PENNSYLVANIA PUBLIC UTILITY COMMISSION
Harrisburg, Pennsylvania 17105-3265

Re: PPL Electric Utilities Corporation Supplement No. 71 to Tariff Electric-Pa. P.U.C. No. 201 regarding its proposed Time-of-Use rate program

Public Meeting: January 28, 2010
2122718-OSA
Docket No. R-2009-2122718

MOTION OF CHAIRMAN CAWLEY

Before us is the July 31, 2009 tariff supplement No. 71 to PPL Electric Utilities Corporation's (PPL) Tariff Electric–Pa. P.U.C. No. 201, with a proposed effective date of January 1, 2010. The tariff supplement seeks to implement a new optional time-of-use (TOU) program for residential and small commercial and industrial customer classes, including faith-based institutions, community based organizations (CBOs), and qualifying non-profit customers.

As part of this program, PPL proposed an extensive education campaign. This education campaign included: (1) press release at time of Commission approval, (2) bill insert, (3) program information mailed upon receipt of inquiry, (4) dedicated internal website information – program description, eligibility requirements, enrollment information, bill calculator [compares RS with TOU], et al., (5) a brochure explaining how customers can take advantage of the program, information on use of devices like programmable thermostats, water heater timers, timers on dehumidifiers, swimming pools and other equipment, along with estimated values for these investments, (6) CBO and local business/chamber group briefs, (7) access to Company employees to assist in these communications, (8) ongoing Connect newsletter articles, and (9) welcome package for new customers.[1]

PPL proposed to recover these education costs under its funding within the Company's Consumer Education Plan.[2] As to the magnitude of these costs, the Company only provided information on the $100,000 expenditure to PPL Corporate Services, an affiliated entity, for printing the brochures.[3] PPL asserts that these are not marketing expenditures, but expenditures to simply notify, educate, and enroll customers.[4] However, PPL also testified that additional educational efforts and funding for an advertising campaign will be brought to bear on this program. Included within the budget embedded in PPL's Energy Efficiency and Conservation (EE&C) plan is additional funding for an advertising Conservation Service Provider to do one or more direct mail campaigns consistent with the participation levels forecast in the EE&C Plan.[5] This additional funding is projected to be $4,038,000, or

[1] Initial Filing at p. 16-18.
[2] Direct Testimony of PPL witness Douglas Krall p. 20, lines 15-16.
[3] Tr. at 110, RD at 28.
[4] Tr. at 109-110, RD at 28.
[5] Direct Testimony of PPL witness Douglass Krall p. 20, lines 16-19

about $1,193,000 per year, spread over the initial EE&C plan period.[6] No additional substantive information was provided regarding these expenditures.

Two substantive issues were raised regarding these plan costs—the magnitude of these costs relative to benefits, and how plan costs should be recovered.

As to the costs, Sustainable Energy Fund of Central Eastern Pennsylvania (SEF) raised legitimate issues regarding the potential costs and benefits of the proposed TOU program. A review of the record confirms these cost concerns. PPL has provided inadequate information on the magnitude of the Company's "educational" expenditures proposed under the Consumer Education Plan, failed to incorporate the costs related to the proposed EE&C advertisement plan, and failed to provide relevant information on other TOU program costs, consistent with our default service policy statement.[7]

Specifically, the plan provides incomplete information on the administrative costs, such as billing, collection, education, regulatory, litigation, tariff filings, working capital, information systems, and associated administrative and general expenses related to this default service option. Also, it is unclear whether or not PPL assumed the use of timers and programmable thermostats in its projections of savings, and if the cost of these devices was included in its total resource cost (TRC) calculations.[8] Given the robust educational plan, the costs of these various efforts should be properly identified and quantified, as should all cost components. After fully identifying and quantifying all cost components, PPL should clearly state how and if they propose to collect any such cost components going forward to allow all parties to better weigh the benefits and costs of the program. Quantification of these costs is critical, since PPL acknowledged that there is great uncertainty as the level of TOU program participation.

