



17 North Second Street  
12th Floor  
Harrisburg, PA 17101-1601  
717-731-1970 Main  
717-731-1985 Main Fax  
www.postschell.com

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Anthony D. Kanagy

akanagy@postschell.com  
717-612-6034 Direct  
717-731-1985 Direct Fax  
File #: 2507/140056

October 17, 2012

Rosemary Chiavetta  
Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2nd Floor North  
P.O. Box 3265  
Harrisburg, PA 17105-3265

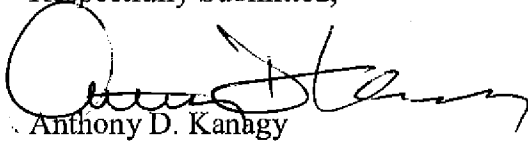
**RE: Pennsylvania Public Utility Commission, Bureau of Investigation and Enforcement  
v. PPL Electric Utilities Corporation  
Docket No. M-2012-2264635**

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Dear Secretary Chiavetta:

Enclosed please find the Reply of PPL Electric Utilities Corporation to the Comments of the Pennsylvania Utility Law Project for the above-referenced proceeding. Copies will be provided as indicated.

Respectfully Submitted,



Anthony D. Kanagy

ADK/skr  
Enclosure  
cc: Certificate of Service

**CERTIFICATE OF SERVICE**

I hereby certify that true and correct copies of the foregoing have been served upon the following persons, in the manner indicated, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

**VIA E-MAIL AND FIRST CLASS MAIL**


Michael L. Swindler, Esquire  
PA Public Utility Commission  
Bureau of Investigation & Enforcement  
400 North Street  
P.O. Box 3265  
Harrisburg, PA 17105-3265

Steven C. Gray, Esquire  
Office of Small Business Advocate  
300 North Second Street, Suite 1102  
Harrisburg, PA 17101

Irwin A. Popowsky, Esquire  
Office of Consumer Advocate  
555 Walnut Street  
Forum Place, 5th Floor  
Harrisburg, PA 17101-1923

Harry S. Geller, Esquire  
Patrick M. Cicero, Esquire  
Pennsylvania Utility Law Project  
118 Locust Street  
Harrisburg, PA 17101-1414

Date: October 17, 2012



Anthony D. Kanagy

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility	:	
Commission, Bureau of Investigation	:	
and Enforcement,	:	Docket No. M-2012-2264635
	:	
v.	:	
	:	
PPL Electric Utilities Corporation,	:	

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**REPLY OF PPL ELECTRIC UTILITIES CORPORATION  
TO THE COMMENTS OF THE  
PENNSYLVANIA PUBLIC UTILITY LAW PROJECT**

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TO THE PENNSYLVANIA PUBLIC UTILITY COMMISSION:

PPL Electric Utilities Corporation (“PPL Electric” or the “Company”) hereby files this Reply to the Comments of the Pennsylvania Public Utility Law Project (“PULP”) to the proposed Settlement entered into by PPL Electric and the Pennsylvania Public Utility Commission’s (“Commission”) Bureau of Investigation and Enforcement (“I&E”) in the above-captioned proceeding. PULP contends that the terms and conditions of the Settlement are not sufficient to deter future violations. PULP therefore recommends that, in addition to the terms and conditions of the Settlement, the Commission require PPL Electric’s shareholders to contribute \$100,000 or more to the Company’s Low Income Usage Reduction Program (“LIURP”). For the reasons explained below, as well as those set forth in the Statements in Support submitted with the Settlement, PULP’s recommendation is not appropriate and should be rejected by this Commission.

## **I. INTRODUCTION**

This matter concerns an informal investigation initiated by I&E on October 21, 2011. The purpose of the investigation was to examine PPL Electric's treatment of an account where residential electric service was terminated for nonpayment on May 24, 2011, and then again on June 20, 2011, when an unauthorized reconnection was discovered. Based on its investigation, I&E alleged that the Company violated the Public Utility Code (Chapters 14 and 15) and the Commission's regulations (Chapter 56) during contacts with a customer prior to and after termination of electric service to the residence. A brief summary of the alleged conduct is provided below.<sup>1</sup>

Service for this account was initiated on October 18, 2008. From October 18, 2008 through June 1, 2011, the customer's actual bills were over \$4,200.00 but the customer only made 3 payments totaling \$563.00 for the same time period. Moreover, between December 12, 2008 and April 29, 2011, the customer claimed a "medical" condition six (6) different times. For each of these situations, PPL Electric did not receive notification from a licensed doctor or nurse practitioner regarding a medical condition for the customer.

