**PENNSYLVANIA**

**PUBLIC UTILITY COMMISSION**

**Harrisburg, PA 17105-3265**

Public Meeting held May 19, 2011

Commissioners Present:

 Robert F. Powelson, Chairman

 John F. Coleman, Jr., Vice Chairman

 Tyrone J. Christy

 Wayne E. Gardner

 James H. Cawley

PPL Electric Utilities Corporation M-2011-2239805

Transmission Service Charge Effective

June 1, 2011

**OPINION AND ORDER**

**BY THE COMMISSION:**

 Before the Pennsylvania Public Utility Commission (Commission) for consideration and disposition is PPL Electric Utilities Corporation’s (PPL or Company) proposed calculation of its 2011/2012 Transmission Service Charge (TSC) for the application period of June 1, 2011 through May 31, 2012. PPL made its initial submission on May 2, 2011 and filed a final calculation of the TSC on May 13, 2011, updating the May 2 filing to reflect actual reconciliation results through April 30, 2011. PPL filed the 2011/2012 TSC pursuant to the procedures set forth in PPL’s Tariff – Electric Pa. P.U.C. No. 201.

**Background**

 In accordance with its TSC Rider, on April 29, 2011, PPL filed its annual reconciliation at Docket No. M-2011-2240269, and on May 2, 2011, at the instant docket, filed proposed TSC rates to become effective June 1, 2011. Both of these filings were updated on May 13, 2011, to reflect actual reconciliation results through April 30, 2011. The established TSC Rider permits PPL to recover from its retail energy customers all applicable transmission charges it incurs to acquire, on behalf of those customers, transmission service (including all ancillary service charges) from the Pennsylvania-New Jersey-Maryland Interconnection (PJM) under the PJM Open Access Transmission Tariff (OATT).

 The TSC Rider provides for the following:

* the establishment of four separate transmission service customer classes: Residential, Small Commercial and Industrial (SC&I), Large Commercial and Industrial – Primary (LC&I-Primary), and Large Commercial and Industrial – Transmission (LC&I-Transmission);
* the demand-related portion of the transmission costs are to be allocated to the four customer classes based upon kW usage from each customer class’s contribution to the five coincident peaks used to establish such demand related charges;
	+ the energy-related portion of transmission costs are to be allocated to the four customer classes based upon kWh usage;
	+ each customer class’s TSC is to be reconciled separately.

On December 16, 2010, the Commission approved Supplement No. 97

to Tariff Electric Pa. - P.U.C. No. 201 (Supplement No. 97), at Docket No.
R-2010-2208496, proposing to change the TSC computation period from a calendar year basis to a PJM Planning Year basis, which covers the twelve month period of June 1 through May 31.  Supplement No. 97 became effective January 1, 2011.  The change to the Rider revises the timing of the calculation and reconciliation periods of the TSC and does not result in an increase or decrease to a customer’s bill.  This approach is consistent with the Commission’s regulations at 52 Pa. Code § 54.185(d)(4) governing default service program elements.

In another related matter, the Commission issued an Order on May 19, 2011, at Docket No. M-2010-2213754, concerning PPL’s TSC reconciliation for the twelve months ended November 30, 2010.[[1]](#footnote-1) In that Order, the Commission deferred consideration of the February 8, 2011 Recommended Decision of Administrative Law Judge Susan D. Colwell and directed PPL to file and serve certain revised schedules and worksheets based upon the utilization of actual monthly demand factors rather than historic demand allocation factors. The basic issue under review in that proceeding is how PPL’s TSC charges should be reconciled, whether to: (1) reconcile 2010 TSC charges using the PLC that reflects the summer 2009 peaks or (2) allocate the 2010 TSC charges using some other methodology. PPL was granted fifteen days to file its revisions and the statutory advocates were granted an additional fifteen days to comment on PPL’s filing.

**Discussion**

The supporting data and calculations presented in PPL’s current TSC filing have been subjected to a detailed review by the Commission’s Bureau of Audits. The Bureau of Audits’ examination included:

* verification of mathematical computations;
* comparison of projected transmission service charges to historical transmission service charges to determine reasonableness; and
* determination of whether the filing was submitted in compliance with the TSC Rider.

Based upon the Bureau of Audits’ review, the Commission finds the Company’s TSC net over or under collected position to be mathematically accurate. We also find that the Company’s projected PJM transmission costs for the twelve month TSC application period beginning June 1, 2011 are supported by PJM’s OATT tariff and the Company’s 2011 Transmission Budget. Finally, we find that PPL’s TSC filing was made in compliance with the Company’s existing TSC Rider.

