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September 3, 2015

VIA ELECTRONIC FILING

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 v. PPL Electric Utilities Corporation Docket No. R-2015-2469275

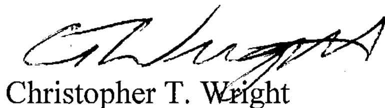
Office of Consumer Advocate, Office of Small Business Advocate, PP&L Industrial Customer Alliance, C. Wintermeyer, Cathleen A. Woomert, Michael B. Young & Joseph E. McAndrew v. PPL Electric Utilities Corporation - Docket Nos. C-2015-2475448, C-2015-2478277, C-2015-2480265, C-2015-2485827, C-2015-2484588, C-2015-2485860 & C-2015-2489524

Petition for a Waiver of the Distribution System Improvement Charge Cap of 5% of Billed Revenues - Docket No. P-2015-2474714

Dear Secretary Chiavetta:

Enclosed for filing is PPL Electric Utilities Corporation's Statement in Support of Joint Petition for Approval of Joint Petition for Approval of Settlement of All Issues for the above-referenced proceedings. Copies will be provided as indicated on the Certificate of Service.

Respectfully submitted,



Christopher T. Wright

CTW/jl
Enclosures

cc: Honorable Susan D. Colwell
Certificate of Service

CERTIFICATE OF SERVICE

Docket Nos. R-2015-2469275, C-2015-2475448, C-2015-2478277, C-2015-2480265, C-2015-2485827, C-2015-2484588, C-2015-2485860, C-2015-2489524 & P-2015-2472714

I hereby certify that a true and correct copy of the foregoing has 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).

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Date: September 3, 2015

Christopher T. Wright

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	
v.	:	R-2015-2469275
	:	
PPL Electric Utilities Corporation	:	
Office of Consumer Advocate	:	C-2015-2475448
Office of Small Business Advocate	:	C-2015-2478277
PP&L Industrial Customer Alliance	:	C-2015-2480265
C. Wintermeyer	:	C-2015-2485827
Cathleen A. Woomert	:	C-2015-2484588
Michael B. Young	:	C-2015-2485860
Joseph E. McAndrew	:	C-2015-2489524
	:	
v.	:	
	:	
PPL Electric Utilities Corporation		
	:	
Petition for a Waiver of the Distribution System Improvement Charge Cap of 5% of Billed Revenues	:	P-2015-2474714

PPL ELECTRIC UTILITIES CORPORATION
STATEMENT IN SUPPORT OF
JOINT PETITION FOR APPROVAL OF
SETTLEMENT OF ALL ISSUES

TO ADMINISTRATIVE LAW JUDGE SUSAN D. COLWELL:

I. <u>INTRODUCTION</u>

PPL Electric Utilities Corporation ("PPL Electric" or the "Company") hereby submits this Statement in Support of the Joint Petition for Settlement of All Issues ("Settlement) entered into by the Pennsylvania Public Utility Commission's ("Commission") Bureau of Investigation and Enforcement ("I&E"), PPL Electric, the Office of Consumer Advocate ("OCA"), the Office

of Small Business Advocate ("OSBA"), PP&L Industrial Customer Alliance ("PPLICA"), Commission for Economic Opportunity ("CEO"), Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania ("CAUSE-PA"), the Clean Air Council ("CAC"), Sustainable Energy Fund ("SEF"), The Alliance for Solar Choice ("TASC"), Keystone Energy Efficiency Alliance Energy Education Fund ("KEEF"), Natural Resources Defense Council ("NRDC"), Environmental Defense Fund ("EDF"), and Eric Joseph Epstein, all parties to the above-captioned proceeding (hereinafter, collectively the "Joint Petitioners"). The Settlement represents a full resolution of all issues and concerns raised in the instant proceeding.

The Joint Petitioners unanimously agree that PPL Electric's March 31, 2015 distribution base rate increase filing will be approved, subject to the terms and conditions of the Settlement. The Settlement provides for increases in rates, as set forth in the *pro forma* tariff supplement attached as "Appendix A" to the Settlement and the proof of revenues attached as "Appendix B" to the Settlement, designed to produce a net increase in the annual distribution operating revenues of $124 million, based upon a Fully Projected Future Test Year ("FPFTY") ending December 31, 2016, to become effective for service rendered or and after January 1, 2016.

The Settlement reflects a carefully balanced compromise of the interests of all of the Joint Petitioners. PPL Electric submits that the Settlement is in the public interest, just and reasonable, supported by substantial evidence, and should be approved without modification. For the reasons explained below, PPL Electric respectfully requests that Administrative Law Judge Susan D. Colwell ("ALJ") and the Commission approve the proposals set forth in PPL Electric's above-captioned March 31, 2015 distribution base rate increase filing subject to the terms and conditions of the Settlement.

II. COMMISSION POLICY FAVORS SETTLEMENT

Commission policy promotes settlements. *See* 52 Pa. Code § 5.231. Settlements lessen the time and expense that parties must expend litigating a case and, at the same time, conserve administrative resources. The Commission has indicated that settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding. *See* 52 Pa. Code § 69.401. The Commission has explained that parties to settled cases are afforded flexibility in reaching amicable resolutions, so long as the settlement is in the public interest. *Pa. PUC v. MXenergy Electric Inc.*, Docket No. M-2012-2201861, 2013 Pa. PUC LEXIS 789, 310 P.U.R.4th 58 (Opinion and Order entered Dec. 5, 2013). In order to approve a settlement, the Commission must first determine that the proposed terms and conditions are in the public interest. Pa. *PUC v. Windstream Pennsylvania, LLC*, Docket No. M-2012-2227108, 2012 Pa. PUC LEXIS 1535 (Opinion and Order entered Sept. 27, 2012); *Pa. PUC v. C.S. Water and Sewer Assoc.*, Docket No. R-881147, 74 Pa. PUC 767 (Opinion entered July 22, 1991). As explained in the next section of this Statement in Support, PPL Electric believes that the Settlement is just and reasonable, in the public interest, and should be approved without modification.

III. THE SETTLEMENT IS IN THE PUBLIC INTEREST

A. GENERAL

The Settlement reflects a carefully balanced compromise of the competing interests of all of the active Parties in this proceeding. The Joint Petitioners unanimously agree that the Settlement is in the public interest. (Settlement ¶ 20) The fact that the Settlement is unopposed in a major base rate proceeding, in and of itself, provides strong evidence that the Settlement is reasonable and in the public interest, particularly given the diverse interests of these Parties and the active role they have taken in this proceeding.

Moreover, the Settlement was achieved only after a comprehensive investigation of PPL Electric's proposals set forth in its March 31, 2015 distribution base rate increase filing. In addition to informal discovery, PPL Electric responded to approximately 710 formal discovery requests, many of which included subparts. The active parties filed four rounds of testimony, including the Company's direct testimony, other parties' direct testimony, rebuttal testimony, and surrebuttal testimony. Further, the Parties participated in numerous settlement discussions and formal negotiations which ultimately led to the Settlement.

Finally, the Parties in this proceeding, their counsel, and their expert consultants have considerable experience in base rate proceedings. Their knowledge, experience, and ability to evaluate the strengths and weaknesses of their litigation positions provided a strong base upon which to build a consensus in this proceeding on the settled issues.

For these reasons and the more specific reasons set forth below, the Settlement is just, reasonable, and in the public interest. Therefore, the proposals set forth in PPL Electric's March 31, 2015 distribution base rate increase filing should be approved subject to the terms and conditions of the Settlement.

B. REVENUE REQUIREMENT

The Settlement provides for a distribution revenue increase of $124 million annually. (Settlement ¶ 21) The distribution revenue increase of $124 million is approximately 84% of the proposed revenue increase of $147.234 million set forth in the Company's rebuttal testimony. (PPL Electric St. No. 1-R, pp. 3-5).

The revenue requirement under the Settlement is a "black box" settlement, with certain limited exceptions.[1] (Settlement ¶ 21) Under a "black box" settlement, parties do not

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[1] The exceptions to the "black box" settlement include: (1) the $14,700,000 for reportable storm damage expenses; (2) the roll-in of the Distribution System Improvement Charge ("DSIC") capital investment and

specifically identify rate base, revenues and expenses and return that are allowed or disallowed. The Company has found that the "black box" concept often facilitates settlement agreements because parties are not required to identify a specific return on equity or specifically identify rate base, revenues and/or expenses and return that are allowed or disallowed. This process allows a settlement without requiring parties to abandon or reverse their positions on important issues, which could impact their positions in later cases.

The Commission encourages black box settlements. *See, e.g., Pa. P.U.C. v. Aqua Pennsylvania, Inc.* Docket No. R-2011-2267958 pp. 26-27 (Order entered June 7, 2012); *Pa. PUC v. Peoples TWP LLC,* Docket No. R-2013-2355886, pp. 27-28 (Order entered Dec. 19, 2013); *Statement of Chairman Robert F. Powelson, Implementation of Act 11 of 2012*, Docket No. M-2012-2293611 (Public Meeting, Aug. 2, 2012). Under a "black box" settlement, it is not necessary for the ALJ to decide individual rate base or revenue and expense adjustments proposed by the parties or determine the return on equity under the Settlement in order to determine the reasonableness of the proposed revenue increase under the Settlement.