PPL Electric sent a notice of overdue balance to the customer on May 2, 2011, with an amount due of \$5,325.71 and termination scheduled for May 19, 2011. On May 9, 2011, the customer initiated telephone contact with a PPL Electric Customer Service Representative ("CSR") and agreed to a payment arrangement of \$2,711.00 due May 18, 2011, and installments of \$176.00 per month thereafter. The customer did not make the required payment on May 18, 2011.

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<sup>1</sup> A more thorough discussion of the background and alleged conduct is provided in Paragraphs 10-21 of the Settlement.

On May 19, 2011, a third party called to request that the customer's service be put in her name. As a result, the date for termination of the customer's electric service was extended from May 19, 2011 to June 3, 2011. Soon thereafter, PPL Electric discovered that the third-party already lived at the customer's house and, therefore, PPL Electric removed the extension of the date for termination. Due to an administrative error, the removal of the grace extension was not communicated to the customer. On May 24, 2011, electric service to the customer's residence was disconnected by the Company for non-payment of bills.

On May 25, 2011, the customer's electric service was reconnected without the knowledge or authorization of PPL Electric. Specifically, someone had tampered with the termination of service red seal, removed the blocking boots from the meter base, and reconnected service. On June 20, 2011, the Company again terminated the customer's service and placed a security lock on the meter.

On August 3, 2011, approximately six weeks after PPL Electric had terminated service, PPL Electric was advised telephonically by the customer's landlord that the customer was deceased.<sup>2</sup> On August 4, 2011, PPL Electric submitted notification of the death of the customer pursuant to 52 Pa. Code § 56.100(j). By letter to PPL dated October 21, 2011, I&E instituted an informal investigation, alleging that PPL Electric violated provisions of the Public Utility Code and the Commission's regulations concerning dispute and termination procedures.

During its investigation, I&E requested that PPL Electric provide additional information related to the customer's contacts with the Company's CSRs. PPL Electric undertook an extensive investigation of the events related to the termination of and subsequent contacts with the customer, and fully cooperated with and assisted I&E with its investigation. While PPL

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<sup>2</sup> The newspaper obituary indicated that the customer had died of natural causes.

Electric does not admit to any of the violations alleged by I&E, the Company has been cooperative and proactive with I&E related to identifying practices and procedures that can be further improved to help PPL Electric enhance its customer service and to satisfy the commitments that I&E has required in the settlement process.

On April 23, 2012, I&E and PPL Electric filed a Settlement and submitted Statements in Support. The Settlement fully resolves all issues related to I&E's investigation of PPL Electric's treatment of the residential account in question. The Settlement reflects a carefully balanced compromise of the interests of all stakeholders.

On September 23, 2012, the Commission issued an Opinion and Order requesting interested parties to file comments to the Settlement. On October 3, 2012, PULP filed Comments arguing that the terms and conditions of the Settlement are not sufficient to deter future violations. PULP therefore recommends that, in addition to the terms and conditions of the Settlement, the Commission require PPL Electric's shareholders to contribute \$100,000 or more to LIURP. For the reasons explained below, PULP's recommendation is not appropriate and should be rejected by this Commission.

## **II. REPLY TO PULP'S COMMENTS**

### **A. THE COMMISSION SHOULD NOT EXERCISE ITS AUTHORITY TO PROPOSE CHANGES TO THE SETTLEMENT**

In its Comments, PULP states that the Commission has the authority to modify the terms of a settlement agreement. (PULP Comments, p. 3.) PPL Electric agrees that the Commission has the power to propose changes to a settlement agreement; however, the Commission cannot unilaterally change this Settlement absent agreement of both the parties. Indeed, the Settlement provides that the terms and conditions of the Settlement may not be modified absent written

consent by the parties, and that the parties have the right to withdraw from the Settlement and litigate the proceeding if the Settlement is modified. (Settlement ¶¶ 39-40.) The Commission can either accept, reject or propose changes to a settlement that it deems are necessary for approval. If the Commission proposes changes to the settlement, then parties can accept or not accept the Commission's proposed changes. If the parties do not accept the Commission's proposed changes, the matter is sent to litigation. PPL Electric does not believe that the Commission should propose changes to settlements absent a significant change in circumstances, and certainly does not believe that any changes to this Settlement are warranted in this proceeding.

