**BEFORE THE**

**PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PPL Electric Utilities Corporation :

Proposed Transmission Service Charge For : M-2010-2213754

the twelve months ending November 30, 2010 :

PPL Electric Utilities Corporation :

Transmission Service Charge Effective : M-2011-2239805

June 1, 2011 :

**RECOMMENDED DECISION**

Before

Susan D. Colwell

Administrative Law Judge

The purpose of this Recommended Decision is to recommend approval without modification of the Joint Petition for Settlement filed by all parties in this matter on June 11, 2014.

HISTORY OF THE PROCEEDING

On August 15, 2013[[1]](#footnote-1), the Pennsylvania Public Utility Commission (PUC or Commission) entered an Order in the above captioned cases which: (1) approved the proposal of PPL Electric Utilities Corporation (Company or PPL) to use 2009 historical allocators to calculate its 2010 revised Transmission Service Charge (TSC) reconciliation consistent with the Order and the *Auditor's Report of PPL's Section 1307(e) statement for TSC costs and TSC revenues for the five months ended April 30, 2011, and the 12 months ended November 30, 2010,* at Docket No. D-2011-2238984; (2) accepted the auditor's report; (3) modified the recommendation issued February 2011 consistent with the Order; (4) directed PPL to file a refund plan with support within 30 days of entry of the Order to repay the currently suspended funds owed to the large commercial and industrial-primary and large commercial and industrial-transportation default service pool customer classes; and (5) referred the refund plan to the Office of Administrative Law Judge (OALJ) for hearing and decision. The Order directed OALJ to resolve any disputes as to the amounts and sources, interest calculations, identities of recipients, and timing for the refunds, consistent with the Order, and in particular, whether the amounts suspended by the May 25, 2011 order are separate from or part of the FERC settlement refunds referenced in PPL's June 7, 2013 petition. Order at 29.

The service list had already been set in the proceedings, and included the following: the Office of Consumer Advocate (OCA); the Office of Small Business Advocate (OSBA); and PP&L Industrial Customer Alliance (PPLICA).

By Notice issued September 20, 2013, a prehearing conference was scheduled for Monday, October 21, 2013, and the matter was assigned to me.

Prehearing memos were filed by each of the above-listed parties, and the conference was held as scheduled, attended by all four parties.

A scheduling order was issued on October 23, 2013 which adopted an agreed upon litigation schedule and modifications to the discovery regulations.

On December 13, 2013, PPLICA filed a Petition for Review of the Commission's August 5, 2013 and November 14, 2013 Orders at Docket Nos. M-2010-2213754 and M-2011-2239805 with the Commonwealth Court of Pennsylvania at Docket No. 2217 C.D. 2013, seeking appellate review of the use of estimated TSC demand cost allocators instead of actual monthly January, 2010 to May, 2012 TSC demand cost allocators for reconciliation of PPL Electric's TSCs in the same time period for the Large C&I, small commercial and industrial (Small C&I), and Residential customer classes (the Demand Allocation).

On December 26, 2013, the parties informed me that they had reached a settlement in principle relative to the Large C&I TSC Refund Plan proceeding and asked that the procedural schedule be suspended. On January 6, 2014, the hearings were canceled by Hearing Cancellation notice.

On January 13, 2014, the Commission filed a Motion to Quash PPLICA's Petition for Review of the Demand Allocation.

On January 24, 2014, the Commission filed with the Commonwealth Court an Unopposed Application for Relief in the Form of a Motion to Stay Petition for Review of the Demand Allocation, which was granted by the Commonwealth Court on January 27, 2014.

The Joint Petitioners reached a settlement in principle with respect to the Demand Allocation issue pending before the Commonwealth Court and agreed to seek a remand to the Commission to facilitate a settlement of all issues. Pursuant to this goal, the Commission's Law Bureau[[2]](#footnote-2) filed an Unopposed Application to Remand PPLICA's Petition for Review of the Demand Allocation, which the Court granted by Order dated May 21, 2014, and the Demand Allocation was remanded to the Commission.

On June 11, 2014, the parties filed a Joint Petition for Settlement, as well as a Stipulation of Evidence, and statements in support. The matter is ripe for disposition.