As explained in the Company's Statement of Reasons, the requested revenue increase reflects the current business environment faced by the Company. (PPL Electric Exhibit Fully Projected Future 1, Section A) This business environment includes: (i) flat/declining sales as a result of a stagnant economic climate, extensive customer conservation pursuant to Act 129 Energy Efficiency and Conservation ("EE&C") programs and increased levels of distributed generation from alternative energy/net metering systems; (ii) accelerated capital investment to maintain and improve system reliability by replacing aging infrastructure to reduce service

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associated depreciation and tax effects in base rates per the Company's proposal; (3) as provided in I&E St. No. 2, the 2011 amortized storm expense of $5,324,000 will be included in the base rate component of the Storm Damage Expense Rider ("SDER") beginning January 1, 2018; and (4) the return on equity ("ROE") for purposes of the DSIC and Smart Meter Rider ("SMR") will be the ROE for the DSIC set forth in the Commission's Report on the Quarterly Earnings of Jurisdictional Utilities. (Settlement ¶ 21) These items are further addressed below.

outages, especially during major storms; and (iii) an objective to set rates based on the full class cost of service. Each of these issues is discussed in detail in the Statement of Reasons. (PPL Electric Exhibit Fully Projected Future 1, Section A) The requested increase is essential to the Company's continued ability to attract capital on reasonable terms and provide safe and reliable service to customers. As a general matter, these challenges in the business environment either reduce the Company's annual revenue or increase its annual operating costs. However, taken together, they place significant stress on PPL Electric's earnings and overall financial health and are the primary drivers behind the Company's request for rate relief in this proceeding. (PPL Electric St. No. 1, p. 5)

Absent rate relief, PPL Electric projected that in 2016 its return on common equity for the distribution business will fall to approximately 5.4%. Such a return clearly is deficient under any reasonable standard and would preclude the Company from obtaining capital on reasonable terms to finance infrastructure improvements needed to maintain reliable service to customers. Moreover, such a return on equity for the FPFTY, absent rate relief, also would be significantly lower than the return on equity of 10.95% proposed by Mr. Moul in his testimony (*see* PPL Electric St. No. 9), or the recent return on equity of 10.4% that was established for PPL Electric in its fully litigated 2012 base rate proceeding. *See Pa. P.U.C. v. PPL Electric Utilities Corporation*, Docket No. R-2012-2290597, p. 101 (Order entered Dec. 28, 2012) (hereinafter "*PPL 2012 Rate Case*"). Rate relief will allow the Company to continue its capital replacement strategy from a position of financial strength, which will result in continued reliability and in lower costs to customers over the long-term. (PPL Electric St. No. 1, p. 4)

The $124 million increase, although less than revenue increase requested by the Company, will allow PPL Electric to recover its necessary operating and maintenance expenses

and provides the Company with the reasonable opportunity to earn a fair return. It also should allow the Company to attract capital on reasonable terms, successfully implement its critical capital investment program, improve service to customers and help defer the need for future rate cases. (PPL Electric Exhibit Fully Projected Future 1, Section A, pp. 6-7)

In this proceeding, PPL Electric, I&E, and OCA presented testimony on revenue requirement issues. The revenue increase of $124 million under the Settlement is within the range of litigation positions of the parties that presented evidence regarding rate base, revenues, expenses, and return on equity in this proceeding. In its initial filing, the Company originally claimed a revenue increase of $167.5 million (PPL Electric St. No. 1, p. 3), which included a proposed return on equity of 10.95% (PPL Electric St. No. 9, p. 51). I&E recommended a revenue requirement increase of approximately $82.2 million (I&E St. No. 2, p. 43) with a return on equity of 8.63% (I&E St. No. 1, p. 6), which is considerably lower than the 10.4% return on equity set by the Commission in the *PPL Electric 2012 Rate Case*. The OCA recommended a revenue requirement increase of approximately $98.5 (OCA St. No. 1, p. 7) with a return on equity of 9.25% (OCA St. No. 2, p. 2), which also is considerably lower than the 10.4% return on equity set by Commission in the *PPL Electric 2012 Rate Case*. In rebuttal testimony, the Company revised its claim downward from its original position of $167.5 million to $147.234 million, using a return on equity of 10.95%. (PPL Electric St. No. 1-R, p. 5) Through negotiations, the Joint Petitioners were able to reach a compromise within a range of their competing litigation positions.

The $124 million proposed revenue increase under the Settlement is comfortably within the range of positions set forth by PPL Electric, I&E, and OCA and is clearly reasonable. The

proposed revenue increase of $124 million under the Settlement is supported by substantial evidence, just and reasonable, in the public interest, and should be adopted without modification.

C. REVENUE ALLOCATION

PPL Electric relied upon a class cost of service study to allocate the total jurisdiction revenue to each of the retail customer classes. (PPL Electric St. No. 10, pp. 4-17; PPL Electric Exhibit JDT-3) The Company's cost allocation studies generally followed the same methodology and criteria that were accepted by the Commission in the *PPL Electric 2012 Rate Case*, as well as many prior base rate proceedings. (PPL Electric St. No. 10, pp. 16-17)

PPL Electric, I&E, OCA, and OSBA all presented evidence regarding revenue allocation. All of these parties had different proposals for how to allocate the revenue increase to the customer classes, as well as different proposals regarding how to scale back any reduction to the proposed increase.

PPL Electric proposed to move all rate classes closer to the overall system rate of return, consistent with the Commonwealth Court's decision in *Lloyd v. Pa. P.U.C.*, 904 A2d 1010 (Pa. Cmwlth. 2006) ("*Lloyd*") and prior Appellate Court precedent regarding revenue allocation. (PPL Electric St. No. 10, pp. 17-20) With this in mind, PPL Electric proposed to allocate the originally proposed revenue increase of $167.5 million as follows:

Rate Schedule	Revenue Allocation (thousands)
RS	$155,278
RTS	$3,103
GS-1	$13,047
GS-3	$(9,985)
LP-4	$5,181
LP-5	$(1,528)
LPEP	$2,552
GH-2	$265
SL/AL	$(433)
Total	$167,500

(PPL Electric Exhibit JDT, p. 10) The proposed allocation results in each class being within 5% of the system rate of return. (PPL Electric St. No. 10, p. 20; PPL Electric Exhibit JDT, p. 10)

I&E proposed to reduce PPL Electric's proposed rate decreases for Rate Schedules GS-3 and LP-5 by 50%, *i.e.*, cutting the proposed decrease in half) and to eliminate the proposed rate decrease for street lighting customers on Rate Schedule SL/AL. I&E proposed to apply this reduction/elimination of rate decreases to reduce the proposed increase for Rate Schedule RS. (I&E St. No. 3, pp. 35-37) Should the Commission approve less than the full revenue requirement requested by the Company, I&E proposed a proportional scale back for those rate classes receiving rate increases, and proposed that the scale back be applied solely to the usage rates of those rate classes. (I&E St. No. 3, p. 38) The OCA recommended that no class receive a rate decrease, and that no class receive an increase of more than 150% of the overall (system-wide) percentage increase. (OCA St. No. 3, p. 34) The OCA also proposed that any scale back be applied proportionately across all rate classes. (OCA St. No. 3, p. 36) Lastly, the OSBA recommended an increase for Rate Schedule BL by the same percentage as the increase for Rate Schedule GS-1, and that the Rate Schedule GH-2 tariff rates be set at the Rate Schedule GS-1 tariff rates and the additional revenues be used to offset the proposed increase for Rate Schedule GS-1. (OSBA St. No. 1, pp.12-13) The OSBA also proposed that any scale back be applied proportionally only to those rate classes that are assigned rate increases. (OSBA St. No. 1, p. 14)

Despite these differences, all of the parties that presented testimony on revenue allocation were able to reach a full settlement on this issue. As a result of numerous settlement discussions, the parties that presented testimony on revenue allocation agreed to the following revenue allocation at the settled revenue requirement increase:

Rate Schedule	Revenue Allocation

	(thousands)
RS	$110,875
RTS	$1,800
GS-1	$9,745
GS-3	$(3,200)
LP-4	$3,900
LP-5	$(750)
LPEP	$1,071
GH-2	$355
SL/AL	$204
Total	$124,000

(Settlement ¶ 23) The rate impact of the settled revenue allocation is provided in the "Customer Class Rate Impact Analyses" attached as Appendix A.

With respect to Rate Schedule BL, a "borderline" service to neighboring utilities, the Joint Petitioners agreed to adopt the OSBA's proposal that the percentage increase assigned to Rate Schedule BL match that assigned to Rate Schedule GS-1. (Settlement ¶ 24) This proposal is just and reasonable because Rate Schedule BL is included in the Rate Schedule GS-1 for cost allocation purposes. (OSBA St. No. 1, p. 12)

The resolution of the revenue allocation issue required significant effort and compromise by the parties that submitted testimony on revenue allocation issues. Although the revenue allocation under the Settlement does not bring all classes precisely to the overall system average rate of return, it continues to move all classes closer to the system average return based on PPL Electric's class cost of service study. Given these considerations, PPL Electric believes that the revenue allocation under the Settlement is fully consistent with the Commonwealth Court's decision in *Lloyd* and prior Appellate Court precedent regarding revenue allocation.

In addition, in considering the *Lloyd* decision, it is important to recognize that *Lloyd* did not overturn prior judicial precedent with regard to revenue allocation and the applicability of cost of service studies. When allocating revenues to the rate classes, the Commission is not

required to adopt a single cost of service study or strictly allocate revenues according to the study's results. In *Executone of Philadelphia, Inc. v. Pa. P.U.C.*, 52 Pa. Cmwlth. 74, 79, 415 A.2d 445, 448 (1980), the Court stated as follows:

> [T]here is no single correct cost study or methodology that can be used to answer all questions pertaining to costs; there are only appropriate and inappropriate cost analyses depending upon the type of service under study and the management and regulatory decision in question.

Likewise, in *Peoples Natural Gas Co. v. Pa. P.U.C.*, 47 Pa. Cmwlth. 512, 409 A.2d 446, 456 (1979), ("*Peoples*"), the Court stated as follows with respect to rate design:

> . . . there is no set formula for determining proper ratios among the rates of different customer classes. *Natona Mills v. Pennsylvania Public Utility* Commission, 179 Pa. Super. 263,. 116 A.2d 876 (1955). What is reasonable under the circumstances, the proper difference among rate classes, is an administrative question for the commission to decide. This court's scope of review is limited.