In reviewing a settlement, the Commission must determine whether the proposed terms and conditions are in the public interest. *Pennsylvania Public Utility Commission v. Columbia Gas of Pennsylvania, Inc.*, Docket No. C-2010-2071433, 2012 Pa. PUC LEXIS 1377 at \*6 (August 31, 2012). Importantly, the parties to a settlement undertake significant efforts to fully and amicably resolve their respective disputes by compromising their often diverse and competing positions, and to prepare a settlement that the parties believe is in the public interest. Rather than considering some hypothetical settlement that was not agreed to by the parties, the Commission should review the actual settlement presented for its review and determine whether the terms and conditions, as presented, are in the public interest.

Commission policy clearly promotes settlements. *See* 52 Pa. Code § 5.231. Settlements lessen the time and expense that the parties must expend litigating a case and, at the same time, conserve precious administrative resources. Settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding. If the Commission begins a practice of proposing changes to settlement agreements, parties will be discouraged from settling because

they will face substantial uncertainty regarding whether settlement agreements will be accepted or modified. Eliminating uncertainty is a significant factor that a party considers when determining whether to enter into a settlement agreement.

For the reasons explained below, as well as those set forth in the Statements in Support of the Settlement, the Settlement is just, reasonable, and in the public interest and, therefore, should be approved without any changes.

**B. PULP'S PROPOSED MODIFICATIONS OF THE SETTLEMENT SHOULD NOT BE ACCEPTED**

Under the terms of the Settlement, PPL Electric agreed to undertake new initiatives to monitor and further enhance its customer service. Specifically, PPL Electric has agreed to the following new customer service initiatives:

- (i) Deliver targeted training to its call center personnel to review its policy and procedure for customers with disputes, including identification of what qualifies as a dispute and the handling of a customer dispute concerning the erroneous termination of service.
- (ii) Monitor CSR calls and Prepare a call monitoring report that assesses customer satisfaction and identifies disputes.
- (iii) Host Commission staff for the purpose of directly monitoring random incoming calls to PPL Electric's call centers, and to receive feedback to identify any compliance or customer service concerns.
- (iv) Conduct a series of "situational workshops" for customer call center supervisors to present and discuss the issue of dispute identification and handling, erroneous termination of service, as well as to provide an opportunity to promote interaction and learning and offer coaching and guidance regarding dispute recognition and handling.

(Settlement ¶¶ 32(a), (c), (e), (f).) Further, PPL Electric agreed to provide the Commission with reports/notifications for each of these new measures designed to further improve customer service. (Settlement ¶¶ 32(b), (d), (g), (h).) Finally, PPL Electric agreed to pay a civil settlement amount of thirty thousand dollars (\$30,000) and make a contribution of fifteen thousand dollars



(\$15,000) to Operation HELP. (Settlement ¶ 32(i).) PPL agreed not to seek recovery of any portion of this payment or contribution in a future ratemaking proceeding. (Settlement ¶ 35.)

In its Comments, PULP contends that the terms and conditions of the Settlement are not sufficient to deter future violations. Although PULP has not offered or recommended any specific additional measures designed to improve customer service or otherwise prevent the alleged conduct from recurring, PULP recommends that additional corrective measures and longer monitoring of operations are needed to adequately prevent future violations. (PULP Comments, p. 8.) PULP further recommends that, in addition to the civil penalties and contribution amount provided for in the Settlement, the Commission should require PPL Electric's shareholders to contribute \$100,000 or more to the LIURP. (PULP Comments, p. 11.) PPL Electric separately addresses each of PULP's recommendations below. For the reasons explained below, PULP's non-financial and financial modifications to the Settlement should be rejected.

**1. PULP's Non-Financial Modifications Of The Settlement Should Be Rejected.**

In support of its contention that the Settlement should be modified to include additional measures to improve customer service, PULP argues that the Settlement's commitments to monitor and further enhance its customer service are duplicative of efforts previously agreed to by the Company in prior settlements. PULP therefore recommends that the Settlement be modified to provide for additional, unknown corrective measures and longer monitoring operations. (PULP Comments, pp. 4-8.)

