submitted September 3rd and September 17th, respectively. The issues addressed by the OCA were: (1) PPL's proposals with respect to its Standard Offer Program (SOP); and (2) the Company's proposals with respect to shopping for generation service by customers who participate in the PPL's Customer Assistance Program (CAP).[1] In her R.D., ALJ Barnes recommended in favor of PPL's proposals on both of these issues. These rulings were

[1] With respect to the SOP, PPL proposed, as a term of the SOP, that if a customer does not make an affirmative election at the end of their SOP contract term, the customer will return to default service, rather than be converted to a month-to-month contract with their existing SOP EGS. A second related proposal was to undertake an educational campaign to reach out to customers prior to the conclusion of their SOP contract, to advise them of their shopping options and available resources, and to remind them that they will be returned to default service at the PTC if they do not make an affirmative election.

Regarding CAP participant shopping, the Company proposed to eliminate its current program under which its CAP participants are allowed to shop for their electricity supply, known as CAP SOP, and require CAP customers to be served under default service at the Price to Compare.

consistent with the positions taken by the OCA in this proceeding. Accordingly, the OCA filed no Exceptions to the R.D.

However, on October 26, 2020, Exceptions were filed by the Electric Generation Supplier (EGS) participants in this proceeding – Starion Energy PA Inc., Inspire Energy Holdings LLC, and the EGS Parties, a coalition of the following licensed EGSs: Direct Energy Services, Interstate Gas Supply, Shipley Choice, NRG Energy, Vistra Energy, ENGIE Resources, and WGL Energy Services. The OCA now files these Reply Exceptions in response to the EGSs, urging the Commission to adopt the R.D. as rendered by the ALJ, without modification.

II. REPLY EXCEPTIONS

A. Standard Offer Program (SOP)

1. REPLY TO EGS PARTIES' EXCEPTION NO. 1: The R.D. Properly Adopted Findings of Fact 8 through 11. (R.D. at 27-34; OCA M.B. at 11-18; OCA R.B. at 11-16)

The Findings of Fact, to which the EGS Parties object, relate to statistics generated by PPL as the result of an analysis it performed of customers who reached the end of their SOP contracts from 2015 through 2019. The review examined these customers' decisions for the four months following the end of their SOP contract. Considering that neither the EGS Parties nor Starion Energy, presented any analysis of their own to counter or discredit the PPL analysis, it is unsurprising and entirely proper that the R.D. would adopt these Findings of Fact, which present statistics regarding: (1) the number of SOP customers who remain with their SOP supplier for the four months following conclusion of their SOP contracts; and (2) the prices they are paying relative to the price for default service (also known as the Price to Compare or PTC).

EGS Parties assert in their Exceptions that relying on these statistics to support PPL's proposal to return SOP customers (those whose contracts have ended and who have not made an

affirmative choice to remain with the SOP supplier, choose another EGS, or return to default service) to default service will eviscerate the purpose of the Customer Choice and Competition Act, by taking away customer choice. They further assert that it would be disastrous to make such a monumental policy choice of forcing all SOP customers back to default service, particularly where there is such potential to harm the rest of the market and harm a presently successful SOP program. EGS Exc. at 2-3.

These comments overstate what PPL is attempting to accomplish with its proposal to return inactive SOP customers to default service at the end of their SOP contract. PPL is not proposing to force *all* SOP customers to default service nor to eviscerate customer choice. SOP customers who take affirmative action at the end of their contract will be unaffected by PPL's proposal. Moreover, customers who are returned to default service do not lose their right to shop, either with another SOP supplier or with a supplier outside of an SOP. PPL St. 4 at 16.

The rationale for PPL's proposal is well-stated in its Main Brief.:

> PPL Electric had become aware, through complaints filed with the Commission and customers' calls received by PPL Electric's CSRs, that some percentage of customers were experiencing a substantial increase in their energy charges following the conclusion of their SOP contract. PPL Electric St. No. 4, p. 13; PPL Electric St. No. 4-R, p. 14. This is a concern to PPL Electric because it can lead to customers becoming payment troubled. PPL Electric St. No. 4, p. 13. It is also a concern to PPL Electric because customers criticize the Company for sponsoring a program that allows the customer to be charged a higher rate after the initial contract term is concluded. PPL Electric St. No. 4, p. 13. In addition, PPL Electric considers substantial price increases following the end of the SOP contract term to be contrary to the purpose of the SOP. The SOP was developed to provide customers who have not shopped or are reluctant to shop an opportunity to experience shopping. PPL Electric St. No. 4-R, p. 4. However, an adverse experience, through large, unexpected increases in prices at the end of an SOP contract, will not incentivize further shopping.