In addition, the Commission has broad discretion in establishing a rate structure. In *Peoples*, the Court also stated:

> It is well settled that the establishment of a rate structure is an administrative function peculiarly within the expertise of the Commission. *Pittsburgh v. Pennsylvania Public Utility Commission*, 168 Pa. Super. 95, 78 A.2d 35 (1951). Further, this court has continually recognized that the findings of the Commission, if supported by competent evidence, will not be disturbed. *United States Steel Corp. v. Pennsylvania Public Utility Commission*, 37 Pa. Cmwlth. 173, 390 A.2d 865 (1978); *Philadelphia Suburban Transportation Co. v. Pennsylvania Public Utility Commission*, 3 Pa. Cmwlth. 184, 192-94, 281 A.2d 179, 185 (1971).

Peoples, 47 Pa. Cmwlth., *supra* at 533, 409 A.2d at 456.

As *Lloyd* and the other cases cited above demonstrate, the Commission retains considerable discretion in designing rates, is not required to follow any particular cost of service study, and can consider other factors, including gradualism, in designing just and reasonable

rates, as long as cost of service is the primary guiding factor. The agreed to revenue allocation under the Settlement provides very significant movement towards cost of service for all rate classes under PPL Electric's class cost of service study and is within the range of parties' litigation positions in this proceeding. As such, PPL Electric submits that the Settlement's proposed revenue allocation is fully consistent with the *Lloyd* decision and other relevant precedent regarding revenue allocation.

For these reasons, PPL Electric submits that the revenue allocation under the Settlement is just and reasonable, in the public interest, and should be adopted without modification.

D. RATE DESIGN

The Company's proposed rate design was provided in PPL Electric Exhibit SRK-1. The primary objective of the proposed rate design was to develop rate schedules that would produce the requested revenues when applied to forecasted conditions for the 12 months ending December 31, 2016. (PPL Electric St. No. 5, pp. 11-12). In its filing, PPL Electric proposed to continue movement toward distribution rates that are more demand- and customer-based, and less usage-based, which is more reflective of how costs are incurred by an electric distribution company. The Company also proposed to move to a daily customer charge for all rate schedules. (PPL Electric St. No. 5, p. 12) The rate design proposed for each Rate Schedule is summarized in the direct testimony of Mr. Scott R. Koch. (See PPL Electric St. No. 5, pp. 12-17)

1. Daily Customer Charge

While I&E agreed with the Company's proposal to move to a daily customer charge (I&E St. No. 3, p. 17), the daily customer charge was opposed by the OCA and CAUSE-PA. The OCA was concerned that a daily customer charge would be more difficult for customers that choose to re-calculate their bill. (OCA St. No. 3, p. 37) Similarly, CAUSE-PA argued that the

daily charge is more complex for low-income customers who benefit from simple bills. (CAUSE-PA St. No. 1, p. 10)

PPL Electric explained in rebuttal that the change from a monthly to daily customer charge has no overall financial impact on a customer's bill. The Company further explained that, because the total number of days in a billing period could vary depending on the billing month, the use of a daily customer charge will result in a total customer charge on a bill that directly corresponds to the total number of days in the billing period, which will be beneficial to customers that want to confirm how their total electric bill is determined. (PPL Electric St. No. 5-R, pp. 6-7)

As a result of numerous settlement discussions, the parties that presented testimony on the daily customer charge proposal agreed that PPL Electric will withdraw, without prejudice, its proposal to move to a daily customer charge for all Rate Schedules and Riders. (Settlement ¶ 26) The withdrawal of the daily customer charge proposal recognizes that a daily customer charge is a new concept in the Commonwealth of Pennsylvania. The withdrawal of the proposed daily customer charge will have no overall financial impact on a customer's bill and will address the bill complexity issues raised by the OCA and CAUSE-PA. PPL Electric submits that this settlement provision is just and reasonable, in the public interest, and should be approved.

2. Customer Charge for Residential Customer Class

PPL Electric proposed to increase the customer charge for Rate Schedule RS-Residential Service from $0.46323 per day ($14.09 per month) to $0.65753 per day ($20.00 per month) to more closely reflect the costs that are incurred in providing service to these customers, as set forth in PPL Electric Exhibit JDT 4. The fundamental principle employed to guide the design of rates was, consistent with the nature of distribution service, to move from revenue collection through usage-based charges to revenue collection through fixed charges. There are very few, if

any, distribution system-related costs that are a function of usage. The proposed increase in the daily charge helps better reflect how the costs for electric service are incurred. (PPL Electric St. No. 5, p. 13; *see also* PPL Electric St. No. 10, pp. 21-23) PPL Electric also proposed to increase the customer charge for Rate Schedule RTS-Residential Thermal Storage from $0.59375 per day ($18.06 per month) to $0.65753 per day ($20.00 per month). The proposed customer charge is the same as for the general residential class (Rate Schedule RS). (PPL Electric St. No. 5, p. 15)

I&E, OCA, CAUSE-PA, TASC, and KEEF all opposed the proposal to increase the residential monthly customer charge from $14.09 to $20.00. I&E argued that customers who use less energy should contribute less to the recovery of the revenue requirement. (I&E St. No. 3, p. 16) OCA, CUASE-PA, TASC, and KEEF all argued that the Company's proposal would adversely affect low-volume and low-income customers as well as energy conservation. (OCA St. No. 3, p. 39; CAUSE-PA St. No. 1, p. 6; TASC St. No. 1, p. 18; KEEF St. No. 1, p. 5)

In rebuttal, PPL Electric provided extensive support for the Company's proposal from a cost of service perspective and addressed the arguments raised by the opposing parties regarding conservation and the impact of customer charges on low-income customers. (*See*, *generally*, PPL Electric St. No. 10-R) PPL Electric also explained why an increase in the customer charge will not negatively impact conservation. (*See*, *generally*, PPL Electric St. No. 13-R) PPL Electric further stressed that the majority of the total bill will continue to be usage based even if the Company's proposed residential customer charge is adopted, and that the opposing parties also ignore the fact that PPL Electric requested an increase in the usage charge as well as customer charge. (PPL Electric St. No. 5-R, p. 8) The Company further explained that, although it fully supports appropriate incentives to encourage customers to conserve energy, PPL Electric does not believe that it is appropriate to design rates solely based on conservation. Rates driven

solely by conservation efforts would go against the fundamental cost causation principles and put investment in utility infrastructure at risk. (PPL Electric St. No. 5-R, p. 8)

All of the parties that presented testimony on the customer charge had different proposals for residential customer charge, which are summarized below:

Current	PPL Electric	I&E	OCA	TASC	KEEF
$14.09	$20	$12	$14.09	$14.09	$8.21

Despite these differences, all of the parties that presented testimony on the residential customer charge were able to resolve this issue through settlement. As a result of numerous settlement discussions, the parties that presented testimony on the residential customer charge agreed that the proposed customer charge for Rate Schedule RS will be maintained at $14.09 per month. (Settlement ¶ 26)

The $14.09 per month residential customer charge under the Settlement is approximately the mean value between the highest customer charge proposed by the Company and the lowest customer charge proposed by KEEF.[2] Further, the customer charge under the Settlement will address the low volume, low-income, and energy conservation issues raised by OCA, CAUSE-PA, TASC, and KEEF. The settlement of the residential customer charge is a reasonable compromise of competing litigation positions. Notably, the $14.09 per month residential customer charge under the Settlement is equivalent to the customer charge approved by the Commission in the fully litigated *PPL Electric 2012 Rate Case*.

For these reasons, PPL Electric submits that the $14.09 per month residential customer charge proposed in the Settlement is just and reasonable, in the public interest, supported by substantial evidence, and should be approved without modification.

[2] Mean Value = ($20.00 + $8.21)/2 = $14.11

E. AMTRAK

Rate Schedule LPEP is the rate schedule under which PPL Electric provides electricity for electric propulsion service from the Company's high voltage lines of 69,000 volts (69 kV) or higher, when the customer furnishes and maintains all equipment necessary to transform the energy from line voltage. National Railroad Passenger Corporation ("Amtrak") is the sole customer on this Rate Schedule. (PPL Electric St. No. 4-R, p. 30) The history of how Rate Schedule LPEP has evolved and the very significant savings Amtrak has received as a result of being on Rate Schedule LPEP is explained in PPL Electric St. No. 4-R, pp. 30-32.

In this proceeding, PPL Electric proposed to increase the customer charge for Rate Schedule LPEP customers from $37,100.00 per month to $252,647.17 per month. (PPL Electric St. No. 5, p. 17) The proposed increase in Rate Schedule LPEP is due to current and projected upgrades at the Conestoga Substation as further explained in PPL Electric St. Nos. 14-R and 18-R.

The Conestoga Substation, and its unique 25 Hertz equipment, exists solely to serve Amtrak. (PPL Electric St. No. 14-R, p. 3; PPL Electric St. No. 18-R, p. 3) PPL Electric has an obligation to provide safe and reliable power to its customers. The equipment in the substation has exceeded its useful life, and is beginning to fail due to age. These failures risk both the reliability of service to Amtrak as well as safety for PPL Electric and Amtrak personnel who work in the Conestoga Substation yard. (PPL Electric St. No. 18-R, pp. 4-5) Because Amtrak is the only customer served by the Conestoga Substation, Amtrak is the sole beneficiary of the improvements. Consequently, Amtrak is solely responsible to pay the costs to upgrade the Conestoga Substation. (PPL Electric St. No. 4-R, p. 33; PPL Electric St. No. 14-R, p. 4)

Amtrak agreed that upgrades to the aging equipment at the Conestoga Substation are required, and that Amtrak is responsible to pay the costs to upgrade the Conestoga Substation.