PULP argues that the customer service initiatives in the Settlement are duplicative of commitments previously agreed to by PPL Electric in several recent settlements.<sup>3</sup> Although each of these Commission-approved settlements provided for specific measures to improve customer service, the customer service commitments in those prior settlements clearly are different than those agreed to by PPL Electric in this proceeding. PULP simply disregards that the customer service measures agreed to in the pending Settlement are, in fact, new.

Further, PULP has failed to demonstrate that the measures adopted in the prior settlements did not improve customer service or that the violations alleged in those proceedings have recurred. PPL Electric notes that, on average, the Company's CSRs handle 10,000 calls daily. Research from customer transactions surveys (internal and external) shows that most customers give the Company very high marks. The Commission's regulations require electric utilities and gas utilities to use a third-party evaluator to conduct transaction surveys to determine customers' level of satisfaction. A research firm from New York, Metrix Matrix, conducts this survey for utilities in Pennsylvania. Results for PPL Electric in 2012 reveal that customers are very satisfied with the quality of service provided by CSRs. For example, from January 1, 2012 through June 30, 2012, customer ratings for CSRs' courtesy, knowledge and overall satisfaction were 97 percent, 94 percent, and 92 percent, respectively. Further, on July 12, 2012, J.D. Power & Associates ranked PPL Electric first in residential customer satisfaction among electric utilities in the eastern United States. This award is the Company's eighteenth overall J.D. Power award since JD Power began studying electric utilities.

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<sup>3</sup> PULP cites to the settlements in *Law Bureau Prosecutory Staff Informal Investigation of the PPL Electric Utilities Corporation Residential Service Terminations*, Docket No. M-00061942 (Aug. 21, 2006), *Pa. PUC Law Bureau Prosecutory Staff v. PPL Electric Utilities Corporation*, Docket No. M-2009-2058182 (Nov. 23, 2009), *Pa. PUC Law Bureau Prosecutory Staff v. PPL Electric Utilities Corporation*, Docket No.M-2009-2059414 (Nov. 23, 2009), and *Pa. PUC Law Bureau Prosecutory Staff v. PPL Electric Utilities Corporation*, Docket No.M-2011-2196342 (Oct. 14, 2011).

PPL Electric believes that its conduct in this matter was lawful, appropriate, and in compliance with the Public Utility Code, Commission regulations, and applicable Commission orders. The Company recognizes, however, that all aspects of its operations, including customer service, are subject to potential and continued improvement. As a result of this investigation, PPL Electric and I&E have identified certain areas of the Company's customer service operations and procedures that can be improved. The measures set forth in the Settlement in this proceeding have been tailored to address these specific customer service operations and procedures. PPL Electric submits that the improvements that it has agreed to undertake in the proposed Settlement may further enhance PPL Electric's quality of customer service and, therefore, are in the public interest.

**2. PULP's Financial Modifications Of The Settlement Should Be Rejected.**

PULP contends that the \$30,000 civil settlement and \$15,000 contribution to Operation HELP provided for in the Settlement are insufficient to deter future violations.<sup>4</sup> PULP therefore proposes that the Settlement be modified to impose an additional contribution of \$100,000 or more paid by shareholders, and that this additional amount be contributed to LIURP. For the reasons explained below, PULP's proposed modification to the financial provisions of the Settlement should not be accepted.

**a. PULP's Recommended \$100,000 Contribution Amount Is Contrary To the Public Utility Code and Inconsistent With the Commission's Policy Statement.**

Preliminarily, it must be noted that PULP's proposed additional contribution amount would exceed the maximum civil penalty that may be assessed under the Public Utility Code. PPL Electric recognizes that the contribution amount is not a civil penalty but believes that the

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<sup>4</sup> PPL agreed not to seek recovery of any portion of this payment or contribution in a future ratemaking proceeding. (Settlement ¶ 35.)

total civil penalties and contribution amount cannot exceed the maximum civil penalty provided for by statute. The statutory authority for the Commission to impose civil penalties for violations of the Public Utility Code, Commission regulations, and applicable Commission orders is found in Section 3301 of the Public Utility Code. 66 Pa.C.S. § 3301. Section 3301 provides that the Commission may impose a maximum penalty of \$1,000 per day for each violation. 66 Pa.C.S. § 3301; *Newcomer Trucking, Inc. v. Pennsylvania Public Utility Commission*, 531 A.2d 85 (Pa. Cmwlth. 1987). Thus, the Commission is statutorily authorized to impose a penalty that ranges from a minimum of \$0 to a maximum of \$1,000 per day for each separate violation.