FINDINGS OF FACT

1. Joint Petitioners are PPL Electric Utilities Corporation, PP&L Industrial Customer Alliance, the Office of Small Business Advocate, and the Office of Consumer Advocate.

2. PPL Electric Utilities Corporation is a jurisdictional electric distribution company providing service to approximately 1.4 million customers in its certificated service territory over about 10,000 square miles in 29 counties of the Commonwealth.

3. OCA is a statutorily created public advocate empowered to represent the interests of consumers before the Public Utility Commission pursuant to Act 161 of the General Assembly, as amended, 71 P.S. §§ 309-1 *et seq.*

4. OSBA is authorized to represent the interests of small business customers of utility services before the Commission pursuant to the provisions of the Small Business Advocate Act, Act 181 of 1988, 73 P.S. §§ 399.41-399.50.

5. PPLICA is an organization of industrial and commercial users which take service from PPL Electric.

The following is taken directly from the Joint Settlement and retains the numbering from that document for ease of reference. Accordingly, there are no Findings of Fact Nos. 6 through 21 for this Recommended Decision.

**SETTLEMENT TERMS AND CONDITIONS**

22. The following terms of this Settlement reflect a carefully balanced compromise of the interests of all the Joint Petitioners in this proceeding. The Joint Petitioners unanimously agree that the Settlement is in the public interest. The Joint Petitioners respectfully request that the Settlement be approved as specified below:

## Large C&I TSC Refund Plan

23. PPL Electric will refund deferred historical TSC net overcollections to the Large C&I customer class by implementing the following Large C&I TSC Refund Plan:

* 1. The historical TSC net overcollections to be refunded under the Large C&I TSC Refund Plan are:

i. Overcollections associated with the settlement of the Company’s 2008 FERC transmission rate proceeding;

ii. Overcollections associated with the correction of the Company’s self-reported incorrect use of 2008 historic demand allocators to set the Company’s 2010 TSC rates;

iii. Over- and undercollections associated with the standard operation of the Company’s TSC mechanism from June, 2012 through the Commission approval of the TSC Refund Plan; and

iv. Interest associated with all of these overcollections.

* 1. PPL Electric will implement a one-time TSC Bill Credit to refund historical TSC overcollections to each qualifying Large C&I customer that will be based upon that customer’s contribution to the historical TSC overcollection. PPL Electric will calculate the customer-specific TSC Bill Credit based upon each qualifying Large C&I customer’s individual peak load contribution or demand contribution to the historical TSC overcollection.
  2. As identified in Appendix “A” attached hereto, through the TSC Refund Plan, PPL Electric will refund historical TSC overcollections, as of July 31, 2013, of $606,131 for the Large C&I – Primary customers and $6,058,140 for the Large C&I – transmission customers who were default service customers in 2009 and continue to take delivery service from the Company today. PPL Electric will continue to update the historical TSC overcollection balances to be refunded to Large C&I customers as of the end of the first month after the Commission approval of the TSC Refund Plan. The Company will also include additional applicable interest since July 31, 2013.
  3. The TSC Bill Credit will be applied to a customer’s total monthly bill for generation, transmission, distribution, and all riders. The TSC Bill Credit will not be applied to individual line item bill components. Qualifying customers will receive their refund in a single month, unless this would result in a negative total bill, in which case the TSC Bill Credit will continue until such time that each Large C&I customer receives a full refund.
  4. The TSC Bill Credit will be applied beginning with each qualifying customer’s monthly bill following Commission approval of the Settlement and the Company’s final determination of the balance to be refunded.
  5. To ensure that all of the historic TSC overcollections are refunded, PPL Electric will distribute on a pro rata basis the TSC overcollection amounts associated with the customers that contributed to the TSC overcollection, but are no longer taking delivery service from the Company, to qualifying Large C&I – Primary and Large C&I – Transmission customers that remain on PPL Electric’s distribution system.

24. Upon receipt of Commission approval of the Settlement, PPL Electric will resume normal operation of the TSC E-factor for Large C&I customers, consistent with the Company’s currently effective tariff.

