

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Docket No. P-2014-2417907

PPL Electric Utilities Corporation

Statement No. 1

Testimony of James M. Rouland

April 25, 2014

1 **Introduction**

2 **Q. Please state your name and business address.**

3 A. My name is James M. Rouland. My business address is Two North Ninth Street,
4 Allentown, Pennsylvania 18101.

5
6 **Q. What is your current position?**

7 A. I am currently the Supervisor of Energy Procurement for PPL Electric Utilities
8 Corporation (“PPL Electric” or the “Company”).

9
10 **Q. Please describe your primary responsibilities in that position.**

11 A: My primary responsibilities include managing the PPL Electric Default Service Plan
12 auctions and related activities, managing energy contracts and credit provisions
13 associated with those contracts, supervising and issuing the PPL Electric Price-to-
14 Compare, and managing the alternative energy credit (“AEC”) contracts and state
15 reporting obligations associated with such contracts.

16
17 **Q. Please describe your educational experience.**

18 A: I graduated from Albright College in 2005 with a Bachelor of Arts in Environmental
19 Policy and a Bachelor of Science in Environmental Science. I graduated from the
20 University of Phoenix in 2008 with a Masters of Business Administration, concentration
21 in Finance.

22
23 **Q. Please describe your professional experience.**

1 A: I began my career in 2005 with PPL Corporation, in the PPL Environmental Management
2 Department, as an Environmental Auditor and was later promoted to Lead Environmental
3 Auditor in 2007. In 2008, I joined PPL Development Company and was promoted to the
4 position of Senior Energy and Climate Change Professional. In 2009, I joined the Energy
5 Acquisition Department within PPL Electric as a Senior Analyst of Business Operations
6 Analysis. In 2012, I was promoted Supervisor of Energy Procurement within the
7 Distribution Regulatory and Business Affairs Department of PPL Electric, which is my
8 current position.

9
10 **Q. Have you testified previously before the Commission?**

11 A: Yes. I previously testified before the Commission in support of the Petition of PPL
12 Electric Utilities Corporation for the Approval of a Pilot Time-of-Use Program, at Docket
13 No. P-2013-2389572.

14
15 **Q. What is the purpose of your testimony?**

16 A. My testimony describes and supports the following elements of the Petition of PPL
17 Electric Utilities Corporation for Approval of a Default Service Program and
18 Procurement Plan for the Period June 1, 2015 through May 31, 2017 (“Petition”), filed on
19 April 18, 2014, at Docket No. P-2014-2417907. PPL Electric requests that the Petition,
20 together with the accompanying Attachments, be identified as PPL Electric Exhibit
21 Number 1. The subjects of my testimony are as follows:

- 22 • A description of the background of, and essential elements of, the proposed
23 Default Service Program and Procurement Plan (“DSP III Program”)

- 1 • A description of the *pro forma* Request for Proposals Process and Rules (“RFP
- 2 Rules”) and the *pro forma* Default Service Supply Master Agreement (“Default
- 3 Service SMA”) which are included as Attachments A and B to the Petition,
- 4 respectively;
- 5 • A description of the proposed Time of Use rate offering;
- 6 • Compliance with the Alternative Energy Portfolio Standards Act (“AEPS Act”)
- 7 and Procurement of Alternative Energy Credits (“AEPS Credits”);
- 8 • A description of changes proposed for the PPL Electric Standard Offer Program.
- 9 • A description of the Request for Proposals (“RFP”) process, including bidder
- 10 qualifications under the RFP Rules and the Default Service SMA;
- 11 • A description of the proposed Commercial and Industrial Demand Split;
- 12 • The selection of the independent third-party manager to administer procurement
- 13 under the Default Service Program;
- 14 • Compliance with Regional Transmission Organization (“RTO”) requirements;
- 15 and
- 16 • A description of the Contingency Plan for DSP III.

17

18 **Q. Please describe the direct testimony submitted by the Company in this proceeding.**

19 A. In addition to my direct testimony, the Company also has submitted the direct testimony

20 of the following witnesses that will explain the subject matter indicated:

- 21 • Joseph Cavicchi – Lessons Learned from PPL Electric’s Existing Default Service
- 22 Procurement Program, Product Descriptions, Procurement Plan, and the “Prudent
- 23 Mix” and “Least Cost Over Time” Requirements

- Bethany Johnson – Development and Description of the Generation Supply Charges, Rate Design, Cost Allocation, Tariff Issues, and compliance filings

Background Related to the Proposed Default Service Procurement Program

Q. Please explain why PPL Electric is proposing the DSP III Program.

A. This filing represents PPL Electric's fourth program for procurement of Default Service Supply. The first procurement plan was known as the Competitive Bridge Plan, or CBP, and operated for calendar year 2010. The next plan, DSP I, operated for the period from January 1, 2011 through May 31, 2013. The currently effective plan, DSP II, operates from June 1, 2013 through May 31, 2015. PPL Electric is proposing the DSP III Program to establish the terms and conditions under which PPL Electric would continue to provide default service and obtain generation supply for the period beginning June 1, 2015 through May 31, 2017.

Q. What are some of the important aspects of the DSP II Program that are relevant to the DSP III Program?

A. By Final Order entered January 24, 2013, the Commission ruled on the Company's DSP II Petition. Several relevant aspects of that Order included:

- Approval of the Company's proposal to procure default supply for the Residential and Small Commercial and Industrial ("Small C&I) Customer Classes using primarily 9 month and 12 month fixed-price, load-following, full-requirements contracts.

- 1 • Product procurements for the Residential and Small C&I Customer Classes on a
2 semi-annual basis.
- 3 • Phase out of block supplies for the Residential class.
- 4 • Continued use of a spot market, load-following, full-requirements contract for the
5 Large Commercial and Industrial (“Large C&I”) Customer Class, procured on an
6 annual basis.
- 7 • Quarterly reconciliation and Price to Compare (“PTC”) calculations.
- 8 • An aggregate load cap of 50% on the amount of default load provided by a single
9 wholesale supplier.
- 10 • Approval of the Company’s proposal for wholesale supplier responsibility for
11 specified transmission and other related charges, and rejection of proposals to
12 establish a non-bypassable charge for recovery of non-market based transmission
13 charges.

14 In addition, the Commission ordered the Company to establish a modified Standard Offer
15 Referral Program, with a 12-month term and a 7% discount off the then-current PTC.
16 The Company was directed to meet with parties to develop additional program terms, and
17 a cost recovery mechanism. Subsequently, by Order entered May 23, 2013, the
18 Commission approved the Company’s proposal to use a dedicated third-party entity to
19 inform customers about the program and to undertake sign-ups. The Commission also
20 approved the Company’s proposal to charge electric generation suppliers (“EGSs”) \$28
21 per referred customer to recover the cost of the program. The \$28 charge was the amount
22 paid to the third-party vendor under the contract approved by the Commission. The
23 Commission also ordered the Company to hold a collaborative and submit a new petition

1 regarding the PPL Electric Time-of-Use (“TOU”) rate offering. The Company filed a
2 Pilot TOU Plan petition on August 23, 2013. On April 11, 2014, the parties to the TOU
3 proceeding filed a Joint Petition for Partial Settlement (“TOU Settlement”).¹ The TOU
4 Settlement and the proposed TOU Program currently are pending before the Commission
5 for disposition. As I will explain later in this testimony, the Company continues to
6 provide TOU service pursuant to a previously-established TOU plan, pending the
7 resolution of the pending TOU Settlement.

8
9 **Description of the DSP III Program**

10 **Q. Please summarize the essential elements of PPL Electric’s DSP III Program.**

11 A. PPL Electric proposes to acquire the generation supply and related services needed to
12 meet its default service obligation through the DSP III Program. This program
13 incorporates procedures similar to those previously approved by the Commission and
14 successfully used by PPL Electric for the DSP II Program. PPL Electric proposes to
15 obtain default service supply separately for the following three Customer Classes:
16 Residential; Small C&I; and Large C&I. The Company will purchase energy, capacity,
17 transmission (other than Non-market-based Transmission Services),² ancillary services,
18 transmission and distribution losses, congestion management costs, and such other
19 services or products that are required to supply default service to PPL Electric’s retail

¹ The Partial Settlement resolved all issues among the parties to the proposed new Pilot TOU Program, except for the net metering issue raised by Dauphin County Industrial Development Authority, which was reserved for litigation.

² The Non-market-based Transmission Services that will not be purchased by the Company through the Default Service procurement process include: Network Integration Transmission Services; Transmission Enhancement Costs; Expansion Cost Recovery Costs; Non-Firm Point-to-Point Transmission Service Credits; Regional Transmission Expansion Plan; and Generation Deactivation Charges.

1 customers, including AEPS Credits, through a series of load-following, full-requirements
2 contracts. The Company proposes to recover the cost of obtaining all services necessary
3 to provide Default Service from the customers in each respective Customer Class.

4 Under the proposed DSP III Program, PPL Electric will acquire the Residential
5 and Small C&I Customer Class default service supply, other than TOU supply, through a
6 series of fixed-price, load-following, full-requirement supply contracts. The fixed-price,
7 load-following, full-requirement supply will be obtained through semiannual solicitations
8 beginning in April 2015 and continuing through October 2016. As further explained in
9 the Testimony of Mr. Cavicchi, and in the Petition, the DSP III Program's procurement
10 schedule will procure a fixed percentage of its default service load on a semiannual basis
11 through 12- and 6-month contracts.