PPL M.B. at 14-15.

EGS Parties are concerned about the harm to the market and the harm to the SOP from PPL's proposal to return inactive customers to default service. However, PPL makes the well-founded point that the market can be harmed by holdover SOP customers being charged excessive prices. PPL R.B. at 12.; also, R.D. at 32.

The EGS Parties also maintain that only a very small group of SOP customers, 20% or less, remain on holdover contracts 4 months after the SOP ends. They say that a major policy choice such as the return of customers to default service should not be made based upon such a small group. EGS Exc. at 3. ALJ Barnes considered this a "meaningful" number of customers. R.D. at 27. The OCA agrees and submits that 20% does not constitute a small group.

EGS Parties further characterize the PPL SOP as "successful." EGS Exc. at 3. PPL witness LaWall-Schmidt offered her perspective on whether the SOP was working as intended:

> I disagree with [EGS Parties'witness] Mr. Kallaher's position that the SOP is working the way it was intended. The SOP was developed to acclimate customers to shopping. However, PPL Electric's data indicates a substantial percentage of customers do not actively shop at the end of the SOP term, but rather passively roll over to higher rates. The SOP is not intended to be a marketing tool to capture unaware customers at higher rates upon the conclusion of the contract term.

PPL St. 4-R at 13.

The OCA's position on this Reply Exception can best be summarized by the testimony of its witness Barbara Alexander. Asked whether she agreed with PPL's response to the testimony of the EGSs with respect to 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.

The R.D.'s adoption of Findings of Fact 8 through 11 and its reliance on those findings to support PPL's proposal to return inactive SOP customers to default service at the end of their contract term is supported by substantial evidence and should be approved.

2. REPLY TO EGS PARTIES' EXCEPTION NO. 2: The R.D. properly concluded that "The PTC is an appropriate measure of whether the current SOP design is successful" (R.D. at 29-30; OCA M.B. at 11-18; OCA R.B. at 11-16)

In their Exceptions, the EGS Parties assert that the entire R.D. is based on "the mistaken approach of measuring the competitive market by comparing prices offered by suppliers" to the PTC. They maintain that this is akin to comparing a "banana to a watermelon." EGS Exc. at 3. They argue that there are differences between EGS prices and the PTC such that the PTC does not fully reflect the costs of providing default service and that most of those costs are recovered through distribution rates, not the PTC. As a result, they assert that comparisons between EGS prices and the PTC are no basis upon which to make changes to the PPL SOP. Id. at 3-4.

Yet, as PPL points out in its Reply Brief, the EGS Parties submitted no evidence that PPL's PTC was incorrectly calculated other than to offer general assertions that portions of PPL's distribution costs, such as facilities, salaries, billing and collections, should be allocated to the

PTC. PPL R.B. at 6. There was no specific evidence presented as to what portion of these distribution costs should be allocated to the PTC or the basis for that allocation. Indeed, as PPL's Reply Brief notes, EGS Parties' witness Kallaher stated that he did not believe that this proceeding was the appropriate setting for a detailed analysis of the true cost of providing default service to customers. EGS St. 1-R at 6.

The R.D. appropriately cited the case of *Pa. PUC v. PECO Energy Company – Electric Division*, Docket No. R-2018-3000164, Order entered December 20, 2108, which was recently upheld by the Commonwealth Court in *NRG Energy, Inc. v. Pa. PUC*, 233 A. 3d 936 (Pa. Cmwlth. 2020). In that case, NRG proposed, as EGS Parties suggest here, a significant reallocation of costs from distribution service to default service, which the Commission rejected. Notably, in its Opinion and Order in that case, the Commission stated:

> In this proceeding, [NRG witness] Mr. Peterson could not identify specific additional costs related to providing default service, having done no analysis of the costs that PECO actually incurs to provide default service. Rather, Mr. Peterson merely indicated that a "significant portion" of PECO's expenses "reasonably support" residential default service since PECO provides default service to approximately sixty-six percent of its residential customers and those costs would be incurred if default service was provided through a division of PECO separate from its distribution operations

Opinion and Order at 71. The OCA submits that the general assertions regarding reallocation of costs to the PTC made by the EGS Parties in this proceeding are no different than the general assertions the Commission found fault with in the 2018 PECO proceeding.