Under PULP's proposed modification, PPL Electric would be assessed a minimum combination of civil penalties and contribution amount of \$145,000 (\$30,000 civil penalty to the Commonwealth + \$15,000 contribution to Operation HELP + \$100,000 "or more" contribution proposed by PULP). Even assuming that the maximum civil penalty amount is warranted in this case, which PPL Electric denies, PPL Electric would have committed at least 145 violations under PULP's proposed modification. A review of the Settlement clearly reveals that I&E alleged only a few very specific and discrete violations of the Public Utility Code and Commission regulations, which were nowhere near the 145-plus violations implied by PULP's proposal.<sup>5</sup> In essence, PULP is asking this Commission to do something it cannot, impose civil

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<sup>5</sup> PPL Electric submits that I&E alleged five different, discrete violations that allegedly resulted in the customer's electric service being terminated ten days prior to the date that the customer expected. If proven, and the maximum penalty were awarded, the statutorily authorized maximum penalty that could have been imposed had the case not settled would have been \$50,000 (5 violations x 10 days x \$1,000 maximum penalty per day per violation). Here, the proposed Settlement provides that PPL Electric will pay a combined civil penalty and contribution amount of \$45,000 (\$30,000 civil penalty to the Commonwealth + \$15,000 contribution to Operation HELP). Clearly, PPL Electric has agreed to pay almost the maximum amount that could statutorily be imposed, despite the matter being resolved through settlement rather than litigation.

penalties and contribution amounts that are beyond the explicit authority granted by the General Assembly.<sup>6</sup>

Further, PULP's proposal to increase the contribution amount by \$100,000 is inconsistent with the Commission's Policy Statement that sets forth the ten factors that the Commission may consider in evaluating whether a penalty for violating the Public Utility Code, Commission regulation, or Commission order is appropriate, as well as whether a proposed settlement for a violation is reasonable and in the public interest.<sup>7</sup> 52 Pa. Code § 69.1201. The Commission does not apply these factors as strictly in settled cases as in litigated cases. 52 Pa. Code § 69.1201(b). While many of the same factors may still be considered, in settled cases the parties "will be afforded flexibility in reaching amicable resolutions to complaints and other matters so long as the settlement is in the public interest." 52 Pa. Code § 69.1201(b).

The first factor considers whether the conduct at issue was of a serious nature and, if so, whether the conduct may warrant a higher penalty. PPL Electric recognizes that the improper termination of essential utility service is a serious concern. However, if this matter had proceeded to litigation, the focus of the litigation would not have been on the fact that the customer's service was terminated; rather, it would have been on the fact that the service was terminated prematurely. Indeed, I&E explained as follows:

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<sup>6</sup> The powers granted to the Commission by the Pennsylvania General Assembly are strictly limited to those enumerated in the Public Utility Code. *See Pickford v. Pa. PUC*, 4 A.3d 707, 713 (Pa. Cmwlth. 2010) ("As a creature of legislation, the Commission possesses only the authority the state legislature has specifically granted to it in [the Code]").

<sup>7</sup> These ten factors are: (i) Whether the conduct at issue was of a serious nature; (ii) Whether the resulting consequences of the conduct at issue were of a serious nature; (iii) Whether the conduct at issue was deemed intentional or negligent; (iv) Whether the regulated entity made efforts to modify internal policies and procedures to address the conduct at issue and prevent similar conduct in the future; (v) The number of customers affected and the duration of the violation; (vi) The compliance history of the regulated entity that committed the violation; (vii) Whether the regulated entity cooperated with the Commission's investigation; (viii) The amount of the civil penalty or fine necessary to deter future violations; (ix) Past Commission decisions in similar situations; and (x) Other relevant factors. 52 Pa. Code § 69.1201(c).

