



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

IN REPLY PLEASE
REFER TO OUR FILE

September 4, 2015

Secretary Rosemary Chiavetta
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

Re: Pennsylvania Public Utility Commission v.
PPL Electric Utilities Corporation
Docket No. R-2015-2469275

Dear Secretary Chiavetta:

Enclosed please find the Bureau of Investigation and Enforcement's (I&E) **Statement In Support of Joint Petition for Settlement of Rate Investigation** (Statement in Support").

Copies are being served on all active parties of record as evidenced in the attached Certificate of Service. If you have any questions, please feel free to contact me at (717) 787-8754.

Sincerely,

Richard A. Kanaskie
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Bureau of Investigation and Enforcement
PA Attorney I.D. #80409

Gina L. Lauffer
Prosecutor
Bureau of Investigation and Enforcement
PA Attorney I.D. #313863

Kenneth R. Stark
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RAK/GLL/KRS/sea
Enclosure

cc: Certificate of Service
ALJ Susan D. Colwell

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission :
 :
 v. : Docket No. R-2015-2469275
 :
 PPL Electric Utilities Corporation :

CERTIFICATE OF SERVICE

I hereby certify that I am serving the foregoing **Statement in Support of Settlement** dated September 4, 2015, in the manner and upon the persons listed below, in accordance with the requirements of § 1.54 (relating to service by a party):

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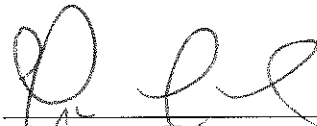
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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	R-2015-2469275
	:	
PPL Electric Utilities Corporation	:	

**BUREAU OF INVESTIGATION AND ENFORCEMENT
STATEMENT IN SUPPORT OF
JOINT PETITION FOR SETTLEMENT
OF RATE INVESTIGATION**

TO ADMINISTRATIVE LAW JUDGE SUSAN D. COLWELL:

The Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”), by and through its Deputy Chief Prosecutor, Richard A. Kanaskie, and Prosecutors Gina L. Lauffer and Kenneth R. Stark, hereby submit that the terms and conditions of the foregoing *Joint Petition For Settlement Of Rate Investigation* (“Joint Petition” or “Settlement Agreement”) are in the public interest and represent a reasonable and equitable balance of the interests of PPL Electric Utilities Corporation (“PPL”), PPL’s customers, and the parties to the Settlement Agreement. The parties have conducted extensive formal and informal discovery and have participated in numerous

settlement conferences. The extensive and open discussions culminated in the attached Settlement Agreement. I&E requests approval of the Joint Petition based on I&E's determination that the Settlement Agreement meets all the legal and regulatory standards necessary for approval. "The prime determinant in the consideration of a proposed Settlement is whether or not it is in the public interest."¹ The Commission has recognized that a settlement "reflects a compromise of the positions held by the parties of interest, which, arguably fosters and promotes the public interest."² As a product of negotiation and compromise between multiple parties, this Settlement Agreement reflects concessions from PPL's original rate request. Accordingly, the Bureau of Investigation and Enforcement believes that the terms and conditions of the Joint Petition are in the public interest.

In support of this position, I&E offers the following Comments:

I. INTRODUCTION

A. Legal Landscape on Public Utilities

A business may acquire "public utility status" when that business is the sole organization that maintains the infrastructure utilized in providing an essential service to the public for compensation.³ As duplicating the vast and costly fixed physical infrastructure (e.g., substations, poles, lines, etc.) and allowing multiple businesses to provide the essential service would be wasteful, the public utility obtains a natural

¹ *Pennsylvania Public Utility Commission v. Philadelphia Electric Company*, 60 PA PUC 1, 22 (1985).

² *Pennsylvania Public Utility Commission v. C S Water and Sewer Associates*, 74 PA PUC 767, 771 (1991).