12 Regarding the Large C&I Customer Class, the Company proposes to procure
13 default service supply with energy priced to the PJM real-time spot market. Specifically,
14 PPL Electric proposes to issue a single annual solicitation to obtain competitive offers
15 from suppliers for the provision of the default service spot market, load-following, full-
16 requirements supply to the Large C&I Customer Class. These annual procurements will
17 be held in April 2015 and April 2016 for the subsequent PJM planning period. As
18 explained in greater detail in the Petition, and by Mr. Cavicchi, this form of contract has
19 been used for the Large C&I Class under previous procurement plans, and has been
20 successful in providing service to this Class, which is overwhelmingly (roughly 90%)
21 comprised of customers who are shopping.
22

1 Q. Please identify the differences between the DSP II Program and the proposed DSP
2 III Program.

3 A. In developing the DSP III Program, PPL Electric retained the basic structure of the
4 successful procurement process that was used in the DSP II Program, and in its
5 predecessors, DSP I and CBP. The DSP II Program incorporates the best practices and
6 lessons learned from the DSP II Program to better address customer needs. Additionally,
7 the DSP III Program takes into consideration the Commission's Final Order in
8 *Investigation of Pennsylvania's Retail Electricity Market: End State of Default Service*,
9 Docket No. I-2011-2237952, 2013 Pa. PUC LEXIS 306; 303 P.U.R.4th 28 (February 15,
10 2013) (hereinafter "End State Order"). The primary changes from the DSP II Program
11 include:

- 12 • Semi-annual rate changes and reconciliation;
- 13 • 12- and 6-month contract terms instead of 12- and 9-month contract terms;
- 14 • Avoiding a "hard stop" to procurements as of May 31, 2017, while incorporating
15 provisions that would enable the Company to promptly exit the Default Supplier
16 function if directed;
- 17 • Reduction in the demand level from 500 kW to 100 kW for defining Small C&I
18 and Large C&I Customer Classes;
- 19 • Revisions to the RFP document;
- 20 • Introduction of a new Default Service SMA document;
- 21 • Adoption of the TOU Program as set forth in the TOU Settlement currently
22 pending before the Commission; and,
- 23 • Expansion of the Standard Offer Program.

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Q. Why is the Company proposing to move to semi-annual rate changes and reconciliation?

A. In DSP II, the Company was authorized to move to semi-annual procurements, to reduce the cost of procurements as greater numbers of customers shopped. The Company proposes to continue that semi-annual procurement process in DSP III. In DSP II, while the Company was procuring supplies twice a year, it was still experiencing quarterly changes in its product mix because of the transition from longer term products, procured quarterly, in DSP I. However, the structure of products procured in DSP II was designed to move to a point at which products were procured semi-annually, and would be replaced on a six-month basis. As of the beginning of DSP III, the Company will have completed the transition from DSP I and II, and new products will be included in the procurement mix every 6 months. It is therefore logical to have rate changes occur on a semi-annual basis, with reconciliation tracking the semi-annual rate changes. This is further explained in the Testimony of Ms. Beth Johnson.

Q. Why is PPL Electric proposing to avoid the “hard stop” implemented in the DSP II Program?

A. When developing the DSP II Program – which implemented a plan term of 2 years (June 1, 2013 through May 31, 2015), there was substantial question regarding the provision of Default Service on an ongoing basis. Importantly, at that time the Commission had only begun its investigation related to end state design and had not issued its *End State Order*. Therefore, consistent with Commission directives, the Company proposed a hard stop to

1 all fixed price and spot market contracts as of May 31, 2015. This was achieved by
2 truncating the terms of the contracts in the Company's final procurement under DSP II.
3 Subsequent to the Commission's approval of the DSP II Program, the Commission
4 entered its Order in *Investigation of Pennsylvania's Retail Electricity Market: End State*
5 *of Default Service*, Docket No. I-2011-2237952 (Order entered February 15, 2013),
6 concluding that EDCs would continue in the Default Service provider role, subject to
7 further action in the future. Therefore, it now appears that the Company will be
8 continuing as the Default Service provider for some period of time after May 31, 2015.
9 As a result, the Company is availing itself of an option granted in DSP II to extend the
10 terms of those final procurements in order to create an overlap, or laddering, of a portion
11 of the fixed price contracts beyond May 31, 2015. In the near future, the Company will
12 be filing a Petition to exercise that option. That Petition is not intended to be a part of
13 this proceeding

14 For purposes of the DSP III Program, the Company has decided it would be
15 inefficient to continue the "hard stop" approach, with an option to extend, at the end of
16 DSP III. Therefore, the Company proposes to acquire a portion (25%) of its Default
17 Supply in its final DSP III procurement that extends 6 months beyond May 31, 2017.

18
19 **Q. If PPL Electric's role as a Default Service Provider changes after May 2017, what**
20 **contracts are impacted and what must be done with those contracts?**

21 **A.** If PPL Electric's role as a Default Service Provider changes after May 31, 2017, the
22 Company can respond quickly in several ways. First, if the Company is made aware of a
23 change prior to the final DSP III procurements in October, 2016, the Company can

1 request to modify the term of the final contracts procured under DSP III to reduce or
2 eliminate any overlap beyond May 2107. Second, the Company has added a provision to
3 its SMA (Section 16.3), that would allow it to terminate or transfer its Default Service
4 contracts if required by a change in law or regulation. If this were to occur, the only
5 contract remaining would be the previously-approved, ten-year block, long-term solar
6 contracts, and solar set-aside contracts for Solar AECs which extend beyond May 31,
7 2017. I note that in the Commission's January 23, 2013 Order concerning DSP II, the
8 Commission specifically acknowledged that provision would be made for recovery of the
9 costs of these contracts if the Company ceased to be the Default Service Provider prior to
10 the conclusion of these contracts.

11
12 **Q. Does the DSP III Program comply with Act 129 by providing for the procurement of**
13 **default service supply through a prudent mix of spot, short-term, and long-term**
14 **power supplies?**

15 A. Yes. The proposed DSP III Program will acquire a fixed percentage of the Company's
16 default service load on a semiannual basis through short and medium-term 12- and 6-
17 month contracts. The DSP III Program procurement schedule includes procuring a larger
18 percentage of supply over a short-term, 6-month, contract term which enables more
19 market-reflective rates while continuing to moderate price volatility through the
20 procurement of 12-month contracts. The Company also proposes to obtain default
21 service supply with energy priced to the PJM real-time spot market for the Large C&I
22 Customer Class. Additionally, the Company has 100 MW of fixed-price, long-term
23 block supply committed through December 31, 2015 and 50 MW of energy and capacity

1 associated with a long-term product for the period June 1, 2015 through May 31, 2021.
2 As further explained in the Testimony of Mr. Cavicchi, the proposed product mixture will
3 continue to promote the development of retail competition while protecting against
4 various risks that must be addressed by any default service plan.

5
6 **Time-of-Use**

7 **Q. What is the status of the TOU rate offering currently offered by PPL Electric and**
8 **any other TOU-related proceedings?**

9 A. As explained in the Petition, pursuant to Commission Order, PPL Electric's current time
10 of use rates have been frozen since September 1, 2011. In the Commission's Final Order
11 of DSP II, the Company was ordered to hold a collaborative regarding the TOU program
12 with interested parties and submit a new TOU plan to the Commission. The Company
13 held a series of meetings in the second and third quarter of 2013, and submitted a petition
14 for approval Pilot TOU Program to the Commission on August 23, 2013. As further
15 explained in the Petition, on April 11, 2014, the parties to that proceeding reached a
16 partial settlement which establishes terms for a new TOU program. The TOU Settlement
17 and the proposed TOU Program currently are pending before the Commission for
18 disposition.

19
20 **Q. Please describe the proposed TOU rate option for DSP III.**

21 A. The Company is proposing to implement the TOU Program set forth in the TOU
22 Settlement. If the Commission modifies the TOU Settlement, PPL Electric will reflect
23 those modifications in the TOU Program under its DSP III Program.

1 As encouraged by the Commission in the January 24, 2013 Order approving PPL
2 Electric's DSP II, the new TOU Program will rely on the retail market and EGSs to
3 provide TOU service to customers. Any Retail EGSs that choose to participate in the
4 PPL Electric TOU Program will offer TOU rate options and provide the TOU service to
5 customers in PPL Electric's service territory. To participate in the new TOU Program,
6 EGSs will be required to execute a binding participation form which includes a
7 description of the program and a participating EGS's responsibilities under the program.
8 EGSs will set hours and rates, but must meet the terms and conditions of the binding
9 participation form. Customers will be able to view offers by any EGS participating in the
10 new TOU Program through the Company's website, which will have links to all EGSs
11 offers. There must be at least one EGS participating in the program per customer group –
12 and only Residential and Small C&I customers may participate. Further details
13 concerning the terms of the proposed new TOU rate option are set forth in Paragraph 66
14 of the Petition.

15
16 **Q. How does the proposed TOU rate option differ from the TOU rate option currently**
17 **in place?**

18 A. As explain above, the single greatest differences are that 1) PPL Electric wholesale
19 suppliers will no longer provide the load for TOU customers, 2) customers participating
20 in the new TOU Program will be considered shopping customers, and 3) EGSs will set
21 the hours and rates for the TOU Program.

22

1 **Q. Will the proposed new TOU Program require ongoing reconciliation of TOU**
2 **charges?**

3 A. No. As the proposal currently stands, the new TOU Program would not have
4 reconcilable charges. Because charges are the responsibility of the EGS(s) that choose to
5 participate in this program and accept customers under the program's terms and
6 conditions, there will be no reconciliation of revenues and costs by PPL Electric under
7 the new TOU Program.

8
9 **Q. Does the Company propose a Contingency Plan to the new TOU Program?**

10 A. Yes, the Company does propose a TOU Contingency Plan. The Company is proposing to
11 implement the same contingency plan set forth in the TOU Settlement, which is to bid out
12 TOU supply to EGSs through a competitive RFP. The Company is proposing to set a
13 summer-only TOU program period, running June through August. On-peak hours during
14 this period will be 2:00 p.m. to 6:00 p.m., Monday through Friday, excluding weekends
15 and holidays. All other summer hours will be deemed off-peak. EGSs will bid on- and
16 off-peak rates, and the Company will choose a single winning EGS resulting from an
17 evaluation of the greatest savings to an average customer of the customer group.
18 Evaluations will be completed using an average customer load shape per customer group.
19 Customers who choose to participate in the TOU Contingency Plan will be deemed
20 shopping.

21
22 **Q. Please explain the generation rates a customer will pay if they choose to participate**
23 **in the TOU Contingency Plan.**

1 A. As highlighted above, the TOU Contingency Plan is a summer only program, with one
2 winning supplier offering a single on- and off-peak rate during this period. If a customer
3 chooses to participate in the TOU Contingency Plan, they will be required to pay the on-
4 and off-peak rates bid by the winning EGS. Additionally, for all non-summer months
5 (September through May), EGSs will charge customers the PPL Electric Price-to-
6 Compare.

7
8 **Q. In what event would the new TOU Contingency Plan be implemented?**

9 A. If all participating EGSs of one or both of the customer groups – Residential and Small
10 C&I - opt out of the program or default on the program's requirements, the Company will
11 implement the TOU Contingency Plan.