## Demand Factor Adjustment

25. PPL Electric will issue refunds to the Large C&I and Small C&I customer classes in the amount of 62.5% of the TSC overcollection attributable to PPL Electric's reconciliation to estimated TSC demand cost allocators instead of actual monthly January, 2010 to May, 2012 TSC demand cost allocators, including applicable interest, as detailed in Appendix B (“Demand Factor Adjustment”).

26. PPL Electric will recover an amount equal to the refunds associated with the Demand Factor Adjustment provided for in Paragraph 25 from the Residential customer class through the Company’s TSC rate, including applicable interest, starting as soon as practical after the entry of a Final Commission Order approving the Settlement until the June 1, 2015 effective date of PPL Electric’s next TSC rate period.

27. Qualifying Large C&I customers will receive the refund associated with the Demand Factor Adjustment in a single month TSC Bill Credit, unless this would result in a negative total bill, in which case the TSC Bill Credit will continue until such time that each Large C&I customer receives a full refund. The refunds associated with the Demand Factor Adjustment are in addition to the Large C&I TSC refunds set forth in Paragraph 23.

28. Small C&I customers will receive their refund associated with the Demand Factor Adjustment through the Company’s TSC rate over the course of one year or less and starting within 90 days of entry of a Final Commission Order approving the Settlement.

29. The Joint Petitioners acknowledge and agree that PPLICA shall work with the Commission’s Law Bureau to confirm that the Commission retains jurisdiction over all issues in this proceeding, including issues currently before the Commonwealth Court at Docket No. 2217 C.D. 2013, such that if this Settlement is approved by Commission Order, such Order will be a Final Order resolving all issues relative to PPL Electric’s 2010-2012 TSC. As part of the Settlement, the Joint Petitioners acknowledge that a Final Order approving this Settlement supersedes the August 15, 2013 and November 14, 2013 Orders in Docket Nos. M-2011-2213754 and M-2011-2239805.

# PUBLIC INTEREST CONSIDERATIONS

30. This Settlement, if approved by the ALJ and the Commission, will resolve all issues stemming from two proceedings that have been pending before the Commission for a number of years: (a) the reconciliation of PPL Electric’s 2010 TSC at Docket No. M-2010-2213754; and (b) the setting of the Company’s TSC rates for the June 1, 2011 through May 31, 2012 application period at Docket No. M-2011-2239805. In addition, resolving these proceedings will permit normal operation of PPL Electric’s TSC E-factor to resume after its suspension by the Commission in May, 2011.

31. Under the Settlement an agreed upon level of TSC overcollections will be refunded, to the maximum extent practicable, to those Large C&I customers who contributed to the creation of those overcollections in 2009. These refunds will be calculated on an individual customer basis and will be paid through a bill credit.

32. The Settlement achieves these results without the need for further litigation thereby conserving Commission resources.

33. The Joint Petitioners are in full agreement and respectfully submit that expeditious Commission adoption of the Settlement is in the best interests of all parties and PPL Electric’s customers.

34. The Joint Petitioners have each prepared, and attach to this Joint Petition, Statements in Support identified as Appendices C through F, respectively, setting forth the bases upon which they believe that the Settlement is fair, just, reasonable, non-discriminatory, lawful and in the public interest.

Joint Petition for Settlement, ¶¶22-34.

Note that the parties included the standard additional terms and conditions which preserve their litigation rights should the Settlement be amended or not adopted. These are not enumerated here as this is a recommendation for approval without modification.

DISCUSSION

The parties agree that Commission policy promotes settlements. 52 Pa.Code

§ 5.231. In reviewing a settlement, the Commission must determine that the proposed terms and conditions are in the public interest. *Pa. Pub. Util. Comm'n v. C.S. Water and Sewer Assocs.,* 74 Pa. PUC 767 (1991). The parties agree and aver that this Settlement is just, reasonable, and in the public interest, and they ask that it be approved without modification.

First, the Settlement is agreed upon by all parties and resolves all issues stemming from the historic TSC overcollection and the demand cost allocators used to reconcile the TSC that have been pending before the Commission. In order to achieve this result, there was a thorough investigation of the historic TSC overcollection and the demand cost allocators used to reconcile the TSC. The result is a carefully balanced compromise of the interests of the parties. PPL St. in Support at 9; PPLICA St. in Support at 6.