³ James C. Bonbright, *Principles of Public Utility Rates*, Columbia University Press: New York (1961), at 3-14; 66 Pa. C.S. § 102.

monopoly as the sole service provider in the extended geographic service territory.⁴ In order to protect consumers, the public utility's rates and services are regulated.⁵ Price regulation strives to replicate the results of effective competition.⁶

As a public utility, an electric distribution company ("EDC") shall provide just and reasonable rates to customers receiving electric service in the Commonwealth of Pennsylvania.⁷ A public utility is entitled to a rate that allows it to recover those expenses that are reasonably necessary to provide service to its customers and allows the utility an opportunity to obtain a reasonable rate of return on its investment.⁸ A public utility shall also provide safe and reliable service by furnishing and maintaining adequate facilities and reasonable services and by making the necessary improvements thereof.⁹

B. I&E's Role

Through its bureaus and offices, the Commission has the authority to take appropriate enforcement actions that are necessary to ensure compliance with the Public Utility Code and Commission regulations and orders.¹⁰ The Commission established I&E to serve as the prosecutory bureau to represent the public interest in ratemaking and utility service matters, and to enforce compliance with the Public Utility Code.¹¹ By representing the public interest in rate proceedings before the Commission, I&E works to

⁴ *See id.*; 66 Pa. C.S. § 2802 (it is in the public interest for the distribution of electricity to be regulated as a natural monopoly by the Commission).

⁵ *See id.*; 66 Pa. C.S. §§ 1301, 1501.

⁶ *See Cantor v. Detroit Edison*, 428 U.S. 579, 595-6, fn. 33 (1976).

⁷ 66 Pa. C.S. §§ 102, 1301; *Federal Power Comm'n v. Hope Natural Gas Co.*, 320 U.S. 591, 602-603 (1944).

⁸ *City of Lancaster v. Pa. P.U.C.*, 793 A.2d 978, 982 (Pa. Cmwlth. 2002); *see Hope*, 320 U.S. at 602-603.

⁹ 66 Pa. C.S. § 1501.

¹⁰ Act 129 of 2008, 66 Pa. C.S. § 308.2(a)(11); 66 Pa. C.S. §§ 101 *et seq.*; 52 Pa. Code §§ 1.1 *et seq.*

¹¹ *Implementation of Act 129 of 2008; Organization of Bureaus and Offices*, Docket No. M-2008-2071852 (Order entered August 11, 2011).

balance the interest of customers, utilities, and the regulated community as a whole to ensure that a utility's rates are just, reasonable, and nondiscriminatory.¹²

C. History of the Proceeding

On March 31, 2015, PPL Electric Utilities Corporation ("PPL," "PPL Electric," or "Company") filed Supplement No. 179 to Tariff Electric – Pa. PUC No. 201, containing proposed changes in rates, rules, and regulations calculated to produce approximately \$167.5 million in additional annual revenues based upon data for a fully projected future test year ending December 31, 2016. This proposed rate change represents an average increase in the Company's distribution rates of approximately 18.5%, which equates to an average increase in total rates (distribution, transmission, and generation charges) of approximately 3.9%. Supplement No. 179 was proposed to take effect on June 1, 2015. Pursuant to 66 Pa. C.S. § 1308(d), the filing was suspended by Commission Order entered April 23, 2015 and assigned to the Office of Administrative Law Judge ("OALJ") for the development of an evidentiary record and Recommended Decision.

Administrative Law Judge Susan D. Colwell was assigned to preside over the proceeding.

I&E filed a Notice of Appearance on April 7, 2015.

A prehearing conference was held as scheduled on May 7, 2015. At the conference, a schedule was memorialized, identifying filing dates for the parties' testimony, setting dates for public input hearings, and scheduling dates for evidentiary hearings in Harrisburg, Pennsylvania.

¹² See 66 Pa. C.S. §§ 1301, 1304.

Three public input hearings were held across PPL's service territory: two "smart hearings"¹³ on June 2, 2015 in Harrisburg at 1:00 p.m. and 6:00 p.m., and an in-person hearing on June 4, 2015 in Allentown at 6:00 p.m.

