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June 27, 2013

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

VIA ELECTRONIC FILING

**RE: PPL Electric Utilities Corporation Transmission Service Charge
Effective June 1, 2011; Docket No. M-2011-2239805**

Dear Secretary Chiavetta:

Enclosed for filing with the Pennsylvania Public Utility Commission is the PP&L Industrial Customer Alliance's Answer to Petition of PPL Electric Utilities Corporation For Approval To Refund Certain Transmission Service Charges in the above-referenced proceeding.

As shown by the attached Certificate of Service, all parties to this proceeding are being duly served. Thank you.

Very truly yours,

McNEES WALLACE & NURICK LLC

By 

Adeolu A. Bakare

Counsel to PP&L Industrial Customer Alliance

Enclosures

c: Certificate of Service

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing document upon the participants listed below in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

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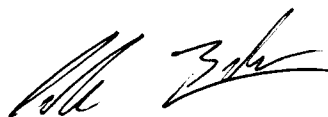
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Adeolu A. Bakare

Counsel to PP&L Industrial Customer Alliance

Dated this 27th day of June, 2013, at Harrisburg, Pennsylvania.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PPL Electric Utilities Corporation :
Transmission Service Charge Effective : Docket No. M-2011-2239805
June 1, 2011 :

**PP&L INDUSTRIAL CUSTOMER ALLIANCE'S ANSWER TO
PETITION OF PPL ELECTRIC UTILITIES CORPORATION
FOR APPROVAL TO REFUND CERTAIN TRANSMISSION SERVICE CHARGES**

Pursuant to 52 Pa. Code § 5.61, the PP&L Industrial Customer Alliance ("PPLICA") submits this Answer to the Petition of PPL Electric Utilities Corporation ("PPL" or "Company") for Approval to Refund Certain Transmission Service Charges ("Refund Petition").

I. INTRODUCTION

1. On June 7, 2013, PPL filed a Petition with the Pennsylvania Public Utility Commission ("PUC" or "Commission"), proposing to refund certain Transmission Service Charge ("TSC") overcollections to certain Large C&I customers. Although the TSC is a Section 1307 automatic adjustment rider, PPL requests Commission approval to refund overcollected TSC revenues through a one-time TSC Bill Credit.

2. The Refund Petition is only the latest PPL development in an unfortunate progression of errors and complications with Large C&I TSC overcollections dating back to November 2009. First, PPL submitted a December 2009 TSC Reconciliation Report showing TSC overcollections from Large C&I – Primary and Large C&I – Transmission customers of \$3.8 million and \$5.2 million. This initial overcollection arose from a 2009 settlement modifying PPL's Federal Energy Regulatory Commission ("FERC") formula transmission rate. Second, on January 1, 2010, PPL's generation rate caps expired, leading to the migration of most

Large C&I customers to retail competition. As a result of exodus of Large C&I customers from default service, PPL's 2010 TSC Reconciliation failed to fully refund the overcollection because the Company calculated the reconciliation based on sales projections developed without consideration for flight to competitive retail. Third, after completing the 2010 TSC Reconciliation, PPL disclosed that the Company further distorted the overcollection by improperly calculating its 2010 TSC charges with 2008 demand data instead of more recent 2009 data.

3. The complications with PPL's 2010 TSC Reconciliation prompted Commission action. By Order entered May 19, 2011, at Docket No. M-2010-2213754 ("May 19 Order"), the Commission initiated an Investigation into PPL's 2010 TSC Reconciliation ("TSC Investigation") and raised questions concerning PPL's reconciliation methodologies, including the Company's use of stale demand data and failure to allocate PJM transmission costs appropriately amongst the various customer classes.¹ *May 19 Order*, at 3. The Commission further required PPL to file data responses reflecting adjustments to the initially filed TSC Reconciliation. *Id.* at 4.