OSBA posits:

Moreover, this Settlement is directionally consistent with the Commission's decision in the Generic TSC Investigation on the appropriate way for transmission service charges to be calculated going forward. That decision directed not only PPL Electric, but all EDCs, to calculate their TSC using actual demand cost allocators. Approval of the settlement is therefore in the public interest.

OSBA St. in Support at 6.

All parties agree that all parties affected by this ongoing proceeding will benefit from a comprehensive resolution, as the Settlement avoids the expense and uncertainty of continues litigation. PPLICA St. in Support at 8; OSBA St. in Support at 5; OCA St. in Support at 4; PPL Electric St. in Support at 11.

OSBA states that it continues to believe that the Commission's determination on the demand Allocation issue was incorrect and inequitable, in that it did not result in a reconciliation of actual revenues and actual costs, but that the Small C&I customers face substantial litigation risk which the Settlement eliminates. OSBA St. in Support at 5. The Settlement provides for approximately $1.76 million in refunds from the Small C&I customers, which OSBA submits is reasonable. In addition, OSBA believes that this Settlement reflects a move in the right direction consistent with the Generic TSC Investigation on the appropriate way for transmission service charges to be calculated in the future. OSBA St. in Support at 6.

PPLICA states that the Joint Settlement 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 the Company, rather than limiting the refund to those remaining on default service. Further, the Refund Plan calculates the payment based on each customer's peak load contribution for 2009. PPLICA St. in Support at 6-7.

The issues are divided into two basic subjects: the TSC refund plan and the demand factor adjustment.

By way of background, the Company is an electric default service provider which means that it incurs transmission service costs associated with the delivery of default service. These costs are recovered through a TSC[[3]](#footnote-3) applied to the monthly bill of each customer receiving default service. The TSC is separately calculated for each of four rate classes: Residential, Small Commercial and Industrial (Small C&I), Large Commercial and Industrial – Primary (Large C&I), and Large C&I – Transmission. Demand related transmission costs are allocated to the four classes based upon each class's contribution to the five coincident peaks used to establish the demand related charges. Energy-related transmission costs are allocated to the customer classes based upon kWh usage.

As the Company explains:

On August 28, 2008, PPL Electric filed revised tariff sheets at the Federal Energy Regulatory Commission ("FERC") to implement a cost-of-service formula transmission rate. The rates proposed therein went into effect on November 1, 2008, subject to investigation and refund. PPL Electric's 2009 TSC included, *inter alia*, the effect of this proposed rate increase. During 2009, this FERC proceeding was settled for an amount less than the original filing, resulting in refunds and a substantial TSC overcollection. The Company's 2010 TSC for the 2009 application period

January 1, 2010 through December 31, 2010, was designed to refund this TSC overcollection. For the Residential and Small C&I Customer Classes, this overcollection was refunded to customers during the 2010 TSC application period. For the Large C&I Customer Class, however, a problem arose as a result of the expiration of PPL Electric's generation rate caps on December 31, 2009.

Prior to 2010, PPL Electric's generation rates were capped pursuant to the settlement of its electric restructuring proceeding and, as a result, there was very little retail shopping on the PPL Electric system. PPL Electric's Commission-approved 2010 TSC was designed to refund the 2009 TSC overcollection based upon sales levels that existed prior to the expiration of the Company's generation rate cap. However, when the rate caps expired on December 31, 2009, a significant number of Large C&I customers began to take supply from electric generation suppliers ("EGSs"). As a result, only a small amount of the 2009 TSC overcollection was refunded to the Company's Large C&I customers in 2010.

The high level of Large C&I shopping following the expiration of the Company's generation rate cap created several issues relative to refunding the 2009 TSC overcollection. First, most of the Large C&I default service customers who paid the 2009 TSC overcollection shopped in 2010 and no longer paid the TSC, and therefore did not receive any refund of the 2009 overcollection. Second, refunding the 2009 overcollection to the few remaining Large C&I default service customers would have significantly distorted the Company's Price to Compare, producing negative TSC rates for most Large C&I customers. This, in turn, would have distorted shopping decisions for these customers and likely would have resulted in a temporary return of shopping customers to default service for reasons unrelated to actual competitive market conditions.