On June 26, 2015, the parties participated in a telephonic settlement conference in an attempt to explore possible resolution of the proceeding.

Pursuant to the procedural schedule agreed to at the prehearing conference, the parties submitted direct and rebuttal testimony on June 23, 2015 and July 20, 2015, respectively.

On July 27, 2015, I&E, PPL, 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 (collectively the "Joint Petitioners") held a second telephonic settlement conference. Negotiations continued, ultimately culminating in all Joint Petitioners agreeing to a full settlement of all issues.

¹³ As a pilot project, the Commission conducted its first live-streamed online hearings in an effort to make it easier for utility customers to comment on proposed rate increase requests.

Pursuant to the Joint Petitioners' agreement to settle the case, a request was made to suspend the litigation schedule, negating the need for the parties to file surrebuttal testimony. In addition, it was requested that the evidentiary hearings be cancelled.

By way of correspondence dated August 4, 2015, the presiding officer notified the parties that a hearing would be held on August 11, 2015 for the sole purpose of allowing the parties to enter their testimony and exhibits into the record. All Joint Petitioners attended the hearing and moved for the entry of their evidence, and two formal complainants, D. Wintermeyer and Cathleen A. Woomert, provided testimony.

II. DISCUSSION

The Commission encourages settlements, which eliminate the time, effort, and expense of litigating a matter to its ultimate conclusion.¹⁴ Here, the Joint Petitioners successfully achieved a Settlement Agreement of all issues.

The Settlement Agreement is a "Black Box" agreement, which does not specifically identify the resolution of certain disputed issues.¹⁵ Instead, an overall increase to base rates is agreed to and Joint Petitioners retain all rights to further challenge all issues in subsequent proceedings. A "Black Box" settlement benefits ratepayers as it allows for the resolution of a proceeding in a timely manner while avoiding significant additional expenses.¹⁶

I&E contends that an agreement as to the resolution of each and every disputed issue in this proceeding would not have been possible without judicial intervention. Additional

¹⁴ *Pa. PUC v. Venango Water Co.*, Docket No. R-2014-2427035, 2015 WL 2251531, at *3 (Apr. 23, 2015 ALJ Decision) (adopted by Commission via Order entered June 11, 2015); *See* 52 Pa. Code §5.231.

¹⁵ *See id.* at *11.

¹⁶ *See id.*

testimony and exhibits, four days of litigious hearings, briefing, and further involvement of the ALJ would have added time and expense to an already cumbersome and complex proceeding. Ratepayers benefit when rate case expenses stay at a reasonable level.¹⁷

REVENUE REQUIREMENT (Joint Petition, ¶¶21-22)

The Settlement Agreement provides for an increase of approximately \$124 million to the Company's annual overall revenue. This increase is \$43.5 million less than the \$167.5 million initially requested by PPL, or a reduction of approximately 26% of the amount requested. I&E agreed to settlement in the amount of \$124 million only after I&E conducted an extensive investigation of PPL's filing and related information obtained through the discovery process to determine the amount of revenue PPL needs to provide safe, effective, and reliable service to its customers. The additional revenue in this proceeding is base rate revenue and has been agreed to in the context of a "Black Box" settlement with limited exceptions. The prior Chairman of the Commission has explained that black box settlements are beneficial in this context because of the difficulties in reaching an agreement on each component of a company's revenue requirement calculation, when he stated, the "[d]etermination of a company's revenue requirement is a calculation that involves many complex and interrelated adjustments affecting revenue, expenses, rate base and the company's cost of capital. To reach an agreement on each component of a rate increase is an undertaking that in many cases would be difficult, time-consuming, expensive and

¹⁷ See *id.*

perhaps impossible. Black box settlements are an integral component of the process of delivering timely and cost-effective regulation.”¹⁸