Finally, it is important to point out, as PPL did in its Reply Brief that while the EGS Parties may wish for a world where PTC costs are allocated to their desire, the reality is that when customers shop, they pay the EGS price and when they do not shop, they pay the PTC. Those are the only two choices customers are presented with, and the question for the Commission is whether

SOP customers who take no action at the end of their SOP contract should be allowed to remain on roll over contracts with their SOP supplier when the evidence plainly shows that these customers often end up paying prices substantially higher than the PTC. PPL R.B. at 6.

The R.D. properly concluded that the comparisons between the PTC and EGS prices are appropriate for determining whether the current SOP design is successful. The EGS Parties Exception should be rejected.

3. REPLY TO EGS PARTIES' EXCEPTION NO. 3: The R.D. Did Not Err in Authorizing PPL to Implement a Different End-of Contract Rule for SOP than for All Other Customers (R.D. at 30-31; OCA M.B. at 11-18; OCA R.B. at 11-16)

Electric Distribution Companies (EDCs) were directed to establish Standard Offer Referral Programs in the Commission's 2012 *Final Work Plan Order*[2]. EGS Parties cite language from that Order which provides that "at the conclusion of the standard offer period, absent affirmative customer action to enter into a new contract with the EGS, the customer's enrollment with a different EGS or the customer's return to default service, the customer will remain with the EGS on a month-to-month basis." *Final Work Plan Order* at 31. EGS Parties maintain that the ALJ committed an error of law by recommending approval of PPL's proposal to return inactive SOP customers to default service, contrary to this provision of the *Final Work Plan Order*. They assert that there should not be a different end-of-contract rule for SOP customers than for all other customers. EGS Exc. at 5.

The OCA submits that no error of law was committed. As the R.D. noted, the provision of the *Final Work Plan Order* cited by the EGS Parties is a *guideline* not a regulation.

[2] *Investigation of Pennsylvania's Retail Electricity Market: Intermediate Work Plan, Final Order*, Docket No. I-2011-2237952 (Order entered March 1, 2012) (*Final Work Plan Order)*

In addition, as has been argued by PPL, Standard Offer Plans were created by Commission order not by statute and as such, the Commission has the authority to modify its orders. PPL R.B. at 7-8. In fact, the *Final Work Plan Order* anticipates that changes to SOP programs will be made as they are implemented over time in default service proceedings when it states, "…it is expected that detailed implementation and logistical elements will be determined during the default service plan proceedings for each EDC." *Final Work Plan Order* at 31.

Regarding whether it is proper to treat inactive SOP customers differently from all other shopping customers, the OCA submits that the rationale for doing so was most cogently stated by PPL witness LaWall-Schmidt:

> PPL Electric acknowledges that customers who shop outside of the SOP are unaffected by PPL Electric's proposal to return SOP customers to default service if they do not affirmatively enter into a new contract with their EGS. However, customers who shop through the SOP are not the same as customers who shop outside the SOP. SOP is a special discount rate, designed to focus on customers who do not shop. In fact, PPL Electric is only allowed to describe the SOP to existing shopping customers who specifically inquire about the program. Unlike non-SOP contracts, SOP contracts are required to have certain standard terms and conditions such as contract length, be fixed price, have an initial price at 7% below current PTC, and cannot have early cancellation fees. This is because the SOP is a program created by the Commission, and the Commission has the authority to direct different terms from non-SOP contracts. PPL Electric believes that one of those terms should be to prohibit passive roll over into month to month contracts, where the evidence supports such a change.

PPL St. 4-R at 11.

Further, the R.D. favorably quoted the testimony of OCA witness Alexander with regard to passive SOP customers being charged prices substantially above the PTC. Ms. Alexander explains that different treatment for passive SOP customers is necessary to prevent harm to retail market in general:

> 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. No. 2, p. 15.