Pursuant to Section 1307(e) of the Public Utility Code, 66 Pa.C.S. § 1307(e), the Commission undertakes an annual review of over/under collection reports for each Section 1307 automatic adjustment clause. In March, 2011, during the course of the Commission's review of 2010 TSC undercollections, PPL Electric informed the Commission that there was an error with the Company's 2010 TSC reconciliation related to the allocation of demand costs. By Order dated May 19, 2011, the Commission directed the Company to develop and file a revised method for allocating demand costs based on actual monthly demand allocation factors rather than historic demand allocation factors. *PPL Electric Utilities Corp. Proposed Transmission Service Charge (TSC) Reconciliation for the Twelve Months Ending November 30, 2010,* Docket No. M-2010-2213754 (May 19, 2011 ("*2010 TSC Reconciliation Proceeding").*

On May 13, 2011, PPL Electric filed its final calculation of its TSC rates for the June 1, 2011 through May 31, 2012 application period. In this filing, the Company initially proposed to refund the ongoing Large C&I overcollections over the 12-month 2011 TSC application period. However, due to very limited number of remaining Large C&I default service customers, this proposal would have substantially distorted the Company's Price to Compare, producing negative rates for most Large C&I customers. In response, the Commission directed PPL Electric to defer any further refunding of TSC overcollections to Large C&I customers. The Commission also directed that PPL Electric continue these deferrals, pending resolution of an unrelated issue regarding the method used by PPL Electric to allocate TSC demand costs. *PPL Electric Utilities Corporation Transmission Service Charge Effective June 1, 2011*, Docket No. M-2011-22309-5 (May 25, 2011)("*2011 TSC Order*"). PPL Electric has deferred refunding the historic TSC overcollections since May, 2011.

In the *2011 TSC Order,* the Commission further directed PPL Electric to, "file a plan detailing how best to refund any overcollection to Large C&I customers who contributed to this overcollection during the period January 1, 2010 through May 31, 2011." *2011 TSC Order*, pp. 4-5. On June 7, 2013, PPL Electric filed a petition for approval of a proposed plan to refund the historic TSC overcollections to eligible Large C&I customers ("TSC Refund Plan").

On August 15, 2013, the Commission issued an Order which: (i) accepted PPL Electric's use of 2009 historical allocators to calculate its 2010 revised TSC reconciliation consistent with that Order and the *Auditor's Report of PPL's Section 1307(e) statement for TSC costs and TSC revenues for the five months ended April 30, 2011*, at Docket No. D-2011-2238984; (ii) accepted the auditor's report of PPL Electric's Section 2307(e) statements for the five months ended April 30, 2011, and the 12 months ended November 30, 2010; (iii) adopted the February, 2011 Recommended Decision of the ALJ as modified; (iv) ordered PPL Electric to file a TSC Refund Plan within 30 days of that Order; and (v) referred the matter to the Office of Administrative Law Judge ("OALJ") to evaluate the refund calculations and process, and to resolve any disputes as to the amounts and sources, interest calculations, identities of recipients, and timing for the refunds. *See PPL Electric Utilities Corp. Proposed Transmission Service Charge (TSC) Reconciliation for the 12 Months Ended November 30, 2010,* Docket Nos. M-2010-2213754 and M-2011-2239805 (August 15, 2013).

PPL Electric St. in Support at 3-6.

The Settlement is the result of both litigation tracks and is intended to fully settle all outstanding issues in the dockets.

**TSC Refund Plan**

The deferred TSC net historic overcollections will be refunded through a one-time TSC Bill Credit to each qualifying Large C&I customer based upon that customer's contribution to the historic TSC overcollection. Refunds will be credited in a single month unless this results in a negative total, in which case the refund will continue over the number of months necessary to cover the full refund. The credit will be applied on a total bill basis beginning with each qualifying customer's monthly bill following Commission approval of this Settlement and the Company's final determination of the balance to be refunded. PPL Electric St. in Support at 9.