This increased level of “Black Box” revenue adequately balances the interests of ratepayers and the PPL. PPL will receive sufficient operating funds in order to provide safe and adequate service while ratepayers are protected as the resulting increase minimizes the impact of the initial request. Mitigation of the level of the rate increase benefits ratepayers and results in “just and reasonable rates” in accordance with the Public Utility Code, regulatory standards, and governing case law.¹⁹

Additionally, the Joint Petitioners have agreed to add an additional layer of protection to the settlement to ensure that PPL accounts for its need of the increased revenue. While current regulatory practices allow for the use of a Fully Projected Future Test Year (“FPFTY”), which PPL used in this proceeding, safeguards are necessary. In accordance with the recommendation made in I&E Statement No. 3, PPL has agreed to provide to I&E, OCA, OSBA, and the Commission’s Bureau of Technical Utility Services (“TUS”), updates to PPL’s exhibits JJS-2 and JJS-3 filed in this proceeding, which include all actual capital expenditures, plant additions, and retirements, by month, for the twelve months ending December 31, 2015. On or before April 1, 2017, PPL will update Exhibits JJS-2 and JJS-3 filed in this proceeding for the twelve months ending December 31, 2016. PPL has also agreed that in its next base rate proceeding, it will

¹⁸ See, Statement of Commissioner Robert F. Powelson, *Pennsylvania Public Utility Commission v. Wellsboro Electric Company*, Docket No. R-2010-2172662. See also, Statement of Commissioner Robert F. Powelson, *Pennsylvania Public Utility Commission v. Citizens’ Electric Company of Lewisburg, PA*, Docket No. R-2010-2172665.

¹⁹ 66 Pa. C.S. § 1301.

prepare a comparison of its actual expenses and rate base additions for the twelve months ended December 31, 2016 to its projections in this proceeding. I&E fully supports this term because it achieves I&E's goal of timely receiving data sufficient to allow for the evaluation and confirmation of the accuracy of PPL's projections in advance of its next base rate case filing.

REVENUE ALLOCATION (Joint Petition, ¶¶23-25)

A public utility shall not establish or maintain unreasonable differences in rates among rate classes.²⁰ While there may exist sound justification for some discrepancies in rates under the principle of gradualism, this principle alone does not “justifying allowing one class of customers to subsidize the cost of service for another class of customers over an extended period of time.”²¹ The revenue allocation set forth in paragraph 23 of the Joint Petition not only reflects a compromise of the Joint Petitioners, but it also produces an allocation that moves each class closer to its actual cost of service. This movement is consistent with the principles of *Lloyd*. Accordingly, this revenue allocation is in the public interest because it is designed to limit customer class subsidies, and to place costs upon the classes responsible for causing those costs.

RATE DESIGN (Joint Petition, ¶¶26-28)

The Joint Petition provides that the residential customer charge will not be increased and will remain at \$14.09 per month, as set forth in PPL's existing tariff. Nearly all parties in this proceeding opposed PPL's proposal to raise this charge to \$20

²⁰ 66 Pa. C.S. § 1304.

²¹ *Lloyd v. Pennsylvania Public Utility Commission*, 904 A.2d 1010, 1019-20 (Pa. Cmwlth. 2006).

per month (\$.65733 per day). Therefore, this resolution represents a significant compromise by PPL. I&E recommended that the current residential charge of \$14.09 per month be reduced to \$12 per month, or 0.39452 per day in accordance with Witness Cline's customer cost analysis.²² The record of the three public input hearings held in this proceeding contains fervent testimony from PPL residential customers asserting that the increased customer charge would cause them financial hardship. The ultimate resolution of maintaining and not increasing the existing residential customer charge is in the public interest because it protects ratepayers while still providing PPL with adequate revenue.