The failure of the CSRs to recognize and address the crux of the customer's complaint that his service was terminated prior to the date that he had been told it would be terminated for non-payment, which should have at least temporarily postponed termination of the customer's electric service, departed from the Company's duty to furnish and maintain adequate, efficient, safe and reasonable service. However, Prosecutory Staff acknowledges that this customer did have a history of non-payment and engaged in other acts such as reactivating electric service from the Company's facilities by unauthorized means after PPL's termination of service, which, the Company would argue, ultimately justifies termination action. Thus, the basis of the complaint and the focus of litigation had this matter proceeded to an evidentiary hearing, would not be that the customer's service should not have been terminated, but only that the service was terminated prematurely.

(I&E Statement in Support, pp. 9-10.) The terms and conditions of the Settlement adequately take the alleged conduct into account. An increase in the contribution amount, as proposed by PULP, is not warranted under the first factor.

The second factor considered is whether the resulting consequences of PPL Electric's alleged conduct were of a serious nature. The Commission deems termination of electric service to a residential customer to be a serious event. However, the termination of the customer's electric service in this case were justified due to the amount owed by the customer and the unauthorized reconnection of electric service. Although electric service was terminated earlier than the customer expected, the customer's service likely would have been terminated shortly thereafter. (I&E Statement in Support, p. 10.) The terms and conditions of the Settlement acknowledge the seriousness of the incident and are designed to help PPL Electric enhance customer service to better recognize customer disputes related to premature termination. An increase in the contribution amount, as proposed by PULP, is not warranted under the second factor.

The third factor to be considered in this case, namely, whether PPL Electric's alleged conduct was intentional or negligent, does not apply to the present case because this proceeding

is a settled matter. To the extent this factor is to be considered, there has been no finding that PPL Electric's conduct was either intentional or negligent in nature.

The fourth factor to be considered is whether PPL Electric made efforts to modify internal policies and procedures to address the alleged conduct at issue and to prevent similar conduct in the future. In 2012, the Company provided training to all of its CSRs and their supervisors regarding reducing customer complaints in the first quarter and call handling expectations (assessing satisfaction, identifying disputes, etc.) in the second quarter. PPL Electric has scheduled additional compliance-related training for all CSRs during the third quarter. Further, as explained above, PPL Electric has been repeatedly recognized for its exceptional customer service. Finally, per the terms of the Settlement, PPL Electric has now agreed to additional new measures that will further enhance the Company's customer service. An increase in the contribution amount, as proposed by PULP, is not warranted under the fourth factor.

The fifth factor to be considered deals with the number of customers affected and the duration of the violation. In this case, only one customer was affected by the alleged conduct, the premature termination of electric service. According to the allegations by I&E, the customer's electric service was terminated ten days prior to the date communicated to the customer. However, as explained above, the termination of the customer's electric service in this case was justified due to the amount owed by the customer and the unauthorized reconnection of electric service. Although electric service was terminated earlier than the customer expected, the customer's service likely would have been terminated shortly thereafter. (I&E Statement in Support, p. 10.) The terms and conditions of the Settlement adequately take into account the

number of customers affected and the duration of the violation. An increase in the contribution amount, as proposed by PULP, is not warranted under the fifth factor.

The sixth factor considered is the compliance history of PPL Electric. Citing to the prior settlements discussed above, PULP submits that the violations alleged in this case are recurring violations with serious consequences. (PULP Comments, p. 10.) However, as explained above, the alleged conduct in the prior settlements, as well as the customer service commitments agreed to therein, are distinctly different than the alleged conduct in this proceeding. Furthermore, it should be noted that from November 2007 through July 2012, the Commission has conducted only six separate informal investigations involving PPL Electric, including the pending matter.<sup>8</sup> The Settlement evidences PPL Electric's good faith efforts to further enhance customer service, consistent with the purposes of the Code and the Commission's regulations. The terms and conditions of the Settlement adequately take into account PPL Electric's compliance history. An increase in the contribution amount, as proposed by PULP, is not warranted under the sixth factor.

The seventh factor considered is whether the regulated entity cooperated with the Commission's investigation. PPL Electric has supported and cooperated fully with the Commission and its staff throughout its investigation, as well as the settlement process. An increase in the contribution amount, as proposed by PULP, is not warranted under the seventh factor.