There are also many unanswered questions regarding quantification of the benefits and participation levels of the proposed plan that should have been better described based on PPL's extensive experience with TOU pilot programs. Current participation under PPL's Year-Round Residential Pilot is only 824 participants, yet PPL's proposed TOU filing assumes 16,000 participants by December 2010,[9] and the EE&C plan anticipates participation ramping up to 150,500 residential TOU customers by the end of the EE&C Plan period. PPL also acknowledged that net usage reductions and demand reductions were not analyzed under its current TOU program. Only shifting of energy usage that resulted in revenue shifts was analyzed.[10] Given the demand and energy reduction goals of Act 129 of 2008, these parameters should be better studied.[11] Therefore, the lack of TOU Pilot usage

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[6] SEF Exhibit 1, Schedule No. 11.
[7] 52 Pa. Code § 69.1808 (a)(4).
[8] SEF MB at 23.
[9] Tr. p. 119.
[10] SEF Exhibit 1, Schedule No. 14.
[11] Both Peak Load Contribution (PLC) reductions and demand reductions as measured under Act 129 should be determined.

analysis, and PPL's aggressive projection for participation levels relative to historical participation rates, raise legitimate questions as to the cost effectiveness of this program.

It is therefore imperative that we closely examine PPL's TOU program costs. PPL has properly identified $100,000 in costs, which is a reasonable amount to collect under this program. However, if PPL intends to collect additional costs from customers, it must file cost recovery plans with this Commission. PPL should update its TRC to reflect all actual costs and benefits of its TOU program. While this Commission does apply the TRC test at the plan level, the Commission has rejected, and will continue to reject, component program or measure level parts of EE&C plans that are clearly uneconomic so as to encourage utilities to refocus resources on more cost effective measures.

As to cost allocation, PPL proposes socializing virtually all costs associated with its plan. As noted, PPL plans to recover "education" costs related to this default service offering through its Consumer Education Plan, which collects all costs from all customers, regardless of whether or not they participate in the plan. Similarly, EE&C plan costs and benefits are collected through PPL's Act 129 Charge Rider (ACR), which, again, socializes the costs of this default service option to all customers.

SEF argued that PPL's TOU program subsidies provide an unfair competitive advantage to EDCs over EGSs. SEF alleged that non-participating and excluded ratepayers subsidized this TOU program offering.[12] PPL countered this testimony, noting that EGSs have access to hourly data via Electronic Data Interchange (EDI) transactions.[13]

PPL's rebuttal misses the mark. EGSs may have, at least in the future, hourly data access via EDI transactions. However, EGSs do not, under PPL's plan, have the ability to subsidize their proprietary TOU programs through millions of dollars in ACR and Consumer Education Plan surcharges to all customers on PPL's system. So as ensure PPL's TOU programs are consistent with the Commission's default service policy,[14] which ensures competitive fairness, PPL must collect its TOU plan costs, and credit the benefits, through its charges/credits to default service customers.

While most EE&C plan costs are collected through the ACR, the Commission noted in its Order on PPL's EE&C plan that default service costs should be allocated to default service customers pursuant to our Default Service Policy Statement at 52 Pa. Code §§ 69.1801 *et seq*. This policy flows naturally from the fact that customers taking competitive supply service cannot participate in this program. Most EE&C programs are available to shopping and non-shopping customers. By adopting this Motion, the Commission upholds that point. To do otherwise might have the adverse effect of imposing barriers to development of competitive market TOU

[12] Direct Testimony of Witness John Coslow, p. 9-10, MB at 27.
[13] Rebuttal Testimony of PPL Witness Krall, p. 7
[14] 52 Pa. Code § 69.1808 (a).

programs. To the extent PPL proposes to collect any TOU related costs not also provided to EGS customers, it must do so through its default service rates. These costs include educational costs related to the Company's default service pricing options.

THEREFORE, I move that:

1. PPL Electric Utilities Corporation (PPL) be directed to recover all costs specific to its TOU program through its default service tariffs.

2. PPL not be permitted to recover its TOU program costs through the Consumer Education Plan and Energy Efficiency and Conservation Plan surcharges.

3. PPL be directed to seek recovery of any additional TOU program costs by an appropriate filing with the Commission, with service upon all parties, containing the amount and description of TOU program costs and an update of Total Resource Cost parameters to reflect any such increased costs or revised benefits.

4. The Recommended Decision of Administrative Law Judge David A. Salapa issued on December 10, 2009, be modified consistent with this Motion.

5. The Office of Special Assistants prepare an order consistent with this Motion.

James H Cawley

January 28, 2010
Date

James H. Cawley, Chairman