12
13 **Q. What occurs if the TOU Contingency RFP is unsuccessful in procuring competitive
14 bids?**

15 A. If no bids are received for one or both of the customer groups, or if the Commission
16 rejected the results as being non-competitive, the Company will promptly seek the
17 Commission's recommendation on how to proceed.

18

19 **AEPS Procurement**

20 **Q. Does the DSP III Program include PPL Electric's obligations under the AEPS Act?**

1 A. Yes. The AEPS Act requires that a certain percentage of electric energy sold to retail
2 customers in this Commonwealth by EDCs and EGSs be derived from alternative energy
3 sources.³
4

5 **Q. How will PPL Electric procure AEPS Credits under the DSP III Program?**

6 A. The Company will procure certain AEPS Credits to meet its obligation under the AEPS
7 Act as a component of its load-following fixed-price and spot market default service
8 supply contracts. The Default Service Supplier (“DS Supplier”) shall provide its
9 proportional share of AEPS Credits to fulfill PPL Electric’s AEPS obligation, in
10 accordance with the terms of the Default Service SMA.

11 In addition, with respect to the Company’s long-term 50 MW block contract used
12 for Residential customer default service, the Company previously has entered into
13 contracts to procure Tier I Solar AEPS Credits. However, PPL Electric must still acquire
14 Tier I non-solar and Tier II AEPS Credits to cover the period from June 1, 2015 through
15 May 31, 2017 for the 10-year long-term product obligation. PPL Electric only needs to
16 acquire a relatively small amount of additional AEPS Credits to cover the 50 MW block
17 contract. Therefore, PPL Electric proposes to procure these additional AEPS Credits by
18 soliciting at least 3 pricing offers from AEPS brokers in both June of 2015 and June of
19 2016. The Company will accept the least cost offer. PPL Electric will document the
20 entire process, including the brokers contacted and price offerings received by AEPS
21 Credit vintage.
22

³ See 52 Pa. § Code 54.182.

1 **Q. How many Tier I non-solar and Tier II credits are expected to be procured through**
2 **brokers in DSP III?**

3 A. The Tier I non-solar and Tier II obligations from June 2015 through May 2017 are based
4 upon the associated AEPS requirements in place for the two year period. The AEPS
5 obligations are 5.5% and 8.2%, respectively, for the June 2015 through May 2016 period,
6 and 6% and 8.2%, respectively, for the June 2016 through May 2017 period (inclusive of
7 the very small Tier 1 solar obligations). As a result, the Company may need to procure
8 approximately 24,000 Tier I non-solar credits and 36,000 Tier II credits during the first
9 year, and 25,500 Tier I non-solar credits and 36,000 Tier II credits during the second
10 year. In total, over the two year period, this equates to approximately 49,500 Tier I non-
11 solar credits procured, and 72,000 Tier II credits procured.

12
13 **Q. How do the quantities to be procured in DSP III compare to those forecast to be**
14 **procured in DSP II?**

15 A. In the DSP II petition, the Company forecasted approximately 40,500 Tier I non-solar
16 credits and 63,000 Tier II credits to be procured from June 2013 through May 2015. As
17 described above, we are forecasting 49,500 Tier I non-solar credits and 72,000 Tier II
18 credits to be procured. As such, the delta between DSP II and DSP III is approximately
19 9,000 additional Tier I non-solar credits and 9,000 additional Tier II credits to be
20 procured in DSP III. The increase is solely based upon the increase in the AEPS
21 obligations in the DSP III period.

22
23 **Q. Has the Company previously procured credits through brokers in DSP II?**

1 A. No. To date, the Company has not been required to procure additional Tier I non-solar or
2 Tier II credits through brokers during the DSP II period. This is because the Company
3 had a small quantity of banked credits that were used to offset the obligations associated
4 with the 50MW long-term block product. The current AEPS period is still underway;
5 therefore, we are not able to determine if credits will need to be procured to meet the
6 applicable AEPS requirement.

7
8 **The Standard Offer Program**

9 **Q. Please explain the current Standard Offer Program.**

10 A. In December, 2012, the Commission issued a Final Order in *Investigation of*
11 *Pennsylvania's Retail Electricity Market: Intermediate Work Plan*, Docket No. I-2011-
12 2237952, which identified a number of design elements that EDCs were directed to
13 consider, and later implement, in their default service plans. As such, the Company
14 proposed to implement the Standard Offer Program ("SOP") as part of its DSP II plan.
15 The SOP began on August 1, 2013, and is currently still in place. The SOP has a series
16 of core elements: the program is marketed to Residential and Small C&I default service
17 customers who call the PPL Electric Customer Contact Center, but is available to all
18 Residential and Small C&I customers (shopping and non-shopping); it sets a standard 7%
19 discount off the then-current PTC and is held at that initial rate for 12 months; customers
20 may leave the program at any time without penalty; and, EGSs opt in to participate in the
21 program on a quarterly basis during which time they are equally allocated customers who
22 choose to participate in the program. EGSs are charged a fee of \$28 per referred
23 customer. Also, at the start of the SOP, if an EGS was not rate ready certified, it could

1 have opted into a special certification process to be rate ready certified, but had to pay a
2 one-time fee of \$500 for market certification testing costs. If an EGS chooses to
3 participate in a later quarter and is not rate ready certified, it would be able to participate
4 in certification testing based upon a previously issued schedule at no additional charge.
5

6 **Q. How is the SOP currently administered?**

7 A. Default service customers who contact the PPL Electric Customer Contact Center and
8 meet the SOP referral criteria (New/Moving customers, high bill complaints, directly
9 asking for details on the SOP), are referred to the SOP by a Customer Service
10 Representative ("CSR"). If the customer is interested in learning more about the SOP,
11 the CSR transfers them to a third-party administrator, currently PPL Solutions, who gives
12 the customer greater details and information about the SOP and, if interested, enrolls the
13 customer for the service. A list of enrolled customers is sent by PPL Solutions to
14 participating EGSs, including customer specific details (Name, Account Number, etc.),
15 and the EGS is instructed to process the customer enrollments. Customers begin service
16 based upon their next meter reading date.
17

18 **Q. Who will be the third-party administrator of the SOP in DSP III?**

19 A. Given the current success of the SOP, the Company is recommending continued use of
20 PPL Solutions as its third-party administrator for this program. Since the SOP's
21 implementation in August 2013 through the first week of April 2014, approximately
22 66,100 customers have been offered the SOP and approximately 56,600 have chosen to
23 enroll in the program. This is an enrollment rate of nearly 86% - showing both the

1 interest of customers in the program and the success associated with the method
2 implemented by PPL Electric in using PPL Solutions to discuss the details of the program
3 with the customer. Additionally, by using PPL Solutions to describe the program and
4 enroll interested customers, PPL Electric CSRs have been freed up to handle other calls,
5 thereby avoiding increased call wait times or the need to hire additional CSRs that
6 otherwise would have resulted if CSRs were required to also fully describe and enroll
7 customers into the SOP. Given the success of the program and the approach used, the
8 Company believes maintaining PPL Solutions as the third-party administrator is
9 appropriate.

10 The Company is seeking to accomplish this by maintaining the contract currently
11 in place, including the cost to provide the service of \$28 per referral, and simply extend
12 the termination date from May 31, 2015 to May 31, 2017. Attached as Exhibit JMR-1 is
13 the currently effective contract between PPL Electric and PPL Solutions. Additionally,
14 attached as JMR-2 is the contract addendum to extend that original contract between PPL
15 Electric and PPL Solutions for an additional two years – through May 31, 2017.

16
17 **Q. Who is responsible for paying the \$28 per referral fee?**

18 A. PPL Electric charges EGSs who participate in the SOP the \$28 per customer referral to
19 the EGS. The Company proposes to continue this approach for the DSP III.

20
21 **Q. Are there any changes being proposed to the SOP?**

22 A. Yes. The Company is proposing to allow customers to sign up for the SOP via web
23 access. Currently, default service customers must contact the PPL Electric Customer

1 Contact Center to get details about the SOP and, if interested, enroll in the program. By
2 enabling customers to participate in the SOP via the web, the Company believes it will
3 increase participation in the program by appealing to those customers that prefer to self-
4 serve instead of contacting the Company via phone.

5 Another change the Company is proposing is to alter the period that EGSs must
6 participate from a 3-month PTC period to a 6-month PTC period, coinciding with the
7 semi-annual nature of price changes. While the term EGSs must choose to participate in
8 the SOP has increased, the Company believes this will support the goals of the SOP by
9 creating a rate below the PTC for a longer period of time, which PPL Electric believes
10 will continue to encourage customers to shop and EGSs to participate in the program to
11 sign up customers.

12
13 **Q. Please describe the SOP web access.**

14 A. Customer access to the SOP through PPL Electric's website will be segmented into two
15 different events – those that are New or Moving customers and those that are interested in
16 choosing a generation supplier, but are already a PPL Electric service territory customer.
17 For those New and Moving customers utilizing the Company's website to set up service,
18 SOP will be offered at the end of the New/Moving customer process, once the customer
19 has filled in all necessary information to begin service (e.g. Name, address, start of
20 service date, etc.). The online "script" will conceptually match what CSRs use to
21 describe the SOP program. Through this process, a customer can sign up for the SOP if
22 they so choose, or choose to receive PPL Electric default service.

1 For those customers that access the “Choose Your Supplier” page on PPL
2 Electric’s website, SOP will be an additional sub-page where the customer can log in to
3 their account and get access to the terms and conditions of the SOP. The online script
4 will vary slightly for default service customers versus shopping customers – where
5 default service customer information will mirror what is supplied to New/Moving
6 customer scripts; shopping customers will have additional disclaimers before signing up
7 to prompt them to review their current generation supplier contract terms and conditions,
8 ensuring there are no termination or other fees they should be aware of before signing up
9 for SOP service.