The eighth factor is whether the amount of the penalty or fine will deter future violations. PPL Electric submits that a combined civil penalty and contribution amount of \$45,000 (\$30,000 to the Commonwealth + \$15,000 contribution to Operation HELP), which may not be recovered

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<sup>8</sup> See Docket Nos. M-2008-2057562, M-2008-2059414, M-2009-2058182, C-2009-2105583, M-2011-2196342, M-2012-2264635.



through rates regulated by the Commission, is quite substantial and sufficient to deter future violations. PPL Electric believes that the penalty and contribution amount set forth in the Settlement appropriately recognizes the Company's good faith efforts to comply with the Public Utility Code and Commission's regulations, and will deter the same or similar as alleged in this proceeding. An increase in the contribution amount, as proposed by PULP, is not warranted under the eighth factor.

The ninth factor examines past Commission decisions in similar situations. When all relevant factors are taken into account, the Settlement is not inconsistent with past Commission actions. Moreover, since this is a settled matter, it should be considered on its own merits. An increase in the contribution amount, as proposed by PULP, is not warranted under the ninth factor.

Relative to the tenth factor, the PPL Electric submits that an additional relevant factor is of pivotal importance to the Settlement. A settlement avoids the necessity for the prosecuting agency to prove elements of each allegation. In return, the opposing party in a settlement agrees to a lesser fine or penalty, or other remedial action. Both parties negotiate from their initial litigation positions. The fines, penalties, and other remedial actions resulting from a fully litigated proceeding are difficult to predict and can differ from those that result from a settlement. Reasonable settlement terms can represent economic and programmatic compromise but allow the parties to move forward and to focus on implementing the agreed upon remedial actions. An increase in the contribution amount, as proposed by PULP, is not warranted under the tenth factor.

Based on the foregoing, the Settlement is consistent with the ten factors to be considered under the Commission's Policy Statement. The terms and conditions of the Settlement

appropriately and adequately take into account the efforts and actions of PPL Electric. For these reasons, PULP's recommendation that the Commission increase the contribution amount by \$100,000 or more should be rejected, and the Commission should approve the Settlement without modification.

**b. PULP's Recommendation That PPL Electric Pay The Additional Contribution To LIURP Should Be Rejected.**

PPL Electric's free weatherization program or LIURP is known as WRAP. PULP recommends that the Commission impose an additional contribution to PPL Electric's WRAP program. PULP contends that a shareholder contribution of \$100,000 or more to WRAP would serve the public purpose of reducing electric usage, assist low-income customers, and reduce the costs of other ratepayers who pay the costs of other customer assistance programs. (PULP Comments, p. 11.) PULP's recommendation is not appropriate and should not be adopted.

First, as explained above, PULP's recommendation that the Commission impose an additional contribution of \$100,000 or more is inconsistent with 66 Pa.C.S. § 3301 and the Commission's Policy Statement at 52 Pa. Code § 69.1201. For this reason alone, PULP's recommendation should be rejected.

Second, PULP disregards that PPL Electric has committed as part of the proposed Settlement to pay a contribution of \$15,000 to Operation HELP, without seeking recovery of any portion of this payment in a future ratemaking proceedings. Operation HELP is a hardship fund for customers with household incomes at or below 200 percent of the federal poverty level. This contribution under the proposed Settlement will further assist low-income customers.

Third, all of PPL Electric's current universal service programs, including WRAP, and their funding levels have been approved by the Commission. On May 5, 2011, the Commission entered an Order at Docket No. M-2010-2179796, approving PPL Electric's 2011-2013

Universal Service and Energy Conservation Plan (“Plan”). Pursuant to the Order, the programs in the Plan will remain in effect as approved through the end of 2013. Under this process, Plans are reviewed every three years. On June 1, 2013, PPL Electric will submit its plan for the years 2014-2016 to the Commission’s for review and approval. There, PPL Electric will propose any necessary or appropriate changes to its current programs and services for low-income customers. The Plan review process is also an appropriate forum for participation by organizations that have a substantial interest in universal service issues but do not have substantial interest in rate case issues, such as the Commission’s Bureau of Consumer Services. PPL Electric believes that the triennial Plan review process is the proper forum for addressing changes to universal service programs, including funding levels for WRAP.