The remaining customer charges in the Company's proposed tariff will be modified to reflect the mitigated level of the overall increase. A utility must be allowed to recover the fixed portion of providing service through the implementation of the proper customer charge.²³ This fixed charge provides PPL with a steady, predictable level of income which will allow PPL to recover certain fixed costs such as metering, billing, and payment processing.²⁴ Limiting the requested increase benefits ratepayers by allowing them to save more money by conserving. Shifting costs to the volumetric portion of a customer's bill allows for the immediate realization of the benefit of conserving usage.²⁵ Designing rates to allow customers to have greater control of their electric bills is in the public interest.

²² I&E Statement No. 3, p. 26.

²³ Jim Lazar. "Electric Utility Residential Customer Charges and Minimum Bills: Alternative Approaches for Recovering Basic Distribution Costs." Regulatory Assistance Project (Nov. 2014).

²⁴ *Id.*

²⁵ I&E Statement No. 3, p. 21, ln. 4-13.

Preventing an increase in the customer charge demonstrates a compromise of the interests of the Joint Petitioners. Therefore, this provision is in the public interest.

Finally, PPL agreed to withdraw its proposal to roll the Small Commercial & Industrial (“Small C&I”) Merchant Function Charge (“MFC”) and Purchase of Receivables (“POR”) uncollectible accounts expense percentages into base rates and to set the uncollectible percentage at 0.0% for both the MFC and POR. In addition, PPL withdrew its proposal to annually adjust the uncollectible percentage for both the MFC and POR. Instead, the 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. While I&E supports the withdraw of PPL’s proposal to include the Small C&I in base rates, as I&E opposed this inclusion in base rates due to resulting unfairness in the assignment of uncollectible costs, I&E agreed that PPL should move forward with annually adjusting the uncollectible percentage for both the MFC and POR, as proposed.²⁶ However, PPL’s withdrawal of the proposals, as stated, represents a compromise that is in the public interest because it allowed the Joint Petitioners to reach a global resolution in this proceeding, saving all Joint Petitioners, the Commission, and ultimately ratepayers, the time and expense of litigation.

AMTRAK (Joint Petition, ¶¶29-31)

PPL’s agreement to continue to work with Amtrak to resolve open issues regarding the upgrade of the Conestoga Substation and to make a good faith effort to resolve those issues by a final agreement by no later than September 1, 2016 is prudent

²⁶ I&E Statement No. 2, p. 40-41.

and in the public interest as it will allow for an evaluation of the cost measures associated with providing service to this customer. Customers benefit from the retention of larger users, such as Amtrak, as long as unreasonable rate subsidies do not exist.²⁷ Discussions between PPL and Amtrak will allow for the exchange of the information necessary to evaluate this situation.

Additionally, PPL's agreement to reduce the customer charge for Rate Schedule LPEP from the proposed \$252,647.17 to \$126,323.59, pending resolution of the Conestoga Substation agreement, will promote negotiations between PPL and Amtrak. Although the agreed upon customer charge differs from the I&E recommendation, it is an acceptable resolution to the issue at this time and it will foster good faith negotiation between Amtrak and PPL, ultimately to the benefit of ratepayers, who will benefit from Amtrak's status as a PPL customer.

STORM DAMAGE EXPENSE RIDER (Joint Petition, ¶¶36-41)

PPL has agreed to set the amount of storm damage expenses to be recovered annually through base rates at \$14,700,000. To the extent that applicable Storm Damage Expense Rider ("SDER") expenses from reportable storms are less than or greater than \$14,700,000, PPL will either refund to or recover from customers, as appropriate. Additionally, if PPL's eligible storm damage expenses for 2015 exceed the amount recovered in base rates, any over/under collection will be refunded or recouped during the 2016 SDER recovery period of January 1, 2016 through December 31, 2016.

Additionally, consistent with the Commission-approved consecutive three year recovery

²⁷ See *Lloyd*, 904 A.2d 1010, at 1020.

period for major storm events, PPL agreed to continue to recover its Hurricane Sandy amortization during the 2016 SDER recovery period. These provisions are in the public interest because while they will allow PPL to recover qualifying storm expenses that were unavoidable and costly, they will also protect ratepayers by providing a mechanism to ensure that their payments are being applied correctly, and that customers will be refunded in the event of overpayment.