10 By utilizing the web to sign-up customers, limited programming work is needed
11 and no CSR contact is required. As such, the Company will not be charging EGSs the
12 \$28 fee for customers who enroll using this platform. At this time, the Company does not
13 have any estimate of the programming cost, and reserves the right to claim costs either
14 through the Competitive Enhancement Rider (“CER”) or a future base rate case.
15

16 **The RFP Process**

17 **Q. How will PPL Electric implement the DSP III Program?**

18 A. PPL Electric will implement the DSP III Program by holding solicitations pursuant to a
19 series of RFPs to obtain the default service products from competitive wholesale
20 generation suppliers. Separate bids will be solicited for the Residential, Small C&I and
21 Large C&I Customer Classes.
22

1 **Q. Is the implementation process for solicitations under the DSP III Program similar to**
2 **the DSP II Program?**

3 A. Yes. The process for DSP III is identical to that of the DSP II Program. As with the DSP
4 I and II Programs, PPL Electric has hired NERA Economic Consulting (“NERA”) as an
5 independent third-party manager to administer and evaluate each solicitation. The hiring
6 of the third-party manager is discussed later in this testimony.

7 The results for each solicitation will be presented to the Commission within one
8 business day of the bid proposal due date for that solicitation. At that time, the Company
9 requests that the Commission consider the results and render a final decision on the
10 results of that solicitation within one day. The Commission may either accept or reject
11 all bid proposals presented for a Customer Class in their entirety. After receiving
12 Commission approval of the solicitation results, PPL Electric will then execute
13 transaction confirmations with the winning suppliers.

14
15 **Q. Are the bidder qualifications different in the DSP III Program?**

16 A. No. Bidder qualifications are the same in the DSP III Program as they were in the DSP II
17 Program. Qualifications are straightforward and primarily requires that the supplier be a
18 member of PJM in good standing and that they meet certain fundamental credit-
19 worthiness criteria. More specifically, the qualifications consist of:

- 20 • Submitting an Expression of Interest Form;
- 21 • Executing a Confidentiality Agreement;
- 22 • Certifying the supplier meets the PJM membership and Federal Energy Regulatory
23 Commission authorization requirements;

- 1 • Demonstrates that the supplier's, or supplier's guarantor's, unsecured senior long-
- 2 term debt rating is available from Standard & Poor's, Fitch Ratings, or Moody's
- 3 Investor Services;
- 4 • Submits a Credit Application and associated financials; and,
- 5 • Submits an executed copy of the Binding Bid Agreement.

6 Also, an individual bidder for Residential and Small C&I contracts is subject to two
7 load cap limitations. First, a bidder cannot be awarded more than 85% of the contracts
8 offered in a single solicitation, by customer class ("Solicitation Cap"). Second, a
9 wholesale supplier cannot supply more than 50% of the default service load for either the
10 Residential or Small C&I Customer Classes at any time ("Load Cap"). This limitation
11 was approved in the DSP II and PPL Electric is proposing to continue it in the DSP III.
12 PPL Electric believes that continuing this limitation in DSP III will continue to encourage
13 development of the competitive wholesale market by ensuring supplier diversity,
14 opportunities for multiple suppliers, and provide protection against the default of a single
15 supplier. The 50% Load Cap was not applied to the Large C&I Customers Class in DSP
16 II and is not proposed for DSP III. The small number of tranches solicited for this
17 Customer Class (10, once per year) would indicate that a further Load Cap restriction
18 may result in higher rates, as the Company could be required to reject lower bids.

19
20 **Q. What amount of default service supply will be procured in each solicitation?**

21 **A.** Semi-annually the percentage of load will vary given the existing laddering of supply
22 contracts from the DSP II Program and based upon the contract terms to be procured
23 under DSP III. The fixed-price, load-following supply will be obtained through

1 semiannual solicitations beginning in April 2015 and continuing through October 2016.
2 Attachment C to the Petition illustrates the products procured, the terms of the products,
3 and the percent of the load to be procured throughout DSP III for the Residential and
4 Small C&I customer groups. Overall, PPL Electric plans to procure 55% of the load in
5 the first Solicitation, 70% of the load in the second solicitation, 75% of the load in the
6 third solicitation, and 70% of the load in the fourth and final solicitation. Also of note,
7 25% of the load will extend into the next default service plan period.

8
9 **Q. How is the fixed-price tranche size determined?**

10 A. For both the Residential and Small C&I Customer Classes, each fixed-price tranche will
11 be a fixed percentage of the Customer Class' default service load, with that percentage
12 estimated to produce approximately 100 MW of peak load per tranche, based on current
13 PPL Electric forecasts and the Customer Class' 2014-2015 projected peak load
14 contributions with PJM. As detailed in the RFP as well as the accompanying SMA,
15 Residential tranche size is 2.5%, and Small C&I tranche size is 5%.

16 The Large C&I customer tranche size is 10% or approximately 170 MW per
17 tranche, an increase from DSP II which had a tranche size of 5%. The Large C&I
18 Customer Classes tranche sizing was not solely based upon the maximum demand for
19 this customer group, as the Residential and Small C&I Customer Classes were, but also
20 sought to increase the size of a tranche due to very high shopping levels in Large C&I
21 Customer Class. While the Large C&I Customer Class has always been fully subscribed
22 by Default Service Suppliers, approximately 90% of customers are shopping (99% of the
23 load), which has contributed to lower supplier participation in this product relative to the

1 Residential and Small C&I Customer Classes. The Company believes that increasing the
2 size of each tranche may encourage more suppliers to bid on the product and create a
3 more competitive price.
4

5 **Q. What services will the winning bidder be required to provide to PPL Electric?**

6 A. As explained in the RFP Rules and the Default Service SMA, each winning supplier must
7 provide all products and services required by the Company to fulfill its obligations as
8 default service provider. These products and services include energy, capacity,
9 transmission (other than Non-market-based Transmission Services), ancillary services,
10 transmission and distribution losses, congestion management costs, and such other
11 services or products that are required to supply default service to PPL Electric's retail
12 customers, including AEC Credits. As a result, each supplier will become the load-
13 serving entity in PJM for its share of PPL Electric's default service load. PPL Electric,
14 however, will remain the default service provider for its retail customers.
15

16 **Q. Will the selected suppliers be required to post performance assurance?**

17 A. Yes. PPL Electric proposes that wholesale suppliers selected to serve any portion of PPL
18 Electric's default service load be required to post performance assurance above the
19 amount of any unsecured credit provided to the supplier. Such assurance is required to
20 enable PPL Electric to recover costs arising from a supplier default. The unsecured credit
21 amounts have been reduced and expanded, as compared to DSP II. Specifically, the
22 maximum unsecured credit level has been reduced from \$75,000,000 / \$50,000,000 /
23 \$35,000,000 / \$20,000,000 in DSP II to \$60,000,000 / \$40,000,000 / \$30,000,000 /

1 \$15,000,000 for the highest credit ratings (A-/A3, BBB+/Baa1, BBB/Baa2, and BBB-
2 /Baa3, respectively). Additionally, in DSP II, any Default Service Supplier with a credit
3 rating below BBB-/Baa3 was given no unsecured credit. This has been altered in DSP III,
4 giving some unsecured credit to suppliers with BB+/Ba1, BB/Ba2, and BB-/Ba3 credit
5 ratings. Any suppliers with credit ratings below these ratings are given no unsecured
6 credit.

7
8 **The Default Service RFP Rules and SMA**

9 **Q. Are the DSP III Program's Default RFP Rules similar to those used in the DSP II**
10 **Program?**

11 A. Yes. PPL Electric based the *pro forma* RFP Rules on the documents approved by the
12 Commission in the DSP II Program proceeding. The proposed RFP Rules incorporate
13 experience obtained in other procurement proceedings and have been updated to
14 accommodate the supply mix and timing of the DSP III energy plan. I believe they
15 represent a transparent, well-defined and objective approach for PPL Electric's DSP III
16 Program.

17
18 **Q. Please discuss some of the substantive differences between the DSP III Program's**
19 **RFP Rules and the RFP used in connection with the DSP II Program.**

20 A. The DSP III Program's RFP Rules are similar to the rules approved by the Commission
21 in the DSP II Program; however, the Company has updated the RFP Rules. The
22 substantive changes include, *inter alia*, modifying terms to match those in the SMA,

1 updating auction dates, and updating the number of tranches to be procured and the
2 tranche size.

3
4 **Q. Is the DSP III Program's Default Service SMA similar to that used in the DSP II**
5 **Program?**

6 A. Generally speaking, yes; however, the DSP III SMA has been substantively changed
7 following the Commission's *End State Order*, which ordered the Office of Consumer
8 Market Oversight ("OCMO") to work with EDCs to draft a uniform supply master
9 agreement, among other things. Following the issuance of the Final Order, PPL Electric,
10 in collaboration with a number of other Pennsylvania EDCs, worked together to draft a
11 template SMA. The goal of the template SMA was to incorporate the elements of each
12 EDCs individual SMAs into one document, to be used by all EDCs in their default
13 service proceedings. The SMA accompanying the Company's DSP III RFP document
14 generally matches the rules set forth in prior default service plans; however, this SMA
15 has substantive differences in design, layout, and topic organization. Additionally, terms
16 have been adjusted and sections of the SMA have been expanded incorporating not only
17 PPL Electric's SMA elements and lessons learned, but those of every participating EDC
18 in the OCMO working group.

19
20 **Q. Please discuss some of the differences between the DSP III Program's Default**
21 **Service SMA and the SMA used in connection with the DSP II Program.**

22 A. There are a series of changes between DSP II and DSP III SMAs. These changes
23 include:

- 1 • Terms and requirements specific to PPL Electric, and differing from other EDCs,
2 such as Unsecured Credit provisions, Default Service Supply Specifications
3 (including Non-market-based Transmission Service Charges, non-transmissions
4 charges, additional PJM expenses, etc.), and Alternative Energy Portfolio Standard
5 obligations have been moved from the body of the SMA to Appendices of the SMA.
6 Additional details are also presented in those sections.
- 7 • Article 2 – Party’s Obligations, which under DSP II’s SMA were found in numerous
8 Articles, have been condensed into one Article. Responsibilities for Supplier’s and
9 the Company have also been expanded.
- 10 • PJM Services, also found in Article 2, have been consolidated from multiple sections
11 in DSP II to a single Article in DSP III.
- 12 • Article 3 – Representation and Warranties have been expanded to be clearer than in
13 previous SMAs.
- 14 • Article 5 – Breach and Default, has generally remained the same, but under “Events
15 of Default” some components have been expanded upon to provide greater clarity.
- 16 • Maximum Unsecured Credit Limits have been changed in two ways – 1) the
17 maximum limit has been reduced, and 2) sub-investment grade rated companies
18 (BB+, BB, and BB-) are now granted unsecured credit.
- 19 • In Article 16 – Miscellaneous Provisions – a number of items have been updated or
20 added to grant greater clarity than previously given, including: Effect of Regulatory
21 or Legislative Action, Assignment, Governing Law, and Taxes.