(PPLICA St. No. 1, pp. 5-8; PPLICA St. No. 2, p. 5). However, Amtrak disagreed with the scope of the project and whether it is necessary to complete the upgrades to the Conestoga Substation by December 2016. (PPLICA St. No. 1, pp. 6-7; PPLICA St. No. 2, pp. 5-6; PPLICA St. No. 3, p. 8) In its direct testimony, Amtrak also raised several alternative proposals to the project's scope, costs, timeframe, and cost recovery.

In rebuttal, PPL Electric fully explained how the cost estimate for the Conestoga Substation project was developed, which is the same method PPL Electric uses for other capital improvement projects. (PPL Electric St. No. 14-R, pp. 4-6) Further, the Company explained that the Conestoga Substation project is scheduled to be completed in 2016 due to the age and condition of the equipment in the substation, difficulty finding spare parts, and the fact that transformers in the substation are actively leaking nitrogen gas and are leaking oil. (PPL Electric St. No. 18-R, p. 8) Finally, PPL Electric explained that utilities base their rates on a test year and must make reasonable estimates of plant expected to be in service during the applicable test year. Here, the Company is employing a FPFTY and is projecting plant investment it expects to be in service at the end of this test year, including the capital improvements needed to upgrade the Conestoga Substation. (PPL Electric St. No. 4-R, pp. 33-34)

Despite these differences, PPL Electric and Amtrak were able to resolve all of their issues through settlement. As a result of numerous settlement discussions, PPL Electric and Amtrak agreed to continue to work together to resolve all open issues regarding the upgrade of the Conestoga Substation, including a possible alternative resolution regarding the final scope, timing, and costs of the upgrades needed for the Conestoga Substation. (Settlement ¶ 30) This will allow PPL Electric and Amtrak additional time to consider the alternative proposals raised

by Amtrak in this proceeding, which may potentially reduce the over costs of the project and, thereby, potentially reduce the costs paid by Amtrak.

To settle the increase in rates for Rate Schedule LPEP proposed in this proceeding, PPL and Amtrak agreed that the customer charge for Rate Schedule LPEP will be reduced from the proposed $252,647.17 per month to $126,323.59 per month, effective January 1, 2016. (Settlement ¶ 29) This interim rate will provide PPL Electric with a mechanism to recover some or all of the costs incurred to date, while at the same time providing the parties with additional time to further consider and evaluate alternative solutions to the final scope and costs of the upgrades needed for the Conestoga Substation. As part of the Settlement, Amtrak and PPL Electric agreed that the Company will submit a further tariff filing for Rate Schedule LPEP to reflect (i) the negotiated agreement ultimately reached by PPL Electric and Amtrak or (ii) the fact PPL Electric and Amtrak are unable to reach an agreement by September 1, 2016. (Settlement ¶ 31) This further filing will ensure that PPL Electric fully recovers the costs of the Conestoga Substation project, as ultimately agreed to by the parties.

The settlement of the Amtrak issue is a reasonable compromise of competing litigation positions. The proposed interim rate followed by a later rate filing to reflect the final scope and costs of the project is consistent with the principles of gradualism, while at the same time ensures that PPL Electric fully recovers the costs of the Conestoga Substation on a timely basis. For these reasons, PPL Electric submits that this Settlement provision is just and reasonable, in the public interest, supported by substantial evidence, and should be approved.

F. MFC AND POR

The Company's claim for uncollectible expense for the FPFTY was $45.5 million. The uncollectible accounts expense was developed based on an average of actual bad debt write-offs by customer class for the three most recent calendar years (2012-2014). The claimed bad debt

write-off percentage was 2.30% for residential customers, 0.23% for small commercial and industrial ("Small C&I") customers and 0.03% for large commercial and industrial ("Large C&I") customers. (PPL Electric St. No. 5, p. 8; PPL Electric Exhibit SRK-3)

In the past, the Company has used the uncollectible accounts expense percentages for distribution rates in both the Merchant Function Charge ("MFC") and the Purchase of Receivables ("POR") Program. However, in the *PPL 2012 Rate Case*, the Company was directed to determine if there was any difference in the amount of uncollectible expense associated with shopping customers (POR) and non-shopping customers (MFC). The Company undertook this analysis and determined that there is a small difference in uncollectible accounts percentages for shopping and non-shopping customers. Therefore, the Company proposed separate uncollectible percentages for the POR and MFC in this proceeding. The Company also proposed to adjust these rates annually going forward to better reflect the changing uncollectible percentages associated with shopping and non-shopping customers. (PPL Electric St. No. 5, p. 9)

For the residential customer class, PPL Electric proposed a 2.08% POR rate and a 2.42% MFC rate. Because the uncollectible accounts percentages are quite low for the small C&I customer class, the Company proposed to roll these amounts into base rates and to set the uncollectible percentage at 0.0% for both the MFC and POR. (PPL Electric St. No. 5, pp. 9-10)

Both I&E and OSBA disagreed with the Company's proposal to move all Small C&I uncollectible expenses into base rates and recommended keeping those rates in the riders for Small C&I. I&E recommended separate rates for POR and MFC as directed by the Commission in the *PPL Electric 2012 Rate Case*. (&E St. No. 2, p. 39) The OSBA, however, suggested one rate for both the POR and MFC. (OSBA St. No. 1, p. 17)

Despite all differences, the parties that presented testimony on the discount rates for the MFC and POR were able to resolve all of their issues through settlement. As a result of numerous settlement discussions, the parties that presented testimony on the discount rates for the MFC and POR agreed that PPL Electric will withdraw the following proposals: (i) to roll the Small C&I MFC and POR uncollectible accounts expense percentages into base rates; (ii) to set the Small C&I uncollectible percentage at 0.0% for both the MFC and POR; and (iii) to annually adjust the uncollectible percentage for both the MFC and POR. (Settlement ¶ 28) The parties also agreed that he Residential uncollectible percentage will be set at 2.31% for both the MFC and the POR, and the Small C&I uncollectible percentage will be set at 0.23% for both the MFC and the POR. (Settlement ¶ 28)

The Settlement's proposed discount rates for the MFC and POR are a reasonable compromise of competing interests. The difference in the amount of uncollectible expense associated with shopping customers (POR) and non-shopping customers (MFC) is quite small. (PPL Electric St. No. 5, pp. 9-10) Further, it is much simpler to continue to apply the same percentage to both shopping and default service customers for purposes of the MFC and POR. (OSBA St. No. 1, p. 18) In addition, as explained by the OSBA, differentiating between the uncollectible charges for shopping and non-shopping customers could cause a modest distortion to the price to compare, which could give customers inaccurate information for purposes of shopping decisions. (OSBA St. No. 1, p. 18)

For these reasons, PPL Electric submits that the MFC and POR percentages proposed in the Settlement are just, reasonable, in the public interest, supported by substantial evidence and should be approved without modification.

G. DSIC

On February 14, 2012, Governor Corbett signed into law Act 11 of 2012 ("Act 11"), which, among other things, amended Chapter 13 of the Public Utility Code to allow the Commission to approve a DSIC for electric and natural gas distribution companies. The purpose of the DSIC is to recover the reasonable and prudent capital costs incurred to repair, improve, or replace eligible property which is completed and placed in service between base rate cases. The DSIC provides public utilities, such as PPL Electric, with the resources to accelerate the replacement of aging infrastructure, to comply with evolving regulatory requirements, and to develop and implement solutions to regional supply problems. (PPL Electric St. No. 4, p. 13)

Consistent with 66 Pa.C.S. § 1358 and the Commission's Model Tariff, PPL Electric's Commission-approved DSIC includes: a 5% cap on the total amount of revenue that can be collected through PPL Electric's DSIC as determined on an annualized basis; annual reconciliations performed by PPL Electric; audits conducted by the Commission; customer notice of any changes in the DSIC; a reset of the DSIC to zero as of the effective date of new base rates that include the DSIC-eligible plant; and provisions for the charge to be set at zero if, in any quarter, PPL Electric's most recent earnings report shows that PPL Electric is earning a rate of return that exceeds the allowable rate of return used to calculate its fixed costs under the DSIC. (PPL Electric St. No. 4, p. 14)

In this distribution base rate proceeding, the Company proposed to include the costs of its existing DSIC in base rates, as required by Section 1358(b) of the Public Utility Code. The Company also proposed to include the capital investment and associated depreciation and tax effects for the DSIC in base rates. Finally, the Company proposed to reset its DSIC to 0% upon implementation of new base rates, and to keep the DSIC at 0% effective through December 31, 2016. (PPL Electric St. No. 4, p. 14)

1. Roll-In of DSIC into Base Rates

The Joint Petitioners agreed that the DSIC capital investment and associated depreciation and tax effects will be rolled into base rates per PPL Electric's proposal and the DSIC will be reset to 0% upon implementation of new base rates. (Settlement ¶ 32) This Settlement provision is consistent with the requirements of 66 Pa.C.S. § 1358 and should be approved.

The Settlement also provides that, as of the effective date of rates in this proceeding, PPL Electric will be eligible to include plant additions in the DSIC once eligible account balances exceed the levels projected by PPL Electric at December 31, 2016. The Joint Petitioners agree that this provision is included solely for purposes of calculating the DSIC, and is not determinative for future ratemaking purposes of the projected additions to be included in rate base in a FPFTY filing. (Settlement ¶ 33) This settlement provision fully complies with the requirements 66 Pa.C.S. § 1358 and the Commission's Model Tariff that the DSIC be reset to zero as of the effective date of new base rates that include the DSIC-eligible plant.

