

PENNSYLVANIA PUBLIC UTILITY COMMISSION
Harrisburg, Pennsylvania 17105-3265

**PENNSYLVANIA PUBLIC UTILITY
COMMISSION V. PPL ELECTRIC
UTILITIES CORPORATION**

**PUBLIC MEETING -
DECEMBER 6, 2007
DEC-2007-OSA-0273*
DOCKET NO: R-00072155**

STATEMENT OF COMMISSIONER TYRONE J. CHRISTY

Before the Commission for consideration are the Exceptions filed by the Office of Small Business Advocate (OSBA) to the Recommended Decision of Administrative Law Judge (ALJ) Susan D. Colwell, as well as the Letter in lieu of Reply Exceptions filed by PPL Electric Utilities Corporation (PPL Electric). In her Recommended Decision, the ALJ recommended that the Commission approve the Joint Petition for Settlement (Settlement) submitted by the Parties with one modification. The ALJ recommended that funding for two new specific programs, the Leadership in Environmental Design (LEED) certification assistance program and the Small Business Loan Guarantee Program (SBLG), come only from rate classes eligible for the programs. The ALJ stated that her recommended restriction for funding of the programs is consistent with the Commonwealth Court's interpretation of the Electric Choice Act in *Lloyd v. Pennsylvania Public Utility Commission (Lloyd)* that the rates for each rate class should reflect the cost of serving the rate class.

In its Exceptions, the OSBA notes that as a general principle, it agrees with the ALJ that the rates for a customer rate class should reflect the cost of serving that rate class. However, in this settlement, the Parties agreed that no specific allocation of the cost of these programs would be addressed. According to the OSBA, the \$400,000 that will fund these two programs is subsumed in the total revenue increase of \$55 million. The OSBA objects to the ALJ's recommended modification as it will undermine the settlement's goal of moving all classes closer to their cost of service and because it will have a chilling effect upon the potential for negotiating future settlements. In reply, PPL Electric agrees with the ALJ and the OSBA that programs should only be funded by customer classes eligible for the programs, but states that it is not necessary for the Commission to decide this issue in this proceeding. PPL Electric notes that because this settlement is a "black box" settlement in which the various bases for the allocation among the rate classes are not identified, the Commission can not identify or specify the actual source of funding for these two programs. The Office of Special Assistants recommends that the Commission grant the OSBA's Exception, modify the ALJ's recommendation accordingly, and adopt the Settlement in its entirety.

I will reluctantly support the OSBA Exceptions based on the "black box" nature of this Settlement agreement. However, in principle I am in complete agreement with the ALJ's position that the costs of the LEED and SBLG programs should not be imposed on customers that are not eligible for the programs. In other proceedings, the

OSBA and other parties have argued that the costs of universal service programs should be allocated to the residential class only, the customer class that benefits from the programs. This same principle should apply to this issue as well. In its Reply, PPL Electric notes that the issue of the source of funding for these programs will be addressed in its next base rate proceeding, if the programs are continued beyond the end of that base rate case. I would request that the Parties specifically address this matter in PPL Electric's future proceedings.

DATE

TYRONE J. CHRISTY, COMMISSIONER