- 1 • Appendices A through D are new, detailing terms and conditions previously
2 embedded within the DSP II SMA. This includes additional credit provisions; DS
3 supply specifications; and AEPS obligations.
4

5 **Commercial & Industrial Customer Demand Split**

6 **Q. Describe the history of the current Commercial & Industrial demand split.**

7 A. In PPL Electric's DSP I, the Company implemented a 500 kW demand split for the Small
8 C&I and Large C&I customer groups, where customers with a demand level above 500
9 kW were deemed Large C&I customers receiving spot market-based default service, and
10 those with a demand at or below 500 kW are deemed Small C&I customers receiving
11 fixed price default service. This demand split was maintained in DSP II; however, PPL
12 Electric agreed in the DSP II proceedings to reduce the peak demand for the Small C&I
13 Customer Class in its next filing.
14

15 **Q. What is the change being proposed in DSP III?**

16 A. PPL Electric is proposing to reduce the demand level for Small C&I and Large C&I
17 customers from 500 kW to 100 kW consistent with the Commission's *End State Order*.⁴
18 Customers with a demand level above 100 kW will be deemed Large C&I customers

⁴ In its *End State Order*, the Commission explained that it supports the threshold of 100 kW and directed that all hourly spot-market Default Service customers be grouped into one single auction class for each EDC. *Id.* at *50. The Commission also directed EDCs to offer hourly spot-market products only to customers above the 100 kW demand level who have interval meters. *Id.* To the extent they do not already have the necessary demand meters, PPL Electric will install demand meters for all Small C&I customers with a peak demand of 100 kW or greater.

1 receiving spot market default service, and those with a demand at or below 100 kW will
2 be deemed Small C&I customers receiving fixed-price default service.

3
4 **Q. Describe the impact of this adjustment.**

5 A. Currently there are approximately 194,300 customers (shopping and non-shopping) that
6 have a demand less than 500 kW, categorized as Small C&I customers; and there are
7 approximately 1,000 customers (shopping and non-shopping) with a demand above 500
8 kW, categorized as Large C&I customers. There are approximately 3,200 current Small
9 C&I customers with demand between 100 kW and 500 kW. If a 100 kW demand split is
10 implemented, the Small C&I customer group will be reduced to approximately 191,100
11 customers, and the Large C&I group will increase to approximately 4,200 customers.

12
13 **Q. Does this mean 3,200 current Small C&I customers will move from fixed-price
14 default service rates to spot market default service rates?**

15 A. No. Approximately 88% of these 3,200 customers currently are shopping. This
16 percentage is consistent with the shopping levels of the current Large C&I Customer
17 Class, where over 90% of customers are shopping. Therefore, those customers most
18 readily impacted by the demand reduction are those non-shopping Small C&I customers
19 on PPL Electric fixed price default service that would be moved to Large C&I spot
20 market service. Right now, approximately 370 customers would be moved from Small
21 C&I default service to Large C&I default service.

22
23 **Q. How is the Company proposing to communicate this change to impacted customers?**

1 A. The Company is proposing to issue two letters to customers: one sent to those customers
2 on Small C&I fixed-price default service; and a second sent to those Small C&I shopping
3 customers re-categorized as Large C&I with the change that would receive spot market
4 service if they returned to PPL Electric default service.

5 The first letter, issued to Small C&I default service customers, will notify the
6 customer that as of June 1, 2015 the demand level for Large C&I customers is being
7 reduced from 500 kW to 100 kW. As such, they will be re-categorized as Large C&I
8 customers and begin receiving spot market default service supply. It will also explain
9 what spot market supply is and explain what options they have – to remain on default
10 service and receive spot market service or seek an alternative generation supplier.

11 The second letter, issued to shopping Small C&I customers, will notify the
12 customer that the demand level for C&I customers is being reduced from 500 kW to 100
13 kW on June 1, 2015, and that as of this date, they will be re-categorized as Large C&I
14 customers. It will explain that this will only impact them only if they return to PPL
15 Electric default service, where they will receive spot market supply as opposed to fixed
16 price supply.

17 Both letters will be issued promptly after the Commission's Order on the DSP III
18 proceeding. The letters will also instruct the customer to contact PPL Electric's Customer
19 Contact Center if they have further questions.

20
21 **Third-Party Manager**

22 **Q. Please explain why PPL Electric has retained an independent third-party manager**
23 **to administer each DSP III energy auction.**

1 A. The Default Service Policy Statement provides that the competitive bid solicitation
2 process should be monitored by an independent evaluator to achieve a fair and
3 transparent process for each solicitation. The Default Service Policy Statement also
4 states that the independent evaluator should have expertise in the analysis of wholesale
5 energy markets, including methods of energy procurement. Consistent with these
6 requirements, PPL Electric has retained NERA as the independent third-party manager to
7 administer each procurement, analyze the results of the solicitations for each customer
8 class, select the supplier(s) that will provide services at the lowest cost and submit all
9 necessary reports to the Commission.
10

11 **Q. Why was NERA retained as the third-party manager?**

12 A. NERA has successfully administered the CBP, the DSP I, and DSP II Program
13 procurements and other default service supply procurement programs throughout the
14 region. Based on this track record, the Company proposes to retain NERA to administer
15 the DSP III Program. NERA is the main point of contact with bidders, ensures the RFP
16 Rules approved by the Commission are followed, ensures bidder qualifications are
17 evaluated equitably and fairly, ensures bids are conforming, evaluates and determines the
18 lowest-cost combination of bids based solely on price, and lastly presents the results to
19 the Commission.
20

21 **RTO Compliance and Consistency**

22 **Q. Please explain how the DSP III Program is consistent with RTO requirements.**

1 A. Default service plans are to include documentation that the program is consistent with the
2 requirements regarding the generation, sale and transmission of electricity of the RTO in
3 the control area where the default service provider is providing service. PPL Electric's
4 DSP III Program meets these requirements. The Company will provide default service
5 within the control area of PJM, which is an RTO approved by the Federal Energy
6 Regulatory Commission ("FERC"). First, the Company is proposing a plan that is
7 aligned with PJM's planning period, *i.e.*, begins June 1. Second, the Default Service RFP
8 Rules and accompanying SMA require that both PPL Electric and any bidder in the
9 procurement process must be in compliance with PJM requirements. For example,
10 Article 2.4 of the SMA states that the DS Supplier be a PJM member in good standing,
11 be qualified as a market buyer and seller, and be qualified as a PJM Load Serving Entity.
12 Additionally, Article 4 of the RFP Rules requires that an applicant must certify that it is a
13 member of PJM and qualified as a market buyer and market seller in good standing that is
14 able to secure generation or otherwise obtain and deliver electricity in PJM through
15 compliance with all applicable requirements of PJM to fulfill a full requirements
16 obligation. Finally, a potential bidder must certify that it has been authorized by FERC to
17 make sales of energy, capacity and ancillary services at market-based rates.

18
19 **Contingency Planning**

20 **Q. Does the DSP III Program contain a contingency plan to ensure reliable provision of**
21 **default service?**

22 A. Yes. The Commission's Default Service Regulations require that a default service plan
23 include contingency plans to ensure the reliable provision of default service if a

1 wholesale generation supplier fails to meet its contractual obligations. The DSP III
2 Program meets these requirements.

3
4 **Q. Please identify any differences between the Contingency Plan in the DSP III**
5 **Program from the Contingency Plan in the DSP II Program.**

6 A. There are no differences. The rules regarding contingencies in each plan mirror each
7 other. In both plans, the Company will seek Commission guidance if the Commission
8 rejects the bids for a given product(s), or if a product(s) is not fully subscribed, instead of
9 adding the rejected or unfilled products to the subsequent procurement. Because the
10 solicitations are held relatively close in time to the beginning of delivery, it is not
11 possible to add unfilled products to the next procurement. If a process is not in place to
12 fill unsubscribed products, the Company will purchase supply and all associated services
13 from the spot market as needed until a replacement is approved.

14
15 **Public Interest**

16 **Q. Do you believe that the Company's proposed DSP III Program is in the public**
17 **interest?**

18 A. Yes. The proposed DSP III Program is in the public interest because it meets the
19 requirements of Act 129, supports the Commission's Default Service Policy Statement,
20 and contains many features that support the continued development of retail electric
21 supply competition in Pennsylvania. As described in the Petition, the Company will
22 obtain its default service supply needs through transparent competitive solicitations with
23 all qualified wholesale suppliers being eligible to participate. Furthermore, the DSP III

1 Program incorporates both third-party administration and Commission oversight.
2 Moreover, the Company is proposing a proven RFP process, which will continue to
3 promote competition among wholesale suppliers.

4 The DSP III Program procurement and rate design reflects a careful and
5 appropriate balance of customer and competitive interests. Default service supply for
6 Residential and Small C&I customers will include short-term fixed-price load-following
7 contracts procured on a semiannual basis, and customer rates will change semiannually.
8 Through this process, customers will be exposed to changing market conditions and
9 prices, but in a way that minimizes rate volatility. Large C&I customers will continue to
10 receive default service supply reflective of market prices through the procurement of spot
11 product mix. Also, the proposed DSP III Program expands components of the already
12 very successful SOP seeking to continue to improve competition in the retail electric
13 market.

14
15 **The Default Service SMA and Third-Party Standard Offer Referral Program Services**
16 **Contract Extension are Affiliated Interest Agreements**

17 **Q. Is PPL Electric requesting that the Commission issue any specific rulings to support**
18 **implementation of the DSP III Program?**

19 **A.** Yes. In addition to approving all aspects of the DSP III Program and the requested
20 waivers described in the Petition, PPL Electric requests that the Commission approve the
21 Default Service SMA as a potential affiliated interest agreement under 66 Pa. C.S. § 2102
22 and include such approval in its Final Order. PPL Electric's unregulated affiliates will be
23 permitted to participate in the Company's Default Service supply solicitations. If one of

1 those affiliates is the successful bidder for one or more tranches of default service supply,
2 PPL Electric would enter into an SMA with that affiliate. Moreover, rejection or
3 significant modification of the agreement after a solicitation has concluded, and winning
4 suppliers have been selected, could significantly disrupt the Company's default service
5 procurement process. Notably, the DSP I and DSP II Program Default Service Supply
6 Master Agreements were approved by the Commission under 66 Pa. C.S. § 2102(b) in
7 advance of execution of contracts with PPL Electric's affiliate.