However, analysis of PPL’s filings reveals that PPL’s rates for customers in the LC&I customer groups caused a potentially sizeable overcollection that would result in a significant reduction in their TSC rates beginning June 1, 2011. The Commission is concerned that this reduction in the LC&I TSC rates will likely cause LC&I customers that are purchasing their electricity requirements from alternative suppliers to return to the default service offered by PPL. This occurrence would have the unintended consequence of refunding the entire overcollection balance in a short period of time, thereby causing an ensuing undercollection for this customer group. This potential undercollection would be borne by non-shopping customers once the currently shopping customers left default service again. Not only would the LC&I customers who contributed to the overcollection not receive the full refund to which they are entitled; non-shopping customers in this customer group would be forced to pay for a potentially massive undercollection going forward. Moreover, the Commission is concerned this distortion in prices would be disruptive to retail markets.

Therefore, in order to mitigate this situation, the Commission finds it is necessary to order PPL to refile its proposed TSC rates for the LC&I customer groups that will become effective on June 1, 2011. The refiled rates shall be determined by resetting the entire LC&I E-factor balance set forth therein to zero for the period

June 1, 2011 through May 31, 2012. Further, PPL is directed to defer all LC&I TSC reconciliation amounts and file a plan detailing how best to refund any overcollection to the LC&I customers who contributed to this overcollection during the period of

January 1, 2010 through May 31, 2011. PPL is directed to make this filing within thirty days of the issuance of a final Order in Docket No. M-2010-2213754 regarding the use of historical demand allocators and should base its calculations of any overcollections on the methodology for allocating demand identified in that docket. Affected and interested parties shall have fifteen days to reply to PPL’s plan. This directive applies only to the TSC rates for the LC&I customer groups. The Commission hereby approves the proposed TSC rates to become effective June 1, 2011, for the Residential and SC&I customer groups.

**Conclusion**

Based on the foregoing discussion, we shall approve PPL’s proposed TSC rates to become effective June 1, 2011 for the Residential and SC&I customer groups. PPL is directed to refile its proposed TSC rate for the LC&I customer groups, with such refiled rates determined by resetting the E-factor balance applicable to these customer groups to zero. Furthermore, PPL is directed to defer all LC&I TSC reconciliation amounts and file a plan detailing how best to refund any overcollections to the LC&I customers who contributed to this overcollection during the period of January 1, 2010 through

May 31, 2011; **THEREFORE**,

 **IT IS ORDERED:**

1. That PPL Electric Utilities Corporation’s projected PJM transmission service costs for the twelve month TSC application period beginning

June 1, 2011 are approved.

1. That PPL Electric Utilities Corporation’s proposed TSC rates for the Residential and Small Commercial and Industrial customer groups are approved as submitted.
2. That PPL Electric Utilities Corporation shall reset the entire Large Commercial and Industrial-Transmission and Large Commercial and Industrial-Primary customer groups E-factor balances to zero for the period of June 1, 2011 through

May 31, 2012.

1. That PPL Electric Utilities Corporation shall refile its proposed TSC rates for the Large Commercial and Industrial-Transmission and Large Commercial and Industrial-Primary customer groups effective June 1, 2011, based on the E-factor balance of zero.
2. That PPL Electric Utilities Corporation shall defer all Large Commercial and Industrial-Transmission and Large Commercial and Industrial-Primary customer groups TSC reconciliation amounts related to the period from January 1, 2010, through May 31, 2011.
3. That PPL Electric Utilities Corporation shall file a plan detailing how best to refund the overcollection to the Large Commercial and Industrial-Transmission and Large Commercial and Industrial-Primary customer groups that contributed to this overcollection during the period of January 1, 2010 through

May 31, 2011. PPL Electric Utilities Corporation shall file its plan within thirty days of the issuance of a final Order in Docket No. M-2010-2213754 and should base its calculations of any overcollections on the methodology for allocating demand identified in that docket. Affected and interested parties shall have fifteen days to reply to PPL Electric Utilities Corporation’s plan.

1. That a copy of this Order be placed in the file at Docket No.
M-2010-2213754.
2. That PPL Electric Utilities Corporation shall submit, within ten days, the appropriate tariff supplement to become effective June 1, 2011, reflecting the TSC rates as directed in this Order.
3. That PPL Electric Utilities Corporation shall properly inform its customers of all TSC rate changes for the twelve months beginning June 1, 2011.

 **BY THE COMMISSION,**

 Rosemary Chiavetta

 Secretary

(SEAL)

ORDER ADOPTED: May 19, 2011

ORDER ENTERED: May 25, 2011

1. This reconciliation is made pursuant to section 1307(e) of the Public Utility Code, 66 Pa. C.S. § 1307(e). [↑](#footnote-ref-1)