EGS Parties also contend that no other EDC has proposed to require suppliers to obtain affirmative consent to retain SOP customers at the end of their contract. EGS Exc. at 6. This is undoubtedly so because no other EDC has performed an analysis like PPL's to determine the prices inactive SOP customers are paying in the period after their SOP contract expires.

The R.D. properly concluded that establishing different requirements for SOP customers at the end of their contract term was appropriate and lawful. The EGS Parties Exception should be rejected.

4. REPLY TO STARION EXCEPTION NO. 1: The R.D. Properly Foresaw the Continuation of the SOP (R.D. at 31-33; OCA M.B. at 11-18; OCA R.B. at 11-16)

Starion's Exception states that the R.D. erred by assuming that the SOP will continue if the proposals made by PPL are adopted by the Commission. Essentially, Starion is saying that adoption of the proposals will result in the termination of the PPL SOP because EGSs will no longer choose to participate and that the R.D. erred in assuming otherwise. Starion Exc. at 4-8.

In response to Starion's position, the OCA submits that one need look no further than the EGS Parties' Reply Brief. First, however, it is important to point to a fact relied upon in that Brief. Information provided by PPL in this proceeding indicated that for the period January 2017 through December of 2018, 62% of residential customers and 55% of Small C&I customers exited the SOP

prior to the end of the twelve-month term. EGS Exh. EGS-1. Bearing that in mind, the EGS Parties' Reply Brief stated:

> [EGS Parties' witness] Mr. Kallaher made it very clear that nearly 80% of SOP customers do make an affirmative choice about their supply within sixteen months of enrolling in the program. This means that a mere 20% of SOP customer remain with their SOP supplier on a month to month contract beyond four months after the initial contract has ended. Another fact PPL ignores is that more than 60% of residential SOP customers switch to another offer, or back to default service *before* their SOP contract ends. (EGS Parties' St. No. 1, 15:7-16:10).

EGS Parties' R.B. at 4-5 (Footnotes omitted)

There are two things to note about that quotation as it pertains to the future of PPL's SOP. First, is the reference to "a mere 20%" of customers who remain with their SOP supplier beyond four months after their SOP contract has ended. This suggests that EGSs do not consider the number of customers who take no action at the end of their contract (the ones PPL proposes to return to default service) to be very large. Second, they do not seem to be troubled by the fact that nearly two-thirds of the residential customers and more than half of the small commercial customers who sign up for SOP do not stay for the full contract term. That the EGSs continue to offer the SOP in the face of such high turnover raises questions about how likely the EGSs are to abandon PPL's SOP if PPL's proposals are approved.

Starion also contends that "PPL's proposal makes it more difficult for consumers to remain in the competitive market upon SOP contract expiration because – for SOP contracts only -- EGS customers will have to take affirmative action to remain with the EGS." Starion Exc. at 7. The OCA submits that this is how it should be. The negative option renewal policy upon which EGSs rely to retain SOP customers who take no action is certainly not an ideal form of customer choice. In this regard, the OCA repeats the earlier quote from PPL witness LaWall-Schmidt: "The SOP

is not intended to be a marketing tool to capture unaware customers at higher rates upon the conclusion of the contract term." PPL St. 4-R at 13.

Further, it is important to consider that customers' bad experiences with being charged high post-SOP prices by their SOP supplier do little to help future prospects for the SOP.

In its Exception, Starion makes this statement: "Over the years, if one of the EDC's SOP programs does not appear to be functioning well, the Commission has taken the initiative to further study the specific EDC's SOP and direct the changes necessary to improve the SOP being offered." Starion Exc. at 8. In this proceeding, PPL asserts that, based on the results of its analysis of prices paid by SOP customers who do not take action at the end of their SOP contract, its SOP is not functioning well. PPL R.B. at 5. Accordingly, PPL has done what Starion's quote suggests: it has requested the Commission "to direct the changes necessary to improve the SOP being offered."

For all of these reasons, the OCA submits that Starion's Exception No. 1 should be rejected.