8 In addition, the Company asks that the proposed extension of the existing SOP
9 third party vendor contract be approved as an affiliated interest contract. As explained
10 previously, the Company has contracted with PPL Solutions to provide this service, and
11 proposes to continue that contract for the term of DSP III.

12
13 **Additional Items for Consideration**

14 **Q. Is the Company requesting that the Commission act on its petition by a specific**
15 **date?**

16 A. Yes. PPL Electric requests that the Commission approve the DSP III Program on or
17 before January 18, 2015. The Company requests Commission approval of the DSP III
18 Program no later than January 18, 2015, to provide sufficient time to implement
19 procurements under the Program.

20
21 **Q. Does this conclude your direct testimony?**

22 A. Yes.

Exhibit JMR-1

CALL CENTER SERVICES AGREEMENT

This Call Center Services Agreement ("Agreement") is made and entered into on April 10th, 2013 by and between PPL Electric Utilities Corporation ("PPL Electric" or "the Company"), a corporation organized and existing under the laws of the Commonwealth of Pennsylvania and PPL Solutions, LLC ("Contractor"), a limited liability company organized and existing under the laws of the State of Delaware. PPL and Contractor are individually referred to as a "Party" and collectively as "Parties" in this Agreement. PPL Electric and its directors, officers, agents and employees are referred to as the "PPL Parties," and Contractor, and its respective directors, officers, subcontractors, agents and employees are referred to as the "Contractor Parties".

1. BACKGROUND.

A. PPL Electric is an electric distribution company ("EDC") headquartered in Allentown, PA. PPL Electric delivers electricity to approximately 1.4 million customer accounts in east/central Pennsylvania. PPL Electric's customers may purchase their electricity from an electric generation supplier ("EGS"). If they do not, their electric service is provided by PPL Electric pursuant to Pennsylvania Public Utility Commission ("Commission") approved Default Service Supply contracts.

B. The Standard Offer Program ("SOP") is designed to present a discounted EGS rate offer to customers who contact PPL Electric to start service or who are existing PPL Electric customers who contact PPL Electric to inquire about their bills (other than those who are responding to a collections notice) or to inquire about the SOP.

C. The SOP is a customer referral program, to be established in accordance with PPL Electric's Default Service Program and Procurement Plan Final Order issued on January 24, 2013 and subsequent orders (collectively "Commission Orders"), by the Commission.

D. Certain matters related to the operation of the SOP, in particular the use of a third party to provide call center services, are currently pending review by the Commission. The description herein of the SOP is based upon the compliance proposal submitted by PPL Electric to the Commission on March 11, 2013.

E. This Agreement is based upon that proposal and the project scope that is contained therein.

IN THE EVENT THAT THE COMMISSION MODIFIES OR REJECTS PPL ELECTRIC'S SOP COMPLIANCE PROPOSAL, IT MAY BECOME NECESSARY TO REVISE THIS AGREEMENT OR TO NULLIFY IT ALTOGETHER. IN THE EVENT THAT THE COMMISSION MODIFIES PPL ELECTRIC'S COMPLIANCE PROPOSAL THE PARTIES SHALL ENTER INTO GOOD FAITH NEGOTIATIONS TO MODIFY THIS CONTRACT INTO COMPLIANCE WITH THE SOP COMPLIANCE PROPOSAL AS MODIFIED BY THE COMMISSION. IN THE EVENT THAT THE COMMISSION REJECTS PPL ELECTRIC'S COMPLIANCE SOP PROPOSAL WHOLLY OR IN PART, THIS AGREEMENT SHALL BE NULL AND VOID, AND THE PARTIES SHALL HAVE NO FURTHER OBLIGATIONS TO ONE ANOTHER.

F. The Parties agree that, as a contract between affiliated entities, this Agreement must be approved by, and is contingent upon approval by, the Commission. In the event that this Agreement is not approved, the Agreement shall be null and void, and the Parties shall have no further obligations to one another.

2. DESCRIPTION OF THE STANDARD OFFER PROGRAM.

A. The SOP provides eligible PPL Electric customers who are starting service, inquiring about their bill or inquiring about service from an EGS with the opportunity to receive supply service from a participating EGS at a discounted rate, pursuant to the terms of the Commission Orders. PPL Electric Customer Service Representatives ("CSRs") will ask eligible customers inquiring about their bill or service from an EGS if they are interested in learning about the SOP; any interested customer will be transferred to the Contractor who will provide more detail to the customer regarding the SOP and who will be responsible for determining if the

customer wants to participate in the SOP. PPL Electric CSRs will transfer all start service customers to the Contractor to provide details regarding the SOP.

B. The Contractor will record the customer's selection, which the Contractor will submit to PPL Electric at the end of each business day in an electronic format to be agreed upon between the Contractor and the Company.

C. Customers participating in the SOP will receive a fixed rate from a participating EGS for a twelve-month period that is equal to a 7% discount from the PPL Electric Price-to-Compare ("PTC") in effect at the time the customer enrolls in the SOP. The SOP has no contract termination or penalty fees if a customer decides to switch to another EGS or return to Default Service. PPL Electric's PTC is subject to change effective March 1, June 1, September 1 and December 1 of each year. EGSs may elect each quarter whether they desire to participate in the SOP.

D. Residential and Small Commercial & Industrial ("C&I") customers with billing demands less than 25kW) who currently do not receive service from an EGS in the PPL Service territory calling the Company will be actively offered the SOP, subject to certain restrictions set forth in Commission Orders. If an eligible residential or small C&I customer currently receiving service from an EGS ("shopping customer") actively inquires about the SOP, the Company will allow the customer's potential participation and inclusion.

3. **TERM OF CONTRACT.**

A. The SOP will be offered to customers beginning August 1, 2013. The program will continue until May 31, 2015. This Agreement will remain in force between August 1, 2013 and May 31, 2015, unless terminated earlier by the Commission.

4. **PRICE.**

A. The Contractor will provide the services under this Agreement at a rate of \$28.00 per referred customer. For purposes of this Agreement, a referred customer is a customer who affirmatively elected the SOP, and whose election was submitted by Contractor to PPL Electric as provided herein. The Parties agree that Contractor will submit monthly invoices to PPL Electric (via an inter-unit accounting transfer or otherwise) which shall show the number of customers referred and charges therefore. PPL Electric shall pay such invoices within 30 days of the date of the invoice.

5. PROCESS FOR CALLS.

A. PPL Electric will complete all applicable steps associated with the original customer call. It is not expected that any calls will be transferred back to PPL Electric once transferred to the Contractor for the SOP. At the end of the original call to PPL Electric, eligible callers and selected customer data will be transferred to the Contractor so the Contractor can explain in more detail the terms and conditions of the SOP. PPL Electric's CSRs will not stay on the call after transfer to the Contractor. The Contractor will use scripting and talking points provided by the Company in the discussion with the customer. At the end of the discussion, the Contractor will record the customer's selection - either an enrollment with no EGS preference; an enrollment with a specific EGS selected; or the customer's decline of the offer.

B. At the end of each business day, the Contractor will submit the customer account number and the customer's selection to PPL Electric. PPL Electric will select an EGS for each customer who had no EGS preference, and will submit the referrals to the respective EGSs to enroll the customer on the rate. For each EGS referral submitted to the Company, the Contractor will be credited.

C. The Contractor's agents must read from scripts provided by the Company to all customers. The scripts will address different types of calls; it is imperative and material that the agent receiving the call executes the correct script and actions associated with the call type.

D. The Contractor will transmit and receive electronic files in a format agreed upon by the Contractor and the Company. Reports related to customers referred and enrolled and other process control reports need to be in place for the successful execution of the SOP. The development and responsibility for these reports will be agreed upon during the development of the processes by PPL Electric and Contractor at a later date.

E. Approximately 5 days prior to the start of each calendar quarter (March 1, June 1, September 1, and December 1), the Company will provide to the Contractor a list of participating EGSs for that quarter. If no EGS offers are made available, the SOP will not be offered to customers. In the event there are no participating EGSs for a quarter, the Company will not transfer calls to the Contractor, and the Contractor will not provide call center services; however, the Contractor will be expected to be prepared to begin offering call center services again the following quarter.

F. The Contractor is required to set-up phone lines that allow the call transfer types (start service and billing inquiry) to be distinguishable to its agents receiving the call. The Contractor shall provide its agents with all relevant telephony, computer, and other office equipment and materials to provide successfully the services described in this Agreement.

G. The Contractor will be required to provide supervision to resolve agent and customer issues. PPL Electric will provide escalated support for Contractor's supervision; however, Contractor's supervision is required to troubleshoot and attempt to resolve issues before escalating the issue to PPL Electric.

H. The Contractor is obligated to provide translation services as needed by customers.

I. PPL Electric's call center is open Monday through Friday from 8:00 AM to 5:00 PM Eastern Time. The Contractor shall handle referred calls during those times. The Company shall provide notice to Contactor of holidays when the call center will not be open. The Company will transfer customer calls to Contractor only during the hours of operation during those quarters when the SOP is in effect.

J. Contractor shall provide a grade of service level of 80/30, meaning that 80 percent of calls are answered within 30 seconds. Contractor shall provide a service level which meets or exceeds this level.

K. The Contractor is responsible for ensuring that scripts are followed by its agents and that quality monitoring is performed. The Company will require the immediate removal of any agent from performing duties associated with the SOP whose behaviors are threatening or disrespectful to customers.

L. The Contractor must conduct agent training. The Company will support the Contractor with the development of the training, including train-the-trainer sessions with the Contractor.

6. INTELLECTUAL PROPERTY.

A. Except as otherwise provided herein, each Party shall retain all its rights in its intellectual property. PPL Electric shall have the right to use the reports, prepared by Contractor using Contractor's proprietary reporting system, and delivered to PPL Electric as part of the services in connection with this Agreement. Contractor represents and warrants that it has the right to provide such reports to PPL Electric and that such reports are delivered free and clear of

any liens, claims, encumbrances, and rights in favor of any third-party. PPL Electric grants to Contractor a fully paid, nonexclusive license during the Term to use PPL Electric's proprietary software ("PPL Software") solely to the extent necessary for performing the services hereunder. The Contractor shall not be permitted to use PPL Software for the benefit of any entities other than PPL Electric. Contractor shall cease all use of PPL Software upon expiration or termination of this Agreement.