Finally, and consistent with I&E's recommendation,²⁸ beginning on January 1, 2018, PPL's 2011 amortization expense associated with Hurricane Sandy, \$5,324,000, which will be fully amortized as of December 31, 2017, will be included in the base rate component of the SDER, if the Company has not filed for a base rate case. As acknowledged by I&E, the inclusion of the expired storm amortization expense would increase the base rate annual storm expense to \$20,024,000 (\$14,700,000 + \$5,324,000). The amount of \$20,024,000 would then be used as the ratepayer contribution to be offset against actual storm costs when the SDER is reconciled. This treatment protects PPL by ensuring that PPL has additional funds available for unpredictable and expensive storm damage, while at the same time ensuring its accountability to ratepayers, as the SDER expenses are annually reconciled to provide for timely recovery or refunds, as appropriate. Because this treatment protects both PPL and its ratepayers, it is in the public interest.

²⁸ I&E Statement No. 2, p. 38, ln. 1-11.

Customer Assistance Program (Joint Petition, ¶¶42-49)

To assist PPL's low income residential customers, the Joint Petition provides for an increase in PPL's maximum Customer Assistance Program ("CAP") credits in an amount equal to 50% of the overall percentage increase in the rates for Rate Schedule RS (residential customers), an increase to Low Income Usage Reduction Program ("LIURP") funding of \$500,000, effective January 1, 2016, and the provision of a fixed Universal Service Rider ("USR") credit of \$100 per month for all CAP customers above 44,000. I&E opposed any increase in CAP credits in this proceeding as being inapposite to Commission-determined allowable energy burden percentages.²⁹ I&E also opposed any increase to LIURP funding because the funding level was already established for 2014 to 2016 in PPL's Universal Service and Energy Conservation Plan, and no evidence was produced in this proceeding to show that the demand for LIURP services would grow in response to a distribution rate increase.³⁰

Despite I&E's opposition to increase of CAP credits and LIURP funding, the inclusion of these terms was essential to secure all Joint Petitioners' agreement to the Joint Petition, and the terms are therefore in the overall public interest. It is also important to note that the settlement also provides that the Joint Petitioners will still have the ability to address these issues in what I&E believes is the appropriate forum: in the context of PPL's Universal Service Plan ("USP") where the Joint Petitioners have

²⁹ I&E Statement No. 2-R, p. 9.

³⁰ I&E Statement No. 2-R, p. 6.

reserved the right to review and file testimony concerning all of the aforementioned proposals as permitted by the normal Commission process for review of PPL's USP.

The Joint Petition also provides for PPL to use community based organizations to assist in the implementation of its universal service programs, to evaluate other utilities' senior education programs for the possible development of a similar program for PPL's customers, to undertake a pilot program in the Lancaster County area to educate customers about LIURP and Act 129 programs, and to hold a CAP collaborative by May 31, 2016 for all interested stakeholders to discuss and evaluate CAP customer participation in the competitive retail electric supply market. Although I&E has not taken any position on any of these particular programs, I&E recognizes the value of these opportunities for customer education, as well the inclusion of the attendant provisions in the Joint Petition to facilitate a full settlement of this proceeding.

NET-METERING AND INTERCONNECTION RULES (Joint Petition, ¶¶50-54)

While I&E took no position regarding net-metering issues or interconnection rules, SEF and TASC addressed these issues, respectively, and PPL addressed both issues in response. Although I&E did not advocate or oppose any particular position, I&E supports the ultimate outcome because these matters were essential elements of SEF, TASC, and PPL's agreement to globally resolve this proceeding.