This settlement provision also appropriately accounts for the fact that base rates in the case are based on a FPFTY and recognizes that the new base rates include the DSIC-eligible plant additions projected as of December 31, 2016. Because the new base rates are based on projected plant additions, which may be different than actual plant additions, this Settlement provision properly permits the DSIC to become effective once the DSIC eligible account balances exceed the levels projected by PPL Electric at December 31, 2016. This will ensure PPL Electric is able to timely recover the reasonable and prudent capital costs incurred to repair, improve, or replace its aging distribution infrastructure that is placed in service between base rate cases, which, in turn, benefits customers with safe, reliable, and reasonably continuous electric service. Finally, PPL Electric notes that this settlement provisions is identical to other settlement provisions the Commission has adopted for other public utilities using a FPFTY. *See, e.g., Pa.*

PUC v. Columbia Gas of Pennsylvania, Inc., Docket No. R-2014-2406274 (Opinion and Order entered Dec. 10, 2014). For these reasons, PPL Electric submits that this settlement provision is just, reasonable, in the public interest and should be approved without modification.

2. DSIC Cap

On March 31, 2015, PPL Electric filed a Petition at Docket No. P-2015-2474714 requesting (i) waiver of the DSIC cap of 5% of billed revenues and (ii) approval to increase the maximum allowable DSIC from 5% to 7.5% for service rendered on or after January 1, 2016. *Pro forma* tariff pages for the proposed increase in the DSIC cap from 5% to 7.5% of billed revenues were provided as PPL Electric Exhibit BLJ-3. By the Amended Scheduling Order issued May 7, 2015, PPL Electric's DSIC Waiver Petition was consolidated with the base rate case for litigation purposes.

In support of its request to increase the DSIC cap, PPL Electric explained that it is undertaking a very aggressive plan to repair and replace its aging distribution infrastructure, consistent with its Commission-approved Asset Optimization Plan and Long Term Infrastructure Improvement Plan ("LTIIP"). PPL Electric's investments in its DSIC eligible distribution infrastructure are reflected in the DSIC. (PPL Electric St. No. 4, p. 15) As a result of these DSIC eligible investments, PPL Electric's customers have experienced system-wide reliability improvements. (PPL Electric St. No. 4, p. 16)

Although the repair and replacement of the aging distribution infrastructure on PPL Electric's system is recoverable under the DSIC surcharge, PPL Electric's DSIC recovery is limited to the 5% cap between rate cases. PPL Electric explained that, although the Company has not yet been forced to cease or delay construction of DSIC-eligible projects because the DSIC had reached the 5% cap, the need for additional expenditures to repair and replace more aging distribution infrastructure may necessitate more frequent base rate filings or limitations on

other needed capital expenditures, unless the cap on the DSIC surcharge is increased. Increasing the maximum DSIC rate from 5% to 7.5% will provide PPL Electric with additional resources to expand the repair and replacement of its aging infrastructure and support the policy of Act 11 to address needed infrastructure investment, with only incremental impacts to customers. (PPL Electric St. No. 4, pp. 16-17)

PPL Electric's proposal to increase the DSIC cap from 5% to 7.5% of billed revenues was opposed by the OCA and OSBA. The OCA argued that it was unclear on the record that the Company intends to further accelerate infrastructure improvements beyond the levels in its currently approved LTIIP, and that the Company failed to show it could not maintain adequate service to customer without the proposed increase in the DSIC cap. (OCA St. No. 1 at Docket No. P-2015-2474714, p. 4) The OSBA similarly argued that the Company has not demonstrated a threat to safe and reliable service without the proposed increase in the DSIC cap. (OSBA St. No. 1, p. 21)

Despite these differences, the parties that presented testimony on the DSIC cap were able to resolve all of their issues through settlement. Specifically, the parties that presented testimony on the DSIC cap agreed that PPL Electric's proposal to increase the DSIC cap from 5% to 7.5% of billed revenues will be withdrawn without prejudice. (Settlement ¶ 34) This is a reasonable compromise of competing interests. Further, because the proposed increase in the DSIC cap is withdrawn without prejudice, the Company may re-submit its request at a later date if and when needed to secure the necessary increase in revenue to cover the significant costs associated with needed repair and replacement of the aging distribution infrastructure, which is consistent with 66 Pa.C.S. § 1358(a). For these reasons, PPL Electric submits that the withdrawal, without

prejudice, of the proposed increase in the DSIC cap is just and reasonable and should be approved.

3. DSIC Applicability to Rate Schedule LPEP

In the Settlement, PPL Electric agreed to modify the DSIC tariff to exclude Rate Schedule LPEP prospectively beginning January 1, 2016. (Settlement ¶ 35) As explained by Amtrak, Rate Schedule LPEP is similar to Rate Schedule LP-5 with regard to its allocation of distribution costs, in that both Rate Schedules are allocated small amounts of distribution costs for customer-related plant and expenses. (PPLICA St. No. 1, p. 11) Because of this, the Commission concluded that Rate Schedule LP-5 should be excluded from the DSIC rate. *See Petition of PPL Electric Utilities Corporation for Approval of a Distribution System Improvement Charge*, Docket No. P-2012-2325034 (Opinion and Order entered May 7, 2015) However, no request was made to or approved by the Commission in the proceeding at Docket No. P-2012-2325034 to exclude Rate Schedule LPEP from the DSIC rate. For these reasons, PPL Electric submits that it is just and reasonable that Rate Schedule LPEP should not be charged the DSIC rate on a prospective basis effective with the first DSIC rate change after a Final Order in the Company's distribution base rate case is issued.

H. SDER

By way of background, on December 28, 2012, the Commission issued an Order in the *PPL Electric 2012 Rate Case* that, among other things, revised the Company's storm damage expense claim, including the approximately $14.7 million related to PUC-reportable storm damage expenses to be recovered through base rates, and directed PPL Electric submit a "rider for storm damage expense recovery" within ninety days from the date of the Order. Consistent with the Commission's December 28, 2012 Order, on March 28, 2013, PPL Electric filed Supplement No. 130 to its Tariff – Electric Pa. P.U.C. No. 201, proposing an SDER to provide

recovery of operating expenses caused by storms that are reportable under the Commission's regulations at 52 Pa. Code § 67.1(b). On April 3, 2014, the Commission entered an Order approving the SDER subject to certain modifications. (PPL Electric St. No. 4, p. 18)

The SDER approved by the Commission is a Section 1307(a) automatic adjustment rider that recovers only actual, experienced storm damage operating and maintenance expenses. The SDER recognizes that base rates currently provide for recovery of $14.7 million annually in storm damage expenses for reportable storms. The SDER recovers from customers or refunds to customers, as appropriate, only applicable expenses from reportable storms that are less than or greater than $14.7 million recovered annually through base rates. Under the SDER, expenses from major storm events are recovered over three years, with interest. The purpose of this extended recovery period is to improve the stability of rates under the SDER. Otherwise, the SDER could vary, from time to time, especially following major storm events such as Hurricane Sandy in October, 2012. (PPL Electric St. No. 4, pp. 18-19)

On June 20, 2014, the OCA filed a Petition for Review with the Commonwealth Court of Pennsylvania at Docket No. 1023 CD 2014, seeking appellate review of the Commission's Order approving the SDER. The Commission's Order approving the SDER currently is pending before the Commonwealth Court. However, no supersedeas or stay of the Commission's Order approving the SDER has been granted. Consequently, PPL Electric's SDER became and has remained effective since February 1, 2015. (PPL Electric St. No. 4, p. 19)

In this proceeding, PPL Electric proposed to change the rate structure for the Large C&I Class from a $/kW charge to a customer charge. PPL Electric explained that the existing SDER is computed for the Large C&I customer class using the total billed kW demand for that customer class. However, the base rate structure for the Large C&I customer class contains only

a customer charge, *i.e.*, there is no demand component in the Large C&I distribution base rate structure. (PPL Electric St. No. 4, p. 20) This proposal was acceptable to the Joint Petitioners. (Settlement ¶ 40) This proposed change will make the SDER consistent with the rate structure for the LC&I customer class and, therefore, is just, reasonable, and should be approved.

The Company also proposed to continue to recover $14.7 million annually in base rates for reportable storm damage expenses. (PPL Electric St. No. 4, p. 21) I&E and OCA both submitted testimony regarding the Company's storm damage expense claim.

I&E noted that the Company's 2011 storm amortization expense ($5.3 million per year) will continue through December 2017, and recommended that any recovery of the approximately $5.3 million per year beyond December 2017 be included in the SDER customer contribution, in addition to the current amount of $14.7 million, for a total of $20.0 million recovered through base rates per year. This amount would then be evaluated and adjusted in the Company's next base rate proceeding. (I&E St. No. 2, p. 37) I&E's proposal was acceptable to the Joint Petitioners. (Settlement ¶ 37)

Ultimately, including the $5.3 million of 2011 storm expense amortization in the SDER to offset actual storm costs benefits customers and the Company in that customers will only be paying the actual costs incurred for storm damage (for the 2011 storms, and storms incurred since inception of the SDER). Until December 2017, the $5.3 million is properly collected to recover the costs for the 2011 storms. Post-December 2017, these dollars will remain assigned to storm recovery expenses and offer the Company the benefit of a higher amount in base rates available to cover Commission reportable storms while the customer will still pay only the actual cost incurred because the SDER is reconcilable. To the extent that the full $20.0 million collected through base rates ($14.7 million currently, plus the $5.3 million related to 2011

amortization expense) is more than the actual costs incurred in any given year, the amount collected over and above the actual costs incurred will be returned to customers in a subsequent rate period through the SDER. (PPL Electric St. No. 4-R, p. 12) This proposal is a reasonable method to continue recovery of amortized storm related costs and appropriately classify the costs. For these reasons, this proposal is just, reasonable, and should be adopted.