7. CONFIDENTIALITY.

A. "Confidential Information" of PPL Electric or Contractor means all information and documentation of PPL Electric and Contractor, respectively, whether disclosed to or accessed by PPL Electric or Contractor in connection with this Agreement, including (A) with respect to PPL Electric, all information, including information relating to customers, PPL Electric payments, technology, operations, facilities, consumer markets, products, capacities, systems, procedures, security practices, research, development, business affairs, ideas, concepts, innovations, inventions, designs, business methodologies and processes, improvements, trade secrets, copyrightable subject matter and other proprietary information, of PPL Electric, PPL Electric affiliates or its or their customers, suppliers, contractors and other third parties doing business with PPL Electric or PPL Electric affiliates, (B) with respect to PPL Electric and Contractor, the terms of this Agreement and (C) with respect to Contractor, the Contractor operations, facilities, products, capacities, systems, procedures, security practices, research, development, business affairs, ideas, concepts, innovations, inventions, designs, business methodologies and processes, improvements, trade secrets, copyrightable subject matter and other proprietary information, of Contractor; provided, however, that except to the extent otherwise provided by applicable law, the term "Confidential Information" will not include

information that (1) is independently developed by the recipient, as demonstrated by the recipient's written records, without violating the disclosing Party's proprietary rights, (2) is or becomes publicly known (other than through unauthorized disclosure), (3) is disclosed by the owner of such information to a third party free of any obligation of confidentiality, (4) is already known by the recipient at the time of disclosure, as demonstrated by the recipient's written records, and the recipient has no obligation of confidentiality other than pursuant to this Agreement or any confidentiality agreements between PPL Electric and Contractor entered into before the date of this Agreement or (5) is rightfully received by a Party free of any obligation of confidentiality, provided that (a) such recipient has no knowledge that such information is subject to a confidentiality agreement and (b) such information is not of a type or character that a reasonable person would have regarded it as confidential.

B. All Confidential Information relating to a Party will be held in confidence by the other Party to the same extent and with at least the same degree of care as such Party protects its own confidential or proprietary information of like kind and import, but in no event using less than a reasonable degree of care. Neither Party will disclose, duplicate, publish, release, transfer or otherwise make available Confidential Information of the other Party in any form to, or for the use or benefit of, any person or entity without the other Party's consent. Each Party shall use Confidential Information solely to provide or receive services under this Agreement. Each Party will, however, be permitted to disclose relevant aspects of the other Party's Confidential Information to its officers, agents, subcontractors and employees to the extent that such disclosure is reasonably necessary for the performance of its duties and obligations under this Agreement and such disclosure is not prohibited by the Gramm-Leach-Bliley Act of 1999 (15 U.S.C. § 6801 et seq.), as it may be amended from time to time (the "GLB Act"), the regulations

promulgated thereunder or other applicable law. Each Party will establish commercially reasonable controls to ensure the confidentiality of the Confidential Information and to ensure that the Confidential Information is not disclosed contrary to the provisions of this Agreement, the GLB Act or any other applicable privacy laws. Without limiting the foregoing, each Party will implement such physical and other security measures as are necessary to (A) ensure the security and confidentiality of the Confidential Information (B) protect against any threats or hazards to the security and integrity of the Confidential Information and (C) protect against any unauthorized access to or use of the Confidential Information. To the extent that any duties and responsibilities under this Agreement are delegated to an agent or other subcontractor) the Party ensures that such agents and subcontractor adhere to the same requirements.

C. In the event that either Party or an agent of either Party is requested or required by any governmental authority, whether by oral question, interrogatories, requests for information or documents, subpoenas, civil investigation or similar process, to disclose any of the Confidential Information of the other Party, such Party will provide the other Party with prompt notice of such requests so that the other Party may seek an appropriate protective order or similar relief, or if appropriate, waive compliance with the provisions of this Section. Such Party will use all commercially reasonable efforts to obtain, or assist the other Party in obtaining, such a protective order or relief.

D. Contractor and PPL Electric acknowledge the sensitivity and confidentiality of personal consumer financial information which may be contained in PPL Electric's Confidential Information including all personally identifiable information relating to an individual consumer in connection with PPL Electric's accounts, any application for a PPL Electric account or the marketing or promotion of PPL Electric's accounts ("Personal Information"). In addition to the

confidentiality obligations of the Parties under this Section, Contractor and PPL Electric acknowledge the protections afforded by law to such Personal Information and each agrees to comply with all such legal requirements applicable to it in the performance of its obligations under this Agreement. Contractor agrees that it will not disclose or use Personal Information other than to carry out the purposes for which PPL Electric provides such information to Contractor. PPL Electric acknowledges that such purposes include the creation, maintenance and implementation of data bases intended to prevent actual or potential fraud, unauthorized transactions, claims or other liability, including data bases that may be used for the same purposes for other customers of Contractor. Specifically, PPL Electric represents and warrants to Contractor that PPL Electric has provided all required notices, opt-outs, opt-ins or other similar rights to consumers with respect to any Personal Information delivered, transmitted or disclosed in any other fashion by Contractor to any third party at the direction of PPL Electric. The parties acknowledge that certain federal, state and local laws may require in the event of unauthorized acquisition of personal information about PPL Electric customers or their transactions from the Contractor System that either Contractor or PPL Electric (i) notify law enforcement entities or consumers or (ii) undertake other actions. In such event, Contractor shall fully cooperate with PPL Electric regarding the nature, timing and content of such notice or relevant aspects of such other required action. The parties agree that the costs of performing any such compliance requirements, whether incurred by Contractor or PPL Electric, shall be allocated to the party responsible for causing the required action to be taken.

E. Without limiting either Party's rights in respect of a breach of this Section, each Party will:

1. promptly notify the other Party of any unauthorized possession, use or knowledge, or attempt thereof, of the other Party's Confidential Information by any person or entity that may become known to such Party;

2. promptly furnish to the other Party full details of the unauthorized access, possession, use or knowledge, or attempt thereof, and assist the other Party in investigating or preventing the recurrence of any unauthorized possession, use or knowledge, or attempt thereof, of Confidential Information;

3. cooperate with the other Party in any litigation and investigation against third parties deemed necessary by the other Party to protect its proprietary rights to the extent such litigation or investigation relates to the services hereunder; and

4. promptly use its best efforts to prevent a recurrence of any such unauthorized possession, use or knowledge, or attempt thereof, of Confidential Information.

F. Contractor will not, during and after the term of this Agreement, issue a press release, or advertise, disclose or use PPL Electric's name in marketing materials or in any media (written, printed, recorded, electronic or otherwise), without the prior written consent of PPL Electric for each instance, except in order to comply with any applicable law, order, regulation or exchange rule.

8. INDEMNITY.

A. Contractor shall defend, indemnify and hold harmless PPL Electric and PPL Parties from and against any liability, loss, claim, settlement payment, cost and expense, interest, awards, judgments, damages, fines, fees and penalties (including reasonable attorney's fees) ("Losses") incurred by PPL Parties to the extent any claims, demands, suits or causes of action are made by unrelated third parties against PPL Parties based on allegations arising from or

relating to (i) a breach of the Agreement by Contractor or (ii) damage to property or injuries to or death of any person due to the negligent acts or omissions by Contractor Parties. Contractor also shall indemnify PPL Parties from any costs and expenses incurred in connection with the enforcement of this Section.

B. PPL Electric shall defend, indemnify and hold harmless Contractor and Contractor Parties from and against any Losses incurred by Contractor Parties to the extent any claims, demands, suits or causes of action are made by unrelated third parties against Contractor Parties based on allegations arising from or relating to (i) a breach of the Agreement by PPL Electric or (ii) damage to property or injuries to or death of any person due to the negligent acts or omissions of PPL Parties. PPL Electric also shall indemnify Contractor Parties from any costs and expenses incurred in connection with the enforcement of this Section.

9. **INSURANCE.**

A. If requested by PPL Electric, Contractor shall furnish to PPL Electric within ten (10) days of the date of this Agreement, evidence of minimum insurance coverage in an amount to be determined by PPL Electric in its sole discretion. Contractor's obligations under this Section shall not be limited to Contractor's insurance coverages. Contractor shall secure and maintain in force worker's compensation or the equivalent insurance for Contractor's employees in amount and form to comply with any applicable law.

10. **INSPECTIONS/AUDITS.**

A. During the course of performance under this Agreement, PPL Electric or its designee shall have the right of reasonable access to Contractor Parties' facilities during normal business hours for the purposes of inspection of the progress on the services. Contractor shall cooperate with PPL Electric's representatives in furnishing such access, records and assistance as

may be reasonably requested. Contractor and its subcontractors shall maintain books, records, documents and other information and accounting procedures and practices ("Records") sufficient to determine Contractor's and its subcontractors' performance and compliance with the requirements of this Agreement. Records shall be retained for a minimum of three (3) years after final payment. PPL Electric shall have the right of access to all Contractor's and its subcontractors Records, wherever maintained, during normal business hours, to review, audit and verify Contractor's and its subcontractors' performance and compliance with the requirements of this Agreement. Contractor and its subcontractors shall cooperate with PPL Electric in furnishing such access, Records and assistance as may be reasonably requested by PPL Electric. In addition, PPL Electric may review and audit Records to verify that Contractor and its subcontractors did not make payments to or for the personal benefit of employees of PPL Electric, its agents and its other contractors.

B. Contractor shall keep and maintain complete and accurate books, records and accounts relating to this Agreement and shall conduct such internal audits as are reasonably required to verify continuing full compliance with this Agreement. PPL Electric shall have the right, from time to time, to audit such books, records and accounts of Contractor to verify Contractor's compliance with the terms and conditions of this Agreement. Any such audit shall be at PPL Electric's expense; provided that if such audit reveals an error in Contractor's invoice calculation resulting in an overcharge to PPL Electric of three percent (3.0%) or more, or any other material breach of this Agreement, Contractor shall promptly pay to PPL Electric all costs and expenses of such audit, and PPL Electric may perform additional audits at Contractor's expense, until an audit shows no underpayment or noncompliance. Contractor shall promptly pay PPL Electric the amount of any underpayment (and correct any other noncompliance) revealed

by any such audit. At PPL Electric's request from time to time, Contractor shall provide to PPL Electric a signed officer's certificate certifying Contractor's compliance with this Agreement.