Applicable interest calculated from July 31, 2013, will be included. The Company agrees to distribute those amounts associated with the customers who contributed to the TSC overcollection but are no longer taking delivery service from the Company, to Large C&I customers remaining on the distribution system. PPLICA accepts that administrative and logistical difficulties preclude returning the overcollection to such customers and endorses allocation of the balance of such overcollections to the remaining Large C&I customers on a *pro rata* basis. PPLICA St. in Support at 7.

The Company avers that this plan is fair as it refunds, to the extent practicable, to those Large C&I customers who contributed to the creation of those overcollections in 2009. This refund will not produce negative TSC rates for most Large C&I customers, thus avoiding the distortion of the market and potentially influencing shopping decisions.

**Demand Factor Adjustment**

The Company will issue refunds to the Large C&I and Small C&I customer classes in the amount of 62.5% of the TSC overcollection attributable to the its reconciliation to estimated 2009-2011 TSC allocators instead of actual monthly 2010-May 2012 TSC allocators. PPL Electric will recover an amount equal to the refunds associated with the Demand Factor Adjustment from the Residential customer class through the Company's TSC rate, including applicable interest, over the course of one year or less and starting within 90 days of entry of a Final Commission Order.

This fully resolves all issues stemming from the setting of the Company's TSC rates for the June 1, 2011 through May 31, 2012 application period at Docket No. M-2011-2239805 and will end the suspension of the Company's TSC E-factor imposed by the Commission in May, 2011.

OSBA states that its primary concern was with the methodology used to reconcile the TSC for Small C&I customers, and that it believes that the calculation should be based on actual revenues and actual costs. However, in the interests of eliminating the risk of losing the issue entirely if fully litigated, OSBA agrees that the refund provided by the Settlement, 62.5% of the TSC overcollection attributable to the reconciliation to estimated TSC demand cost allocators instead of actual, a guaranteed refund of approximately $1.76 million is both reasonable and in the best interests of the Small C&I customers.

The OCA, which intervened to protect the interests of the residential ratepayers to make certain that any demand factor adjustment collecting revenue from residential ratepayers is just and reasonable, submits that allocating 62.5% of the TSC costs attributed to the use of actual, rather than estimated, class demand data is a reasonable compromise of the issue. In addition, the Settlement ensures that the demand factor adjustment will take effect as soon as practicable following Commission approval of the Settlement. OCA St. in Support at 4-5. PPLICA agrees that this is a reasonable resolution. PPLICA St. in Support at 7.

**Conclusion**

Section 1307(e) of the Public Utility Code, 66 Pa.C.S. § 1307(e), requires that a utility utilizing an automatic adjustment clause submit its revenues and expenses to the Commission within 30 days of the end of the adjustment period for review. The Commission may amend "at any time any method used by any utility in automatically adjusting its rates, so as to provide the commission more adequate supervision of the administration by a utility" to decrease the likelihood of inaccurate collections and to ensure more prompt readjustment. This section permits the Commission to oversee the Company's use of the automatic adjustment mechanism used in its TSC rates.

The underlying fact situation created a "perfect storm" of overestimating actual charges assessed under filed rates which were subsequently reduced and a substantial reduction in the number of customers taking default service when the rate caps were removed. This, in turn would cause the PTC for default rates to be reduced not by the market but by the refund.

Refunds are inevitable, and only the methodology, amount, terms and customers needed to be decided. The Commission Order referring the TSC issues to OALJ directs that the ALJ "resolve any disputes" regarding those issues, and this Settlement accomplishes that goal. After several years of negotiation, the parties to these dockets agreed upon a complete settlement which would accomplish the refund to appropriate rate class members without artificially affecting the PTC. While the parties admit that the Settlement is not perfect, all agree that it is in the public interest because it provides a fair and amicable resolution to the outstanding issues and allows them to conclude these issues and to move forward in a manner consistent with the Commission's direction regarding the calculation of transmission service charges in the future.

For the reasons identified above, the Settlement is in the public interest and should be approved without modification.

CONCLUSIONS OF LAW

1. The Commission has jurisdiction over the parties and subject matter of this proceeding.

2. Commission policy promotes settlements. 52 Pa.Code § 5.231.

3. In reviewing a settlement, the Commission must determine that the proposed terms and conditions are in the public interest. *Pa. Pub. Util. Comm'n v. C.S. Water and Sewer Assocs.,* 74 Pa. PUC 767 (1991).