The OCA proposed to adjust the Company's storm damage expense claim of $14.7 million in base rates to $12.758 million. (OCA St. No. 1, p. 22) PPL Electric explained that the Commission's orders approving the SDER, including the $14.7 million recovered through base rates, are currently on appeal before the Commonwealth Court. As a result, there is significant uncertainty at this time regarding the SDER and the amount of storm damage expenses to be recovered through base rates. (PPL Electric St. No. 4-R, p. 13)

In the Settlement, the Joint Petitioners agreed that the reportable storm damage expenses to be recovered annually through base rates will be set at $14,700,000. As a result, the SDER will recover from customers or refund to customers, as appropriate, only applicable expenses from reportable storms that are less than or greater than $14,700,000 million recovered annually through base rates. (Settlement ¶ 36) Given the uncertainty associated with the pending appeal, it is reasonable to maintain the status quo pending the outcome of the appeal of the Commission's orders approving the SDER and the existing tariff rider.

It also should be noted that the Joint Petitioners agreed that the final determination of the courts as to the disposition of the SDER in the current appeal process will control as to the legality of the SDER under Section 1307(a) of the Public Utility Code, 66 Pa.C.S. § 1307(a). (Settlement ¶ 41) This settlement provision is reasonable and in the public interest because it preserves the parties' rights and arguments before the appellate courts, maintains the status quo

pending the outcome of the appeal, and requires the parties to fully comply with the conclusion ultimately reached by the appellate courts.

It also should be noted that customers are not and will not be harmed by maintaining the status quo and including the $14.7 million of eligible storm damage expenses previously approved by the Commission in base rates. The SDER is designed to recover from customers or refund to customers, as appropriate, only applicable expenses from reportable storms actually incurred that are less than or greater than eligible storm damage expenses recovered annually through base rates. Any over or under collection will be collected or refunded through SDER in a subsequent rate period with interest applied. Stated otherwise, it makes little difference under the SDER if the level of storm damages expenses recovered annually through base rates is $200 or $20 million -- PPL Electric will only recover the dollar-for-dollar amount of storm damage expenses actually incurred under the SDER, no more and no less. (PPL Electric St. No. 4-R, p. 13)

PPL Electric also proposed to roll the SDER into base rates and to refund/recoup the over/under collection for 2015 during the 2016 SDER recovery period. (PPL Electric St. No. 4, p. 23) The OCA questioned whether the SDER was being reset to $0 in this proceeding. (OCA St. No. 1, p. 25)

In the Settlement, the Joint Petitioners agreed that, to the extent that actual eligible storm damage expenses for 2015 are more or less than the $14.7 million PPL Electric is recovering through base rates, this over/under collection will be refunded/recouped during the 2016 SDER recovery period (January 1, 2016 through December 31, 2016). (Settlement ¶ 38) Notably, the Company is continuing to recover the $14.7 million in base rates during 2015. Therefore, it is just and reasonable to reconcile the SDER and recover from customers or refund to customers, as

appropriate, the actual storm damages expenses incurred during 2015 that are less than or greater than eligible storm damage expenses recovered through base rates during 2015. If the actual storm damage expenses for 2015 are not reconciled with the $14.7 million in base rates, this could result in customers paying more than the actual storm damages expenses incurred for 2015 (*i.e.*, if the actual storm damages expenses for 2015 were less than $14.7 million) or, conversely, could result in PPL Electric not fully recovering the actual storm damages expenses incurred for 2015 (*i.e.*, if the actual storm damages expenses for 2015 were greater than $14.7 million). (PPL Electric St. No. 4-R, p. 18) Stated otherwise, this settlement provision will ensure that PPL Electric will only recover the actual dollar-for-dollar amount of storm damage expenses actually incurred under the SDER, no more and no less. For these reasons, PPL Electric submits that this settlement provisions is just, reasonable, and in the public interest.

Finally, PPL Electric proposed to continue to recover the Hurricane Sandy amortization during the 2016 SDER recovery period and (ii) to refund/recoup the over/under collection for 2015 during the 2016 SDER recovery period. (PPL Electric St. No. 4, p. 23) The OCA argued that the three year amortization period for all extraordinary storm damage expense in the Company's SDER is inconsistent with past Commission practice and the amortization period should instead be five years. (OCA St. No. 1, p. 24)

In the Settlement, the Joint Petitioners agreed that PPL Electric should be permitted to continue to recover the Hurricane Sandy amortization during the 2016 SDER recovery period (January 1, 2016 through December 31, 2016). (Settlement ¶ 39) This settlement provisions is consistent with the three year SDER recovery period for major storm events approved by the Commission. For this reason, the recovery of the Hurricane Sandy amortization during the 2016 SDER recovery period is just and reasonable.

Further, this settlement provision properly recognizes the impact of the loss of storm insurance. Prior to 2013, PPL Electric recovered a substantial portion of its storm damage expenses from its insurance carriers in a relatively short period of time, roughly one year. In contrast, under the base-rate deferral and amortization treatment of storm damage expenses, recovery is delayed for many years. With storm damage insurance, only a portion of PPL Electric's storm damage expenses were amortized over longer periods and the financial burden caused by such expenses was eased. Now that storm damage insurance is no longer available, PPL Electric has lost this benefit and now must bear the full brunt of delayed recovery of storm damage expenses without the benefit of insurance coverage. Therefore, use of a five-year instead of a three-year amortization period for storm damage expenses would have a far greater financial impact on PPL Electric. Further, it would make application of interest to deferred balances that much more important. (PPL Electric St. No. 4-R, p. 16) For these reasons, PPL Electric submits that continuing to recover the Hurricane Sandy amortization over a consecutive three year recovery period is just, reasonable, consistent with the Commission's order approving the SDER, and should be approved without modification.

I. CUSTOMER ASSISTANCE PROGRAMS

PPL Electric did not request any recovery of its universal service programs in this distribution base rate case proceeding. The Company recovers the costs for its low-income programs[3] through a reconcilable Universal Service Rider ("USR"), which the Commission approved in 2007 at Docket No. R-00072155. (PPL Electric St. No. 12-R, p. 4) Similarly, PPL Electric did not propose any changes regarding the administration, services provided, or funding levels of its universal service programs. Rather, every three years utilities are required to file, for

[3] The programs include OnTrack, which is PPL Electric's Customer Assistance Programs ("CAP"), and WRAP, which is the Company's Low-Income Usage Reduction Program ("LIURP").

Commission review and approval, a Universal Service & Energy Conservation Plan ("Plan"). The Commission entered a Final Order approving PPL Electric's current Plan (2014-2016) less than a year ago, on September 11, 2014, at Docket No. M-2013-2367021. The Company will submit its next three-year Plan (2017-2019) to the Commission on July 1, 2016. In that filing, PPL Electric will propose any changes and enhancements to its current universal service programs. (PPL Electric St. No. 12-R, p. 5) Notwithstanding the foregoing, several parties to this proceeding proposed changes to universal service program funding, credits, and type of programs offered.

CAUSE-PA recommended an increase in the CAP credits by the same percentage of any increase granted in this base rate proceeding. (CAUSE-PA St. No. 1, p. 15) In rebuttal, PPL Electric recommended that the Commission should resolve suggestions like these as part of the process to approve the proposed three-year Universal Service & Energy Conservation Plan. It would be reasonable to wait until the distribution base rate increase has been approved, evaluate the impact of that increase, and address the appropriate CAP credit proposal in the next Universal Service & Energy Conservation Plan to be filed on July 1, 2016. (PPL Electric St. No. 12-R, p. 11)

In the Settlement, the Joint Petitioners agreed that PPL Electric will increase its maximum CAP credits by a percentage equal to 50% of the overall percentage increase in Rate Schedule RS rates. (Settlement ¶ 42) This settlement provision is just, reasonable, and in the public interest. One of PPL Electric's objectives is to help ensure customers continue to participate in OnTrack (the name of the Company's CAP). The benefits of participating in OnTrack include an affordable bill, arrearage forgiveness, and a referral to WRAP. (PPL

Electric St. No. 12-R, p. 11) Increasing the maximum CAP credits as proposed will help low-income customers offset the impacts from the proposed increase in distribution rates.

CEO and CAUSE-PA proposed an increase in the annual WRAP funding. (CEO St. No. 1, pp. 9-10; CAUSE-PA St. No. 1, p. 12) As part of its 2014-2016 three-year Plan, the Company increased WRAP funding from $8.0 million to $9.5 million. Since the year 2000, PPL Electric has raised its overall funding for WRAP from $5.5 million to $9.5 -- an increase of 73 percent. (PPL Electric St. No. 12-R, p. 8) PPL Electric explained that the best venue for addressing changes to funding levels and services offered is through the Commission's existing process to review and approve utilities' proposed three-year Universal Service & Energy Conservation Plan. (PPL Electric St. No. 12-R, p. 7)

In the Settlement, the Joint Petitioners agreed that PPL Electric will increase its annual WRAP funding by $500,000, effective January 1, 2016. (Settlement ¶ 43) This settlement provision is a reasonable compromise that is in the public interest. WRAP helps customers reduce energy usage through education, weatherization, and energy conservation. (PPL Electric St. 12-R, p. 8) An increase in WRAP funding will be beneficial to customers and will help offset the impacts of the distribution rate increase.

CEO also recommended that the Commission should direct PPL Electric to continue using community-based organizations ("CBOs") to administer the Company's universal service programs. (CEO St. No. 1, p. 11) In the Settlement, PPL Electric agreed to continue its collaborative and productive partnership with a variety of CBOs to implement the Company's low-income programs, subject to changes in the Company's future universal service proceedings. (Settlement ¶ 44) This settlement provisions is a reasonable compromise that provides PPL Electric with the flexibility of continuing to use CBOs, as well as private contractors, to improve

the delivery WRAP services throughout its service area. This model has worked well for the Company for many years. (PPL Electric St. No. 12-R, p. 10) For these reasons, PPL Electric submits that this settlement provisions is just, reasonable, and in the public interest.