11. ASSIGNMENT AND DELEGATION.

A. Contractor will not assign any of its rights or delegate its performance arising under or relating to this Agreement, voluntarily or involuntarily, whether by merger, consolidation, dissolution, operation of law or any other manner, to any third party without the prior written consent of PPL Electric. For the purposes of this section, change of control is deemed an assignment of rights. Any such assignment or delegation, absent written consent, will be null and void.

12. APPLICABLE LAW; FORUM; JURY WAIVER.

A. All matters arising under or relating to this Agreement will be governed by the laws of the Commonwealth of Pennsylvania, notwithstanding conflicts of law rules. Contractor consents to the exclusive jurisdiction of the state courts in Allentown, Pennsylvania and the federal district court in Allentown, Pennsylvania for the purpose of all legal actions and proceedings arising out of or relating to this Agreement. Each party waives, to the fullest extent permitted by law, any objection that it may now or later have to the laying of venue as provided in this Section and any claim that any action or proceeding brought in any such court has been brought in an inconvenient forum.

EACH PARTY, TO THE EXTENT PERMITTED BY LAW, KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ITS RIGHT TO A TRIAL BY JURY IN ANY ACTION OR OTHER LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS CONTRACT. THIS WAIVER APPLIES TO ANY ACTION OR LEGAL PROCEEDING, WHETHER IN CONTRACT, TORT OR OTHERWISE.

13. BREACH, REMEDIES AND LIABILITY.

A. Contractor represents and warrants that its services shall be performed by technically competent, qualified and trained personnel in accordance with generally accepted call center standards.

B. PPL Electric may terminate this Agreement for Contractor's material breach, if such breach remains uncured for ten days after receipt of written notice thereof by PPL Electric. Upon termination of this Agreement, Contractor shall immediately cease performing the services and deliver to PPL Electric all property belonging to PPL Electric and hereinafter all material in Contractor's possession containing Confidential Information as defined and copies thereof whether prepared by Contractor or others. Following termination, Contractor shall not retain any written or other tangible, including "machine readable" material containing any PPL Electric Confidential Information. The Parties agree that Sections 6, 7 and 8 will survive any termination of this Agreement.

In the event that the Commission should make changes to the SOP which materially affect either Parties' obligations under this Agreement, either party may elect in writing, within 20 days after a final Commission Order changing the SOP, to terminate the Agreement upon 30 days written notice. Upon termination, the Parties hereunder shall have no further obligations to one another except those specifically denoted for survival herein.

C. Each Party's liability to the other (as distinct from and excluding a Party's obligation to pay for the services hereunder) or for any loss, claim, injury, liability, cost or expense, including reasonable attorneys' fees, relating to or arising out of or relating to this Agreement, shall be limited to the amount of direct damages actually incurred. In no event shall either Party be liable to the other in connection with this Agreement for special, incidental or

consequential damages, including without limitation, lost profits or lost revenue, whether based in contract, tort, warranty, misrepresentation, patent infringement, or otherwise.

14. FORCE MAJEURE.

A. Neither Party will be liable for any default or delay in the performance of its obligations under the Agreement if and to the extent such default or delay is caused, directly or indirectly, by (i) fire, flood, earthquake, elements of nature or acts of God; or (ii) wars, riots, civil disorders, rebellions, strikes or revolutions; provided, that the nonperforming Party is without fault in failing to prevent or causing such default or delay, and such default or delay cannot reasonably be circumvented by the non-performing Party through the use of alternate sources, workaroud plans or other means. Upon the occurrence of a force majeure event at Contractor's site providing the Services hereunder, Contractor will implement promptly, as appropriate, the disaster recovery/business continuity plan and provide disaster recovery/business continuity services in accordance therewith, subject to the availability of T1 data connectivity circuits from third party circuit providers or, as an alternative to the T1 circuit connectivity environment, using VPN data connectivity and pointing telephone calls to Contractor's 1-800 line, which alternative would require that PPL Electric maintain its VPN access to its data system as a backup system. In the event of a force majeure event, PPL Electric shall have the right to terminate this Agreement upon 30 days' notice.

15. MISCELLANEOUS.

A. Contractor is an independent contractor, and nothing in this Agreement will be construed as creating the relationship of principal and agent, or employer and employee, between PPL Electric and any Contractor Parties. Contractor will have no authority to hire any persons on behalf of PPL Electric or incur any debt, liability or obligation of any nature for or on behalf

of PPL Electric. All persons whom Contractor employs will be deemed solely the employees of Contractor and will not be considered employees of PPL Electric for any purposes. Each party giving a notice under this Agreement will give the notice in writing and address the notice as follows:

If to PPL Electric:

Customer Contact Center
PPL Electric Utilities
827 Hausman Road (CCC)
Allentown PA 18104-9392
Attention: Bernard J. Molchany

If to Contractor:

PPL Solutions, LLC
Two North Ninth Street
Allentown, PA 18101
Attention: James M. Minneman

With a copy to:

PPL Services Corporation
Two North Ninth Street
Allentown, PA 18101-1179
Attention: Office of General Counsel (GENTW3)
Facsimile No: (610) 774-6726

or to such other address designated by the parties from time to time. Notice is effective only upon delivery to such address. Any amounts for which Contractor is liable under this Agreement may be offset by PPL Electric against any payments required of any PPL Electric or its affiliates under any contract with Contractor or its affiliates. The term "including" in this Agreement will be deemed to mean "including but not limited to". No change, amendment or modification of any of the provisions of this Agreement will be binding unless in writing that identifies itself as

an amendment to this Agreement and that is issued by PPL Electric. Any grant of rights to PPL Electric under this Agreement will be deemed to be a grant of rights to PPL Parties. This Agreement constitutes the final agreement between the parties and is the complete and exclusive expression of the parties' agreement on the matters contained in this Agreement. All prior and contemporaneous negotiations and agreements between the parties on the matters contained in this Agreement are expressly merged into and superseded by this Agreement. The parties desire that the rights and obligations set forth herein be enforced to the maximum extent permitted by applicable law. If any provision of this Agreement or its application to any party or circumstance is held invalid, illegal or unenforceable to any extent, the remainder of this Agreement and the application of that provision to the other parties or to other circumstances is not affected and is to be enforced to the fullest extent permitted by applicable law provided that such enforcement does not materially change the underlying business arrangement. This Agreement is binding upon, and inures to the benefit of, the parties' respective permitted successors and assigns. No provision of this Agreement may be waived by PPL Electric except pursuant to a writing that identifies itself as a waiver of this Agreement issued by PPL Electric. Any remedies expressly conferred upon a party by this Agreement are cumulative with and not exclusive of any other remedy conferred by this Agreement or by law on that party. This Agreement may be executed in one or more counterparts, with the same effect as if the parties had signed the same document. Each counterpart so executed will be deemed to be an original, and all such counterparts will be construed together and will constitute one Agreement.

By affixing their signatures below, the parties hereby agree to be bound by the terms of this Agreement.

ATTEST:

PPL ELECTRIC UTILITIES CORPORATION

By: Robert M. Genesler
Name: Robert M. Genesler
Title: VP - Customer Services

ATTEST:

PPLSOLUTIONS, LLC

By: Michael R. Toner
Name: Michael R. Toner
Title: President

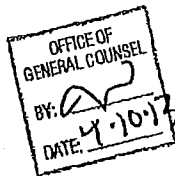


Exhibit JMR-2

**Amendment Number 1
to the
Call Center Services Agreement**

This Amendment Number 1 to the Call Center Services Agreement ("Amendment 1") is made by and between PPL Electric Utilities Company ("Company") and PPL Solutions, LLC ("Contractor") this 22nd day of April, 2014 ("Effective Date"). Company and Contractor are sometimes referred to in this Amendment 1 individually as a "Party" and collectively as the "Parties."

WHEREAS, Company and Contractor are Parties to that certain Call Center Services Agreement dated April 10, 2013 (the "Agreement") pursuant to which Contractor provides call center services related to the operation of the Standard Offer Program ("SOP") presented by Company;

WHEREAS, Company's Default Service Program and Procurement Plan II approved by the Pennsylvania Public Utility Commission ("Commission") on January 24, 2013, under which the SOP was established, expires on May 31, 2015;

WHEREAS, Company has filed a Default Service Program and Procurement Plan III with the Commission for the period June 1, 2015 to May 31, 2017 pursuant to which Company proposes to extend the SOP through May 31, 2017; and

WHEREAS, Company and Contractor have agreed to amend the Agreement to provide for an extension of the term based upon the proposal and project scope of the extended SOP submitted to the Commission.

NOW THEREFORE, in consideration of the premises and other valuable considerations, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound, the Parties agree as follows:

1. The Recitals set forth above are hereby incorporated in and made a part of this Agreement by this reference.
2. The Parties agree that, as a contract between affiliated entities, this Amendment 1 must be approved by, and is contingent upon approval by, the Commission. In the event that this Amendment 1 is not approved, this Amendment 1 shall be null and void, and the Parties shall have no further obligations to one another as contemplated under this Amendment 1.
3. Section 3, Term of Contract, of the Agreement is hereby amended by extending the term of the Agreement to May 31, 2017. Accordingly, the last two sentences of Section 3 are hereby deleted and the following inserted in the place thereof:

"The program will continue until May 31, 2017. This Agreement will remain in force between August 1, 2013 and May 31, 2017, unless terminated earlier by the Commission."

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4. Any capitalized terms that are used but not defined in this Amendment 1 shall have the meanings ascribed to them in the Agreement. All other provisions of the Agreement shall remain in effect.

IN WITNESS WHEREOF, the Parties have caused this Amendment 1 to be duly executed by their respective duly authorized representatives.

PPL Electric Utilities Company

PPLSolutions, LLC

By: Robert M. Geneczko

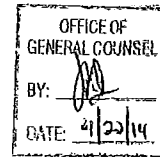
By: Michael R. Toner

Name: Robert M. Geneczko

Name: Michael R. Toner

Title: VP - Customer Services

Title: President



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