Finally, PULP has failed to demonstrate that PPL Electric’s LIURP program is not adequately funded. It is important to note that PPL Electric’s funding for its weatherization programs has significantly increased to reflect the increase in the low-income customer population. For example, from 2008 through 2011, total expenditures for WRAP have increased by 128.4 percent, from \$7.71 million to \$17.61 million. This increase includes both the traditional LIURP and the effects of the implementation of Act 129 WRAP in 2010.

From the implementation of PPL Electric’s LIURP in 1985 through 2011, PPL Electric has expended approximately \$128.4 million to provide weatherization services to nearly 70,000 households. In addition, through Act 129 WRAP, PPL Electric will expend another \$29.2 million by May 31, 2013 to assist about 13,000 additional households. PPL Electric also has proposed to continue the low-income weatherization into Phase II of Act 129, which will provide overall funding at about \$16 million – \$8 million for the WRAP Program, and an additional \$8 million for the Act 129 WRAP.

By ignoring the increases in funding of the LIURP and by ignoring the increases in funding of similar weatherization services provided under Act 129 WRAP, PULP has ignored the substantial expansions of funding for those related weatherization programs that have occurred in the past and will continue in the future.

Based on the foregoing, PULP's recommendation that the Commission impose an additional contribution of \$100,000 or more to increase to the funding of PPL Electric's LIURP should be rejected.

### **III. CONCLUSION**

Through cooperative efforts and the open exchange of information, I&E and PPL Electric have arrived at a settlement that resolves all issues in the proceeding in a fair and equitable manner. The proposed Settlement resolves all issues and concerns related to the alleged premature termination of a customer's electric service. The Settlement is consistent with the ten factors to be considered under the Commission's Policy Statement. The terms and conditions of the Settlement appropriately and adequately take into account the efforts and actions of PPL Electric.

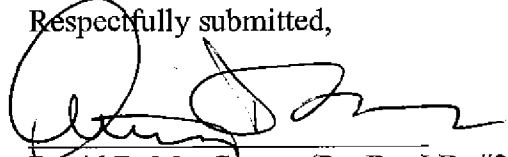
Further, and more importantly, the proposed Settlement provides significant public benefits to all customers by committing to additional new measures that will further enhance the quality of PPL Electric's customer service. In addition, the civil settlement and contribution amounts provided for by the proposed Settlement are consistent with Section 3301 of the Public Utility Code, 66 Pa.C.S. § 3301, and the ten factors set forth in the Commission's Policy Statement, 52 Pa. Code § 69.1201(c), and will deter similar future violations. Finally, PPL Electric's LIURP program is reviewed and approved by the Commission, and is adequately funded pursuant thereto.

PULP has failed to demonstrate that additional corrective measures are necessary to resolve the alleged conduct and to deter future violations. PULP also has failed to demonstrate that an additional contribution of \$100,000 or more is justified by the circumstances of this matter. Finally, PULP has failed to demonstrate that PPL Electric's LIURP program is not adequately funded.

Based on the foregoing, PULP's recommendation that the Commission require PPL Electric's shareholders to contribute \$100,000 or more to LIURP should be rejected. PPL

Electric fully supports the proposed Settlement and respectfully requests that the Commission approve the Settlement in its entirety, without modification.

Respectfully submitted,



Paul E. Russell (Pa. Bar I.D. #21643)  
Associate General Counsel  
PPL Services Corporation  
Two North Ninth Street  
Allentown, PA 18101  
Phone: 610-774-4254  
Fax: 610-774-6726  
E-mail: perussell@pplweb.com

David B. MacGregor (Pa. Bar I.D. #28804)  
Post & Schell, P.C.  
Four Penn Center  
1600 John F. Kennedy Boulevard  
Philadelphia, PA 19103-2808  
Phone: 215-587-1197  
Fax: 215-320-4879  
E-mail: dmacgregor@postschell.com

Of Counsel:

Post & Schell, P.C.

Dated: October 17, 2012

Anthony D. Kanagy (ID # 85522)  
Post & Schell, P.C.  
17 North Second Street  
12th Floor  
Harrisburg, PA 17101-1601  
Phone: 717-612-6034  
Fax: 717-731-1985  
E-mail: akanagy@postschell.com

Attorneys for PPL Electric Utilities Corporation