The OCA proposed that PPL Electric should change the process of how it calculates offsets for CAP credits, arrearage forgiveness, and cash working capital for its USR. These adjustments incorporate a bad debt offset for CAP credits of 9.3%, incorporate a working capital offset for CAP credits of 17%, incorporate a bad debt offset for arrearage forgiveness of 9.3%, and incorporate a working capital offset for arrearage forgiveness credits of 44%. (OCA St. No. 4, pp. 37-38) PPL Electric explained in detail why these proposals are not acceptable to the Company. (PPL Electric St. No. 4-R, pp. 37-42)

PPL Electric also noted that the level of adjustment would still need to be evaluated on an ongoing basis. To the extent that a specific level of adjustment is adopted, it must be applied appropriately to offset only the incremental base rate amounts that may be "double recovered" and not applied to total amounts thereby creating an under recovery. In addition, these adjustments are being made on an individual utility basis rather than being addressed on a state-wide basis. Finally, PPL Electric explained that these issues are more appropriately addressed in the context of the Company's next Universal Services Plan where all relevant stakeholders have the opportunity to participate. (PPL Electric St. No. 4-R, pp. 42-43)

To address the bad debt, arrearage forgiveness, and cash working capital issues raised by the OCA, the Joint Petitioners agreed that PPL Electric will provide a fixed USR credit of $100 per month for all CAP customers above 44,000. The Parties also agree to evaluate further revisions in the USR credit and arrearage forgiveness and to recommend additional changes in

the Company's next universal service proceeding. (Settlement ¶ 47) This settlement provisions is a reasonable compromise of competing litigation positions.

The OCA also proposed that PPL Electric should implement a 50%/50% sharing of the costs and benefits of CAP participant shopping decisions between ratepayers and CAP participants. (OCA St. No. 4, pp. 19-20) In rebuttal, CAUSE-PA opposed OCA's sharing proposal (CAUSE-PA St. No. 1-R, pp. 5-6) PPL Electric explained that the OCA's approach would require a significant amount of effort to automate the process, and that the Company has concerns about the accelerated switching of suppliers and the impact on OnTrack shoppers. (PPL Electric St. No. 12-R, pp. 20-21)

Despite these differences among the parties, all of the parties that presented testimony on the CAP customer participation in the competitive shopping market were able to put aside their differences and resolve all of their issues. As a result of numerous settlement discussions, the parties that presented testimony on the CAP customer participation in the competitive shopping market agreed to hold a collaborative by May 31, 2016, with all interested stakeholders to discuss and evaluate CAP customer participation in the competitive shopping market. (Settlement ¶ 49) This settlement provisions recognizes and attempts to accommodate the parties' diverse positions on CAP customer participation in the competitive shopping market. In addition, this settlement provisions acknowledges that the Commonwealth Court recently issued an opinion finding that the Commission has the legal authority to impose CAP rules limiting the terms of any offer from an electric generation supplier that a customer could accept could accept and remain eligible for CAP. *See Coalition for Affordable Utility Service, et al. v Pa. PUC*, Docket Nos 445 CD 2015, 596 CD 2014, __ A.2d __ (Pa. Cmwlth. July 14, 2015). For these

reasons, PPL Electric submits that the proposed collaborative on CAP customer participation in the competitive shopping market is just, reasonable, and should be approved.

The OCA also raised concerns regarding payment posting. Specifically, the OCA recommended that the Company apply partial payments for balances due for prior use first. (OCA St. No. 4, p. 38) The Company explained that it already follows the OCA's recommendation. Specifically, the Company's payment posting rules are contained in its tariff, Rule 9 part D. Payments section (8), which states "Payments which are insufficient to pay for both a balance due for prior use and billing for current use are first applied to the balance due for prior use, except when an unpaid bill is a disputed bill or when a payment plan for an overdue balance is agreed upon." The Joint Petitioners agreed to memorialize this practice in the Settlement to avoid any future confusion. (Settlement ¶ 48)

Finally, Mr. Epstein recommended new initiatives to address the needs of low-income households, including a senior rate. (Epstein St. No. 1, pp. 9-12) PPL Electric explained that the Company believes that its family of existing programs (e.g., OnTrack, WRAP, Operation HELP and CARES) is appropriate in responding to the needs of low-income households, including the elderly. Expenditures for OnTrack, WRAP and Operation HELP exceeded $88 million in 2014 which, from the Company's perspective, is a significant commitment to addressing the needs of lower-income households. In addition, for the 2014-2015 program year, approximately 30,000 low-income customers received $8.45 million in LIHEAP grants. (PPL Electric St. No. 12-R, p. 16) However, the Company shares Mr. Epstein's concern about addressing the needs of low-income elderly customers who may be struggling to pay their electric bills. (PPL Electric St. No. 12-R, p. 16) Consequently, in the Settlement PPL Electric committed to evaluate existing senior education programs established by comparable utilities and to recommend whether or not to

adopt a senior education program in its next universal service proceeding. (Settlement ¶ 45) PPL Electric also agrees to undertake a pilot program in the Lancaster County area using local churches and food banks to further promote and educate customers about LIURP and Act 129 programs. (Settlement ¶ 46) PPL Electric submits that these settlement provisions may provide helpful insight for further improving education to customers about low-income programs.

J. NET METERING

SEF submitted testimony addressing net metering. Net metering is the process by which an eligible renewable customer-generator's account is credited for generating electricity from a qualifying Tier I or Tier II alternative energy source pursuant to the Pennsylvania Alternative Energy Portfolio Standards Act ("AEPS Act") and the Commission's net metering regulations. A basic example is a customer who installs solar panels on his or her roof to generate electricity. Net metering allows customer-generators to use the electricity produced from eligible alternative energy systems to offset all or a portion of the customer-generator's electric usage. If a customer-generator supplies more electricity to the electric distribution system than the electric distribution company delivers to the customer-generator in a given billing period, the excess generation is carried forward and credited against the customer-generator's usage in subsequent billing periods at a rate which includes the kilowatt-hour ("kWh") distribution charge, transmission service charge, and generation supply charge. Any excess, unused generation continues to accumulate until the end of the PJM Interconnection LLC ("PJM") Planning Period (May 31st of each year) and is then cashed out at the electric distribution company's applicable Price-to-Compare ("PTC") and paid to the customer-generator. (PPL Electric St. No. 16-R, pp. 4-5)

In this proceeding, PPL Electric proposed certain clarifications to its Net Metering tariff provisions, including the proposal to remove the Time of Use ("TOU") provisions from its net

metering tariff to avoid customer confusion regarding TOU and net metering. (*See* PPL Electric Exhibit SRK-1A, pp. 19L.2, 19L.4; *see also* PPL Electric St. No. 16-R, p. 13). PPL Electric also proposed to modify Rate Schedule RS to make it clear that residential customers with renewable facilities greater than 50 kW will take service from general service rates, rather than residential rates. (PPL Electric St. No. 16-R, p. 7)

SEF recommended that PPL Electric should not be permitted to delete TOU from the net metering tariff provisions, and proposed a TOU net metering contingency if PPL Electric's TOU Program fails and PPL Electric is required to offer TOU rates.[4] (SEF St. No. 1, p. 14) In rebuttal, PPL Electric explained that the Commission approved a new TOU Program on September 11, 2014, at Docket No. P-2013-2389572. Under the Commission-approved TOU Program, PPL Electric will provide a TOU rate option to customers in its tariff; however, it will utilize the retail market and EGSs to satisfy its statutory obligation to offer TOU service to its default service customers. (PPL Electric St. No. 16-R, pp. 11-12)

In the Settlement, the Joint Petitioners agreed that PPL Electric's proposed revisions to its Net Metering tariff provisions (Tariff Pages 19L.2 and 19L.4) are withdrawn with the exception of the proposal to eliminate the Time-of-Use language. (Settlement ¶ 51) This settlement provision reflects the Commission's Order at Docket No. P-2013-2389572 and should be adopted.

SEF also opposed PPL Electric's proposal to exclude alternative energy systems with a capacity greater than 50 kilowatt ("kW") from the residential rate schedule. (SEF St. No. 1, p. 11) PPL Electric explained that an alternative energy system with capacity in excess of 50 kW

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[4] The TOU rate is an alternative to receiving a fixed-price rate for default service. Under the TOU rate option, the electric generation price a customer pays varies by time of day, and can vary by season. Prices are lower during "off-peak" hours, such as during nighttime, early morning and weekends, and higher during "on-peak" hours when electric demand is greatest. (PPL Electric St. 16-R, p. 11)

has the potential to impose significantly greater demand on PPL Electric's system than a typical residential customer, being more akin to a Small Commercial & Industrial service customer system demand. PPL Electric believes that its proposal to treat these customers-generators as general service customers rather than residential customers will better align the customers with the demand they place on the system. (PPL Electric St. No. 16-R, p. 7)

In the Settlement, the Joint Petitioners agreed to adopt PPL Electric's proposal to revise Rate Schedule RS to move residential customers with a renewable generation facility greater than 50 kW from residential rates to a general service rate. (Settlement ¶ 50) This settlement provision is consistent with the requirements of the AEPS Act, which provides that a residential nonutility owner or operator of a net metered distributed generation system must have a "nameplate capacity of not greater than 50 kilowatts." 73 P.S. § 1648.2. This settlement proposal is in the public interest because it will make this legal requirement clear to customers.