REVENUE DECOUPLING (Joint Petition, ¶55)

Through their collective direct testimony, KEEF, NRDC, and CAC proposed that "the Commission either begin a formal generic investigation or order PPL to convene a

working group with active stakeholders in Pennsylvania to design a full revenue decoupling mechanism to propose to the Commission either in its next base rate case or in some other suitable forum.”³¹ Pursuant to the Joint Petition, PPL has agreed to convene a collaborative for all interested parties to “seek input” on revenue decoupling, and all Joint Petitioners have reserved their right to raise any argument and position regarding decoupling in the context of the collaborative or to the Commission. The Joint Petitioners have also reserved their right to oppose implementation of decoupling. OCA voiced its opposition to KEEF’s decoupling proposal, in part because “as a policy matter, revenue decoupling should not be considered in individual EDC rate cases as this will affect stakeholder interests statewide.”³² I&E declined to make any comment or responsive recommendation regarding the proposal. However, the settlement of this matter accurately reflects that I&E does not endorse or support the revenue decoupling collaborative. For the sole purpose of reaching a settlement in this proceeding, I&E does not actively oppose Paragraph 55 of the Joint Petition.

The remaining issues raised in the I&E Prehearing Memo have been satisfactorily resolved through Discovery and discussions with PPL and are incorporated into the “Black Box” resolution of the revenue requirement in this proceeding. The very nature of a settlement agreement incorporates compromise on the part of all Joint Petitioners. This particular Settlement Agreement exemplifies this principle. Because of the characteristics

³¹ KEEF et al. St. No. 1, p. 44, ln 14-19.

³² See OCA St. No. 3-R, p. 4.

of “Black Box” settlements, no representation of the resolution of any issue not specifically identified is possible in future proceedings.

III. CONCLUSION

Based on I&E’s analysis of the base rate revenue increase requested by PPL Electric Utilities Corporation, acceptance of this proposed Joint Petition is in the public interest. Resolution of these provisions by settlement rather than continued litigation will avoid the additional time and expense involved in formally pursuing all issues in this proceeding. Increased litigation expenses may have impacted the increase in revenue agreed to in the Joint Petition. As litigation of this rate case is a recoverable expense, curtailment of these charges is in the public interest.

I&E further submits that acceptance of the foregoing Settlement Agreement will negate the need to engage in additional litigation including the preparation of surrebuttal testimony as well as Main Briefs, Reply Briefs, Exceptions and Reply Exceptions. The avoidance of further rate case expense by settlement of these provisions in this Base Rate Investigation proceeding best serves the interests of PPL and its customers.

The Settlement Agreement is conditioned upon the Commission’s approval of all terms and conditions contained therein and should the Commission fail to approve or otherwise modify the terms and conditions of the Settlement, the Joint Petition may be withdrawn by I&E or any of the signatories.

I&E agrees to settle the disputed issue as to the proper level of additional base rate revenue through a “Black Box” agreement with limited exceptions. I&E’s agreement to

settle this case is made without any admission or prejudice to any position that I&E might adopt during subsequent litigation or in the continuation of this litigation in the event the Settlement is rejected by the Commission or otherwise properly withdrawn by any of the Joint Petitioners.

If the ALJ recommends that the Commission adopt the Settlement Agreement as proposed, I&E has agreed to waive the right to file Exceptions. However, I&E has not waived its rights to file Exceptions with respect to any modifications to the terms and conditions of the Settlement Agreement, or any additional matters, that may be proposed by the presiding officer in her Recommended Decision. I&E also reserves the right to file Reply Exceptions to any Exceptions that may be filed by any active party to this proceeding.

WHEREFORE, the Commission's Bureau of Investigation and Enforcement supports the *Joint Petition For Settlement Of Rate Investigation* as being in the public interest and respectfully requests that Administrative Law Judge Susan D. Colwell recommend, and the Commission subsequently approve, the foregoing Settlement Agreement, including all terms and conditions contained therein.

Respectfully submitted,



Richard A. Kanaskie
Deputy Chief Prosecutor
Attorney ID #80409

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Dated: September 4, 2015