4. On June 20, 2011, we filed Comments on behalf of PPLICA at Docket No. M-2010-2213754. Our Comments alleged that both PPL's use of stale demand data and improper allocation of PJM transmission service charges contributed to understated TSC overcollections.

5. Meanwhile, by Order entered May 25, 2011, at the above-captioned docket ("May 25 Order"), the Commission revised PPL's 2011 TSC by directing PPL to defer further reconciliation of the overcollection balances and refile its proposed TSC rates for Large C&I customer groups to be effective June 1, 2011. *May 25 Order*, at 6. The Commission also

¹ In addition to investigation PPL's 2010 TSC Reconciliation, the Commission also opened a general investigation into statewide TSC reconciliation methodologies at Docket No. M-2011-2239714.

required PPL to file a plan detailing the best means of refunding any overcollection to Large C&I customers who contributed to such overcollection during the period of January 1, 2010, through May 31, 2011. *Id.* The PUC directed that such plan be filed within thirty days of issuance of a final Order in the TSC Investigation. *Id.*

6. Unfortunately, the Commission has not yet issued a Final Order in the TSC Investigation and therefore has not authorized PPL to file a plan for refunding the overcollected TSC revenues.²

II. ANSWER

7. To address the above events, PPL proposed to refund overcollections of \$633,000 for Large C&I Primary customers and \$5,374,000 for Large C&I – Transmission customers, through its TSC Refund Plan. The TSC Refund Plan would implement a one-time TSC Bill Credit applicable to all Large C&I customers that: (1) were served through PPL's default service in 2009; and (2) continue to take default and/or distribution service from PPL today. While PPLICA has previously encouraged the Commission to act expeditiously with regards to PPL's overcollections and the necessity to return the revenues to customers, the TSC Refund Plan presents the unusual circumstances of PPL offering refunds before the Commission completes its investigation of the underlying activities. Accordingly, PPLICA is still evaluating the mechanics, mechanisms, and representations in the Refund Petition. As discussed herein, PPLICA believes the Refund Petition could potentially be implemented to the benefit of customers, but only after certain critical questions and issues are resolved.

8. PPL's proposed TSC Refund Plan outlines a generally reasonable structure for refunding Large C&I TSC overcollections, but requires further review and potential modification

² Similarly, the Commission has not entered an Order in the statewide TSC Investigation at Docket No. M-2011-2239714 [hereinafter "*Statewide Investigation*"].

prior to implementation. Because the TSC applies only to customers currently taking default service, refunding the overcollections through the TSC Rider would prejudice the customers that paid into the overcollection while taking default service in 2009, but are currently served by competitive suppliers. The Commission has previously observed that refunding the large overcollections through a standard TSC Rider, would create a negative TSC charge and distort the competitive market. *May 25 Order*, at 5. PPL's TSC Refund Plan avoids customer discrimination and market distortion by providing a one-time refund of TSC overcollections to all Large C&I customers currently taking distribution service from PPL rather than just the limited number of Large C&I customers remaining on default service.³ *Refund Petition*, at 12. Unfortunately, the TSC Refund Plan still presents issues of great concern for PPL's Large C&I customers.

9. First, the application of interest to PPL's TSC overcollections remains unclear. As indicated above, the overcollections at issue date back to 2009, meaning that PPL has remained in possession of customer funds for approximately four (4) years. With such prolonged duration, accumulated interest on the TSC overcollections should be substantial. The importance of monitoring and verifying PPL's interest calculations is particularly critical in light of the TSC Refund Plan's divergence from the traditional 1307 reconciliation structure.