K. INTERCONNECTION REQUIREMENTS

In this proceeding, TASC made several recommendations regarding standards to interconnect distributed generation with the electric system. TASC recommended that PPL Electric be required to provide a "permission to interconnect" or a "permission to operate" within 10 business days from the date of applicant for interconnection has successfully tested the generator. (TASC St. No. 1, p. 21) TASC also proposed additional reporting requirements for interconnection processing timelines. (TASC St. No. 1, pp. 22-23) In addition, TASC recommended that PPL Electric should treat solar-only facilities and combined solar and battery facilities the same for purposes of interconnection. (TASC St. No. 1, p. 24) Finally, TASC recommended that the Commission and interested stakeholders should review and develop new criteria to determine if upgrades to the distribution systems are required when interconnecting solar distributed generation. (TASC St. No. 1, p. 26)

In response, PPL Electric explained that TASC's recommendations are not properly within scope of this distribution base rate case but, rather, should be addressed in a statewide proceeding that affords all interested parties the opportunity to fully participate. (PPL Electric St. No. 16-R, pp. 16-17) PPL Electric also provided detailed explanations why each of TASC's proposals are unacceptable and should be rejected. (PPL Electric St. No. 16-R, pp. 17-24)

In the Settlement, the Joint Petitioners agreed that, for Level 1, 2, 3, and 4 interconnection requests, PPL Electric will undertake best efforts to return a fully executed Certificate of Completion, approving the facility for operation, within (i) ten days from the date of a witness test or inspection that confirms all the equipment has been properly installed and that all electrical connections meet the Company's requirements, or (ii) ten days after the witness test has been deemed waived. (Settlement ¶ 52) PPL Electric submits that this settlement provisions is consistent with the Commission's existing interconnection review procedures set forth in 52 Pa. Code §§ 75.37-75.40, while at the same time providing the developers of renewable facilities with some degree of certainty to when the renewable energy systems may become operational. For these reasons, PPL Electric submits that this settlement provisions is just and reasonable and should be approved.

In the Settlement, the Joint Petitioners also agreed that PPL Electric will undertake a study of the legality, feasibility, and technical requirements of interconnecting distributed generation storage and battery facilities, including solar storage facilities. (Settlement ¶ 53) PPL Electric notes that it is unclear whether storage technology qualifies as a type of eligible renewable technology under the AEPS Act. It also is entirely uncertain what regulations, rules, and criteria would need to be developed to implement combined renewable and storage facilities. This settlement provision is just and reasonable because it is a reasonable compromise of

competing interests and, moreover, permits PPL Electric time to further evaluate these complex issues which clearly cannot be fully vetted within the time constraints of a base rate case proceeding.

Finally, the Joint Petitioners agreed that TASC's proposed distributed generation interconnection standards and reporting requirements should be addressed through a statewide proceeding that provides all potentially affected parties with the opportunity to fully participate and/or comment. In the event that the Commission initiates a statewide stakeholder collaborative or discussion of the distributed generation interconnection standards and reporting requirements, all parties reserve their rights to raise any and all arguments and positions in any such stakeholder process (other than an opposition to holding such a process). (Settlement ¶ 54) This settlement provision is just and reasonable because it recognizes that the Commission has adopted technical standards to be used in evaluating all interconnection requests, which are set forth in 52 Pa. Code § 75.35, and that changes to these standards should only be implemented through an appropriate statewide proceeding that provides all potentially affected parties notice and the opportunity to fully participate.

L. REVENUE DECOPULING

In this proceeding, KEEF proposed that the Commission open a formal investigation to authorize revenue decoupling for electric distribution companies. (KEEF St. No. 1, pp. 37-45) This proposal was largely opposed by the other parties. Despite the differences among the parties, all of the parties were able resolve all of their issues.

As a result of numerous settlement discussions, the Joint Petitioners agreed that PPL Electric will hold a collaborative open to all interested parties to seek input regarding revenue decoupling. All parties reserve their right to raise any and all arguments and positions in the

collaborative, or to the Commission, including opposing the implementation of decoupling in whole or in part. (Settlement ¶ 55)

This settlement provision appropriately recognizes that revenue decoupling would impact all electric distribution companies within the Commonwealth, and it would be inappropriate, prejudicial, and a denial of due process for the Commission to make such a statewide and novel determination without providing all potentially affected parties notice and the opportunity to fully participate and/or comment in an appropriate proceeding that has statewide effect. Further, this settlement provisions recognizes that there is simply not enough time to fully address the issue of revenue decoupling within the time limits of a distribution base rate case. For these reasons, this settlement provisions is just, reasonable, and should be adopted.

IV. CONCLUSION

The Settlement is the result of a detailed examination of PPL Electric's proposals, substantial discovery requests, multiple rounds of testimony, numerous settlement discussions, and compromise by all active parties. PPL Electric believes that fair and reasonable compromises have been achieved on the settled issues in this case, particularly given the fact that the active parties have such diverse and competing interests in this proceeding and have reached an agreement on all issues. PPL Electric fully supports this Settlement and respectfully requests that Administrative Law Judge Susan D. Colwell and the Pennsylvania Public Utility Commission:

(i) Approve Joint Petition for Settlement of All Issues without modification;

(ii) Approve the proposals set forth in PPL Electric's above-captioned March 31, 2015 distribution base rate increase filing subject to the terms and conditions of the Joint Petition for Settlement of All Issues;

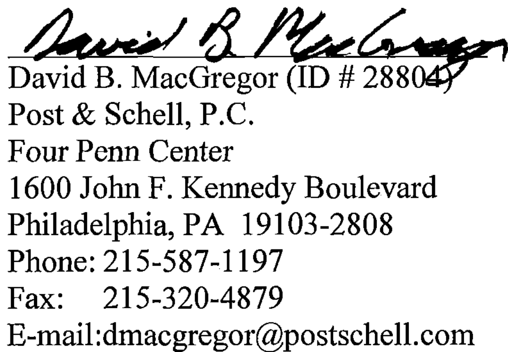
(iii) Approve the *pro forma* tariff attached to Joint Petition for Settlement of All Issues as Appendix A;

(iv) Approve the proof of revenues attached to the Joint Petition for Settlement of All Issues as Appendix B;

(v) Mark the Formal Complaints filed by OCA, OSBA, PPLICA, D. Wintermeyer, Cathleen A. Woomert, Michael B. Young, and Joseph E. McAndrew as satisfied and closed; and

(vi) Mark the investigation at Docket No. R-2015-2469275 closed.

Respectfully submitted,



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Date: September 3, 2015

Appendix "A"

PPL Electric Utilities Corporation

Customer Class Rate Impact Analyses

Residential Class

Under the Settlement Rates, the monthly RS distribution customer charge will remain unchanged at $14.09. This increase in the distribution customer charge is in lieu of the Company's proposed monthly distribution customer charge of $20.00, which represented a $5.91 increase (or 41.9%). In addition, under the Settlement Rate, the bill for a typical RS customer that uses 1,000 kWh per month will increase by $7.53 per month, from $147.31 to $154.84 (or 5.11%), including default service generation, taxes and other rider surcharges. In comparison, in the Company's proposed filing, the bill for a typical RS customer that uses 1,000 kWh per month would have increased by $10.19 per month from $147.31 to $157.50 (or 6.9%), including default service generation, taxes and other rider surcharges.

Small Commercial & Industrial Class

Under the Settlement Rates, the monthly GS-1 distribution customer charge will increase $6.00 (or 37.5%) from $16.00 to $22.00. This increase in the distribution customer charge is in lieu of the Company's proposed monthly distribution customer charge of $24.00, which represented a $8.00 increase (or 50.0%). In addition, under the Settlement Rate, the bill for a typical GS-1 customer that uses 1,000 kWh and 3 KW per month will increase by $4.83 per month, from $133.12 to $137.95 (or 3.6%), including default service generation, taxes and other rider surcharges. In comparison, in the Company's proposed filing, the bill for a typical GS-1 customer that uses 1,000 kWh and 3 KW per month would have increased by $6.78 per month from $133.12 to $139.90 (or 5.1%), including default service generation, taxes and other rider surcharges.

Under the Settlement Rates, the monthly GS-3 distribution customer charge will increase $20.00 (or 50.0%) from $40.00 to $60.00. This increase in the distribution customer charge is the same as the monthly distribution customer charge in the Company's proposed filing. In addition, under the Settlement Rate, the bill for a typical GS-3 customer that uses 15,000 kWh and 50 KW per month will decrease by $4.54 per month, from $1,806.62 to $1,802.08 (or -0.3%), including default service generation, taxes and other rider surcharges. In comparison, in the Company's proposed filing, the bill for a typical GS-3 customer that uses 15,000 kWh and 50 KW per month would have decreased by $18.57 per month from $1,806.62 to $1,788.05 (or -1.0%), including default service generation, taxes and other rider surcharges.

Large Commercial & Industrial Class

Under the Settlement Rates, the monthly LP-4 distribution customer charge will remain unchanged at $169.80. In addition, under the Settlement Rate, the bill for a typical LP-4 customer that uses 150,000 kWh and 500 KW per month will increase by $114.91 per month, from $13,366.34 to $13,481.25 (or 0.9%), including default service generation, taxes and other rider surcharges. In comparison, in the Company's proposed filing, the bill for a typical LP-4 customer that uses 150,000 kWh and 500 KW per month would have increased by $158.41 per month from $13,366.34 to $13,524.75 (or 1.2%), including default service generation, taxes and other rider surcharges.

Under the Settlement Rates, the monthly LP-5 distribution customer charge will remain unchanged at $994.00. This distribution customer charge is in lieu of the Company's proposed monthly distribution customer charge of $521.89, which represented a $472.11 decrease (or -47.5%). In addition, under the Settlement Rate, the bill for a typical LP-5 customer that uses 3,300,000 kWh and 7,500 KW per month will decrease by $540.96 per month, from $265,565.82 to $265,024.86 (or -0.2%), including default service generation, taxes and other rider surcharges. In comparison, in the Company's proposed filing, the bill for a typical LP-5 customer that uses 3,300,000 kWh and 7,500 KW per month would have decreased by $1,013.07 per month from $265,565.82 to $264,552.75 (or -0.4%), including default service generation, taxes and other rider surcharges.

*All calculations use rider, transmission and generation charges in effect at 3/1/2015, except for DSIC which used a forecasted 4.88%, to ensure that the rates are being compared on a consistent basis.