5. REPLY TO STARION EXCEPTION NO. 3: The R.D. Properly Concluded That PPL's SOP Proposal Can Be Legally Adopted. (R.D. at 31-32; OCA M.B. at 11-18; OCA R.B. at 11-16)

In its Exception, Starion contends that while PPL's return of SOP customers to default service proposal may not specifically dictate what EGSs can charge for SOP or non-SOP contracts, the fact that its purpose is based on EGS pricing makes PPL's proposal a form of illegal regulation of EGS prices. Starion Exc. at 13. The OCA submits that the R.D. properly dismissed this argument. The R.D. notes that nothing about PPL's proposal attempts to control the prices EGSs may offer to customers post-SOP. EGSs are free to offer any contract price they choose to SOP customers who reach the end of their SOP contract. R.D. at 31. Importantly, the R.D. notes that the PPL's proposal deals only with the *terms* of the SOP, not with the prices charged after an SOP

contract has ended. The term of the SOP that PPL seeks to change concerns what happens to a customer who reaches the end of their SOP contract without making an affirmative shopping choice. Id. As the R.D. points out, PPL's focus is solely upon whether a customer has made an affirmative decision to shop at the end of the SOP contract term. Id. The OCA echoed this position in its Reply Brief when it stated: "The OCA fails to see how PPL's proposal for returning inactive SOP customers to default service involves generation pricing. Rather, what PPL proposes constitutes a rule applicable to the operation of PPL's SOP." OCA R.B. at 15.

Starion's Exception also reacts to the R.D.'s determination (at 32, 33) that PPL's proposal to modify the end of term SOP procedures is neither anti-competitive nor discriminatory. Starion Exc. at 14-17. Notably, Starion peppers its Exception with language such as: the Commission is charged with "ensuring that PPL – as historical monopoly provider -- is not provided a competitive advantage over EGSs;" PPL's proposed return of SOP customers to default service "provides PPL a significant competitive advantage relative to all other EGSs in the market;" adopting PPL's proposal "elevate[s] default service over the competitive market;" that "the message is being sent that PPL's default service is superior to EGS market pricing." While all of this rhetoric makes for an in interesting narrative in argumentation, it simply does not ring true when one considers that EDCs earn no profit from providing default service. Despite how EGSs may wish to portray it, when one party lacks the ability (and therefore the incentive) to earn a profit, it is difficult to conceive of the playing field as an arena of competition. In its Reply Brief, the OCA addressed Starion's characterizations specifically as it related to PPL's proposal to communicate with SOP customers near the end of the SOP contract. The OCA stated: "Moreover, to the extent these characterizations imply that a competitive motive underlies PPL's communication and education

proposal, it is important to recognize that PPL does not profit from default service and therefore has no incentive to market that service to its customers." OCA R.B. at 14.

The R.D. properly concluded that PPL's SOP proposal can be legally adopted.

B. CAP Shopping

1. REPLY TO EGS EXCEPTION NO. 5: The R.D. Properly Approved PPL's Proposal to Require CAP Customers to be Served Through Default Service. (R.D. 34-37; OCA M.B. at 2-10; OCA R.B. at 2-11)

As explained in its Main and Reply Briefs, the OCA supports PPL's proposal to require CAP customers to be served under default service. However, there are aspects of PPL's proposed implementation of its plan that are of concern to the OCA. Specifically, the OCA is concerned with the PPL requirement that prospective CAP enrollees with an existing EGS contract would be denied entry into CAP if they do not cancel the EGS contract. In addition, the OCA is concerned about prospective CAP participants being subject to termination or cancellation fees to exit their existing EGS contract in order to enroll in CAP. In light of those concerns, the OCA recommended certain modifications to the Company's proposal. OCA M.B. at 6-9; OCA R.B. at 4-7. The OCA urges the Commission to review and adopt the OCA's modifications.

The EGS Parties' Exception No. 5, however, raises the issue of whether the Commission has authority to deny CAP customers the right to shop at all. As an initial matter, the OCA rejects the notion that CAP customers are being denied the ability to shop at all. This was explained by PPL as follows:

> PPL Electric's proposal does not prohibit any customer who wishes to shop with an EGS from doing so. PPL Electric's proposal does require that any customer who elects CAP benefits receive default service while enrolled in CAP. CAP is a voluntary assistance program. Any customer may shop for electric supply; however, they may not do so while receiving CAP benefits. If a CAP customer wishes to shop for any reason, the customer may do so after leaving CAP. Therefore, PPL Electric is not prohibiting any customer

> from shopping, but is instead proposing to place conditions on a customer's eligibility to receive CAP benefits.