10. Second, PPL must clarify the treatment of overcollections attributable to former customers that are no longer on the system. For current PPL customers, the applicable TSC Bill Credit would be calculated as a "specific dollar amount for each eligible customer." *Refund Petition*, p. 13. Due to administrative difficulties, the TSC Refund Plan deems customers that have left PPL's system ineligible for refunds even if such customers contributed to the

³ PPLICA notes that the TSC Refund Plan appropriately calculates the payment due to Large C&I-Transmission customers based on each customer's peak load contribution for December 2009. *TSC Refund Petition*, at 13 n. 13. Large C&I-Primary customers receive payments commensurate with each customer's billed demand. *Id.*

overcollections in 2009. This structure creates an allocation issue with regards to any overcollections paid by customers no longer taking distribution service on PPL's system. As administrative and logistical difficulties preclude returning the overcollection to such customers, the most reasonable alternative becomes allocating the "lost" overcollections fairly amongst remaining Large C&I customers. In no event should PPL retain such overcollections or issue refunds in any way generating cross-subsidies between customer classes.

11. Finally, and perhaps most importantly, the total amount of overcollected revenues due to PPL's Large C&I customers remains unclear. As set forth above, the Commission's TSC Investigation remains pending, preserving the possibility of further adjustment to PPL's overcollection balances. PPL somewhat addresses the TSC Investigation in the Refund Petition, claiming that the "demand allocation" issues raised in the TSC Investigation were resolved in the Company's recent Default Service Plan ("DSP") proceeding. *Refund Petition*, at 10-11. However, the referenced DSP proceeding confirmed only the prospective use of demand data for developing TSC rates. *Id.* Potential retroactive adjustments to the 2010 TSC Reconciliation remain before the Commission in the TSC Investigation, the total amounts of which may grow as a result of the Commission's disposition of the use of stale demand data and improper demand allocators.⁴ *Id.* The Commission obviously recognized the possibility of further adjustments by specifically directing PPL to file a plan proposing how to refund the overcollections only after entry of a Final Order in the TSC Investigation docket. *See May 25 Order*, at 5.

12. While PPLICA generally supports PPL's efforts to address the longstanding TSC overcollections, the Commission should not approve a refund mechanism prior to confirming the total revenues due to PPL's Large C&I customers. At this point, neither the Refund Petition nor

⁴ Even the prospective result achieved through PPL's DSP proceeding remains subject to further adjustment pending the Commission's stalled Statewide Investigation.

the data furnished by PPL in the TSC Investigation clarify the specific adjustments generating PPL's current overcollection balances of \$633,000 from Large C&I – Primary customers and \$5,374,000 from Large C&I – Transmission customers. For example, the data furnished by PPL in the TSC Investigation indicates that PPL adopted modified calculations related to its use of stale data, but provide no clear assurance that the overcollections were adjusted to reflect appropriate demand allocators. *PPL Electric's Responses to Informational Requests of the Pennsylvania Public Utility Commission*, Docket No. M-2010-2213754 (June 3, 2011). PPLICA has informally requested workpapers from PPL showing the derivation of the overcollections from 2009 to date and is currently reviewing data provided by the Company. Review of such data could show that PPL has incorporated adjustments intended to address the issues raised in the TSC Investigation. However, unless comprehensive review of PPL's calculated TSC balances confirms that PPL has fully and accurately calculated TSC overcollection balances reflecting the issues raised in the TSC Investigation, the Commission should expeditiously enter a Final Order in the TSC Investigation docket before approving refunds to Large C&I customers.

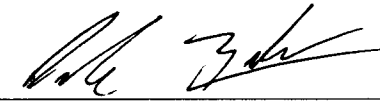
IV. CONCLUSION

WHEREFORE, the PP&L Industrial Customer Alliance respectfully requests that the Pennsylvania Public Utility Commission: (1) confirm PPL's application of interest to Transmission Service Charge overcollection balances; (2) ensure that Transmission Service Charge overcollections paid by Large C&I customers no longer served by PPL are appropriately allocated amongst remaining Large C&I customers; (3) investigate PPL's Transmission Service Charge overcollection balances as necessary to confirm appropriate totals; (4) expeditiously conclude the Investigation of PPL's Transmission Service Charge at Docket No. M-2010-2213754, and (5) direct PPL to issue any appropriate refunds through the TSC Refund Plan, as modified herein.

Respectfully submitted,

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