4. The TSC is an automatic adjustment mechanism reconciled annually with under or overcollections apportioned during the next application period. 66 Pa.C.S. § 1307(e).

5. On August 15, 2013, the Commission issued an Order which: (i) accepted PPL Electric's use of 2009 historical allocators to calculate its 2010 revised TSC reconciliation consistent with that Order and the *Auditor's Report of PPL's Section 1307(e) statement for TSC costs and TSC revenues for the five months ended April 30, 2011*, at Docket No. D-2011-2238984; (ii) accepted the auditor's report of PPL Electric's Section 2307(e) statements for the five months ended April 30, 2011, and the 12 months ended November 30, 2010; (iii) adopted the February, 2011 Recommended Decision of the ALJ as modified; (iv) ordered PPL Electric to file a TSC Refund Plan within 30 days of that Order; and (v) referred the matter to the Office of Administrative Law Judge ("OALJ") to evaluate the refund calculations and process, and to resolve any disputes as to the amounts and sources, interest calculations, identities of recipients, and timing for the refunds. *See PPL Electric Utilities Corp. Proposed Transmission Service Charge (TSC) Reconciliation for the 12 Months Ended November 30, 2010,* Docket Nos. M-2010-2213754 and M-2011-2239805 (August 15, 2013).

6. This Settlement is in the public interest as it resolves all issues stemming from two proceedings that have been pending before the Commission for a number of years: (a) the reconciliation of PPL Electric’s 2010 TSC at Docket No. M-2010-2213754; and (b) the setting of the Company’s TSC rates for the June 1, 2011 through May 31, 2012 application period at Docket No. M-2011-2239805. In addition, resolving these proceedings will permit normal operation of PPL Electric’s TSC E-factor to resume after its suspension by the Commission in May, 2011.

7. This Settlement is in the public interest as it provides that an agreed upon level of TSC overcollections will be refunded, to the maximum extent practicable, to those Large C&I customers who contributed to the creation of those overcollections in 2009. These refunds will be calculated on an individual customer basis and will be paid through a bill credit.

8. The Settlement is in the public interest as it achieves these results without the need for further litigation thereby conserving Commission resources.

**RECOMMENDED ORDER**

THEREFORE,

IT IS RECOMMENDED:

1. That the following is admitted to the record under the terms specified in the Joint Stipulation for Admission of Evidence as accompanied by verifications:

(a) PPL Electric Exhibit No. 1 – Petition of PPL Electric Utilities Corporation for Approval to Refund Certain Transmission Service Charges filed June 7, 2013.

(b) PPL Electric Exhibit No. 2 – PPL Electric Utilities Corporation Revised TSC Refund Plan.

(c) PPL Electric Exhibit No. 3 – List of the Large C&I customer accounts eligible to receive a TSC refund and each customer's individually calculated refund amount associated with the historic TSC overcollections.

(d) PPL Electric Statement No. 1 – Direct Testimony of Bethany L. Johnson, Manager of Regulatory Compliance at PPL Electric.

2. That the Joint Petition for Settlement filed in docket numbers M-2010-2213754 and M-2011-2239805 by PPL Electric Utilities Corporation, the PP&L Industrial Customer Alliance, the Office of Small Business Advocate, and the Office of Consumer Advocate on June 11, 2014, is approved without modification.

3. That the terms of the Joint Petition for Settlement shall take effect upon the entry date of the final Commission Order in this matter.

Dated: July 2, 2014 \_\_\_\_\_/s/\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Susan D. Colwell

Administrative Law Judge

1. The complete, detailed history of these proceedings appears in prior orders as well as in the Company's Statement in Support. [↑](#footnote-ref-1)
2. The Law Bureau agreed that the Demand Allocation portion of these dockets, which had been assigned to it, should be included with the TSC refund plan in one settlement document which would be submitted to me for preparation of a recommendation which places the entire settlement before the Commission instead of being submitted piecemeal. No party objected to this plan. [↑](#footnote-ref-2)
3. The TSC is an automatic adjustment mechanism reconciled annually with under or overcollections apportioned during the next application period. 66 Pa.C.S. § 1307(e). [↑](#footnote-ref-3)