

**PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17105-3265**

Public Meeting held August 21, 2014

Commissioners Present:

Robert F. Powelson, Chairman
John F. Coleman, Jr., Vice Chairman
James H. Cawley
Pamela A. Witmer
Gladys M. Brown

Petition of PPL Electric Utilities Corporation For Expedited Approval to Exercise Its Option to Extend the Final Procurements Under the Currently Effective Default Service Procurement Plan By an Additional Six Months.

Docket Number:
P-2012-2302074

ORDER

BY THE COMMISSION:

On May 1, 2014, PPL Electric Utilities Corporation (PPL Electric or the Company), Utility Code 110500, filed a petition (Petition) pursuant to the Pennsylvania Public Utility Commission's (Commission) Order in *Petition of PPL Electric Utilities Corporation For Approval of a Default Service Program and Procurement Plan*, Docket No. P-2012-2302074 (Order entered Jan. 24, 2013) (DSP II Order). In its Petition, PPL Electric requested expedited approval to exercise the Commission-approved option under its Default Service Program and Procurement Plan for the period of June 1, 2013, through May 31, 2015, (DSP II Program) to extend the contract terms for the final Default Service procurements for the Residential and Small Commercial and Industrial (Small C&I) Customer Classes by an additional six months. For the reasons set forth below, we approve the Petition as presented by PPL Electric.

Background

On January 24, 2013, the Commission approved PPL Electric's DSP II Program at the above Docket. PPL Electric states that under the DSP II Program, the final October 2014 procurement will obtain Default Service supplies for the Residential and Small C&I customers under six- and three-month fixed-price, full-requirements, load-following contracts¹, rather than under the twelve- and nine-month contracts utilized for prior procurements. Petition, p.1. PPL Electric avers that the original procurements were designed to ensure that no fixed-price load-following contracts would extend beyond May 31, 2015. Petition, p.2. However, the Commission also approved a provision in the DSP II Program that would allow PPL Electric to extend the term of these final DSP II Program procurements by an additional six months should it continue in its role as Default Service provider beyond May 31, 2015. *Id.* PPL Electric states that it expects to continue as Default Service provider beyond May 31, 2015, and has recently filed a Petition to establish a new Default Service Procurement Plan for the next two years beginning June 1, 2015, (DSP III Program). *Id.*

On May 19, 2014, the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA) filed an Answer (CAUSE Answer) in support of the Petition, claiming that this will provide the appropriate layering and laddering of supply and will reduce the risk of potential price spikes and volatility. CAUSE Answer, p.1. CAUSE-PA asserts that this is particularly important for PPL's low-income customers who are more economically vulnerable and without the budget elasticity needed to absorb a price spike that could readily be prevented by laddered procurement. CAUSE Answer, p.1.

On May 21, 2014, the Office of Consumer Advocate (OCA) also filed an Answer (OCA Answer) in support of the Petition. The OCA claims it expressed concern throughout the DSP II proceeding to the Company's proposal to terminate all

¹ The Company will receive Default Service supply under the six-month contracts beginning December 1, 2014 and supply under the three-month contracts beginning March 1, 2015. Petition p.2.

procurement contracts on May 31, 2015. OCA Answer, p.3. The OCA maintains that it fully supports PPL Electric’s Petition to extend its procurement contract provisions by an additional six months. *Id.* The OCA submits that by extending its October 2014 procurement contracts by an additional six months, PPL Electric is in a position to provide its Residential and Small C&I customers’ rate stability as well as a smoother transition between the DSP II program and the DSP III program. *Id.*

Discussion

The issue for consideration before us today is whether PPL Electric should be allowed to exercise its option to extend the final DSP II Program procurements for an additional six months. PPL Electric states that its DSP II Program relies primarily on a portfolio of fixed-price full-requirements, load-following contracts for Residential and Small C&I Default Service customers.² Petition, p.4. PPL Electric contends that the product mixture is designed around the purchase of these products with nine- and twelve-month contract terms using a ladder procurement approach, with the exception that the contract terms for the final procurement are three and six months.³ Petition, p.5. The Company claims that it conducts competitive solicitations to purchase these default service products. *Id.*

PPL Electric asserts that the proposed option to extend the final DSP II Program procurements was fully litigated by the active parties to the DSP II Program proceeding. Petition, p.6. The Company submits that the Commission approved the option to extend the final DSP II Program procurements, finding that the option will “accommodate the Commission’s decision regarding the end-state of default service” and “there should be sufficient time in 2014 to revise the Company’s default service contracts as necessary.” DSP II Order, pp. 43-44.

² The Residential customer portfolio also includes a decreasing quantity of pre-existing longer-term fixed-price block supply. Petition, p.5.

³ Under the ladder procurement approach, the procurements are staggered rather than procuring all of the products at the same time. *Id.*

PPL Electric further asserts that subsequent to the entry of the DSP II Order, the Commission entered its Order on the end state of Default Service. *Investigation of Pennsylvania's Retail Electricity Market: End State of Default Service*, Docket No. I-2011-2237952 (Order entered February 15, 2013) (February 15 Order). PPL Electric states that the Commission concluded that EDCs would continue in the Default Service provider role, subject to further action in the future. *Id.*, p.20.

PPL Electric claims that this Petition is necessary so that the Company will avoid procuring 100% of its Default Service supplies at one time, *i.e.*, with an effective date of June 1, 2015. Petition, p.2. PPL Electric further opines that this will provide appropriate layering and laddering of supply, which will reduce the risk for potential extreme price spikes and volatility between Default Service procurement periods that could result if all supplies are procured at the same time, and allow for a smooth transition between Default Service periods. *Id.* PPL Electric also affirms that this Petition will allow a smooth transition between the DSP II program and the DSP III program.

PPL Electric is also requesting expedited approval of the Petition in order to exercise this option in time for the October 2014 procurement.

Conclusion

In our judgment, PPL Electric's request to exercise the option to extend the final procurements under the currently effective default service procurement plan by an additional six months appears to be in the best interests of its customers. We agree with PPL Electric, as well as the comments of both CAUSE-PA and OCA, that this provides the appropriate layering and laddering of supply purchases. PPL Electric's proposed extension of contract terms for its Residential and Small C&I fixed price load following contracts is consistent with our approval of its contract provisions in the DSP II Order. It is also consistent with our conclusion in the February 15 Order, that retains the EDCs in the DSP role.

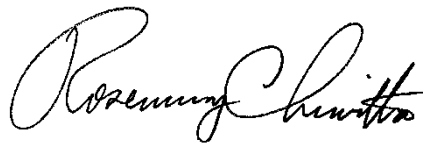
Accordingly, we grant PPL Electric's request to exercise its option to extend the contract terms of the Residential and Small C&I fixed-price, load following contracts procured during the October 2014 procurement from six and three month contracts to twelve and nine month contracts; **THEREFORE,**

IT IS ORDERED:

1. That the Petition of PPL Electric Utilities Corporation for approval to exercise the option to extend the contract terms of the Residential and Small C&I fixed-price, load following contracts procured during the October 2014 procurement from six- and three-month contracts to twelve- and nine-month contracts, is hereby approved, consistent with this Order.

2. That the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania and the Office of Consumer Advocate be served a copy of this order.

BY THE COMMISSION,



Rosemary Chiavetta
Secretary

(SEAL)

ORDER ADOPTED: August 21, 2014

ORDER ENTERED: August 21, 2014