PPL R.B. at 16.

On the question of the Commission's authority to approve a proposal such as PPL's, the Company cites the case of *Coalition for Affordable Util. Servs. & Energy Efficiency in Pa. v. Pa. PUC*, 120 A.3d 1087 (Pa. Cmwlth. 2015) (*CAUSE-PA*). Although the direct question of whether CAP customers can be entirely prohibited from shopping was not before the Court in that case, the Court offered strong signals of how such a case might be decided when it stated (as quoted in the R.D. at 35):

> So long as it "provides substantial reasons why there is no reasonable alternative so competition needs to bend" to ensure adequately-funded, cost-effective, and affordable programs to assist customers who are of low-income to afford electric service ... the[Commission] may impose CAP rules that would limit the terms of any offer from an EGS that a customer could accept and remain eligible for CAP benefits — *e.g.*, an EGS rate ceiling, a prohibition against early termination/cancellation fees, etc.

CAUSE-PA, 120 A.3d at 1104. The OCA submits that in this case, PPL has put forward substantial evidence to support its proposal to require CAP customers to be served under default service. PPL's evidence shows that its proposal is needed to ensure a cost-effective and affordable CAP program. Accordingly, the OCA submits that PPL's proposal is within the confines of the standard laid down by the Commonwealth Court for "bending" competition.

Also in their Exception, the EGS Parties refer to certain recommendations made by their witness as alternatives to PPL's proposal. Among them was a suggestion that EGSs be permitted to retain their CAP SOP customers at the end of their initial twelve-month term as long as the EGSs agree to serve those customers at or below the current PTC. This suggestion lacked any detail or consumer protection as was pointed out by PPL witness Stumpf in her Rebuttal Testimony:

> It is unclear whether Mr. Kallaher is suggesting that the rate be fixed at the PTC in effect at the time the 12-month contract term ends or if the rate would drop throughout the contract if the PTC drops. It is also unclear for how long the EGS would be agreeing to serve the customer at a rate at or below the PTC. Thus, allowing customers to remain with their CAP SOP supplier at the end of the 12-month contract term would result in the same problems that PPL Electric is experiencing with its SOP, i.e. customers end up paying significantly more than the PTC when the fixed rate term ends.

PPL St. 3-R at 18.

The OCA submits that the R.D. is correct that authority exists for the Commission to approve PPL's proposal with regard to requiring CAP customers to be served under default service.

2. REPLY TO INSPIRE EXCEPTION NO. 1: CAP SOP is Not Superior to PPL's Proposal to Require CAP Customers to be Served Under Default Service. (R.D. at 34-37; OCA M.B. at 5-6; OCA R.B. at 4)

Inspire argues that CAP SOP offers benefits that are superior to PPL's proposal to have all CAP customers served under default service and recommends that CAP SOP be retained for CAP customers. In its Reply Brief, the OCA responds to some of the arguments made by Inspire for retaining CAP SOP. OCA Reply Brief at 7-9. However, in her Direct Testimony, OCA witness Alexander succinctly explained why CAP SOP should be terminated:

> [CAP SOP] should be terminated. It does not conform to the essential consumer protection reflected in the Commission's statements to date that CAP customers should not pay more than the PTC at any month during an EGS contract. The 7% discount required for the SOP contract allows for the potential that the CAP customer will pay more than the PTC.

OCA St. 2 at 4.

CAP SOP is not superior to having CAP customers on default service. Inspire's Exception should be rejected.

III. CONCLUSION

For the reasons set forth in these Reply Exceptions and in the OCA's Main and Reply Briefs in this proceeding, the OCA submits that the issues related to PPL's Standard Offer Program and its CAP Shopping policies were properly decided in the Recommended Decision of ALJ Barnes. With respect to the *implementation* of PPL's CAP Shopping proposal, the OCA urges the Commission to review and adopt the modifications it has proposed. Further, the OCA requests that its Reply Exceptions be granted and urges that the Recommended Decision be adopted by the Commission, supplemented by the CAP Shopping implementation modifications recommended by the OCA.

Respectfully Submitted,

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