**BEFORE THE**

**PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission : R-2015-2469275

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

Michael C. Muller : C-2015-2501983

:

v. : :

PPL Electric Utilities Corporation :

:

PPL Electric Utilities Corporation :

Petition for a Waiver of the Distribution : P-2015-2474714

System Improvement Charge Cap of 5% :

of Billed Revenues :

**RECOMMENDED DECISION**

Before

Susan D. Colwell

Administrative Law Judge

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I. INTRODUCTION

This Recommended Decision recommends approval without modification of the Joint Petition for Approval of Settlement of All Issues filed in a base rate case. The suspension for this rate docket expires December 31, 2015.

II. HISTORY OF THE PROCEEDING

On March 31, 2015, PPL Electric Utilities Corporation (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.

Also on March 31, 2015, PPL Electric filed a Petition at Docket No. P-2015-2474714 requesting (i) waiver of the Distribution System Improvement Charge (“DSIC”) cap of 5% of billed revenues and (ii) approval to increase the maximum allowable DSIC cap from 5% to 7.5% of billed revenue for service rendered on or after January 1, 2016 (“DSIC Petition”). Because issues related to the waiver and increase in the DSIC cap from 5% to 7.5% of billed revenues are interrelated to the base rate case, PPL Electric requested that the DSIC Petition be consolidated with and considered in conjunction with the rate case.

On April 11, 2015, notice of the filing of the PPL Electric’s DSIC Petition was published in the *Pennsylvania Bulletin*. 45 Pa.B. 1917.

The rate case filing was suspended by Commission Order entered April 23, 2015.

On April 27, 2015, the Office of Consumer Advocate (OCA) and Office of Small Business Advocate (OSBA) filed Answers to the DSIC Petition. The PP&L Industrial Customer Alliance (PPLICA) filed a Petition to Intervene and Protest to the DSIC Petition on April 27, 2015.

Formal complaints against this proposed tariff filing were filed by: the OCA, the OSBA, PPLICA, D. Wintermeyer, Cathleen A. Woomert, Thomas B. Young, Joseph E. McAndrew, and Michael C. Muller.

Petitions to intervene were filed prior to the prehearing conference by the Commission on Economic Opportunity (CEO), the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA), the Clean Air Council, Sustainable Energy Fund (SEF), the Alliance for Solar Choice (TASC), and Eric Joseph Epstein. The Commission's Bureau of Investigation and Enforcement (I&E) filed a Notice of Appearance.

A motion for admission pro hac vice was filed by Joseph Minnott, attorney for the Alliance for Solar Choice, seeking admission for David R. Wooley and Jacob J. Schlesinger.

On April 22, 2015, a Notice was issued which scheduled the prehearing conference for Thursday, May 7, 2015. A prehearing conference order (First Prehearing Order) was also issued on April 22, 2015, which directed the litigating parties to file and serve their prehearing memos on or before Friday, May 1, 2015 on or before noon. Prehearing memos were filed by the following: PPL Electric, OCA, OSBA, I&E, PPLICA, CEO, SEF, Clean Air Council, TASC, CAUSE-PA, and Mr. Epstein.

The prehearing conference was held as scheduled on May 7, 2015. The following attended: David B. MacGregor, Esq., Paul E. Russell, Esq., and Christopher T. Wright, Esq., for PPL Electric; Darryl Lawrence, Esq., Hobart Webster, Esq., and Lauren Birge, Esq., for OCA; Richard Kanaskie, Esq., Gina L. Lauffer, Esq., and Kenneth R. Stark, Esq., for I&E; Steven C. Gray, Esq., for OSBA; Joseph Vullo, Esq., for CEO; Adeolu Bakare, Esq., for PPLICA; Kenneth L. Mickens, Esq., for SEF, Logan Welde, Esq., and Joseph O. Minott, Esq., for the Clean Air Counsel; Mr. Minott also appeared on behalf of the Alliance for Solar Choice, along with David R. Wooley, Esq.; Elizabeth Marx appeared on behalf of CAUSE-PA, and Mr. Epstein appeared pro se.

The petitions to intervene filed by CAUSE-PA, CEO, SEF, and Mr. Epstein were unopposed and were granted in the ordering paragraphs of the Scheduling Order.

Two petitions to intervene were opposed by the Company for lack of standing. The petition to intervene filed by the Clean Air Council faced the objections of the Company for failure to aver by name their members who are PPL Electric customers, and the petition to intervene filed by TASC faced the objections of the Company for failure to identify which members provide service within PPL Electric's service territory. Both TASC and the Clean Air Council were given five business days from the date of issuance of this Order to file and serve amended petitions with the requested information. The Company was given five business days from the date of the filing of the amended petitions to respond.

On May 12, 2015, Natural Resources Defense Council (NRDC) filed a Notice of Intervention. As notices of intervention can only be filed by statutory advocates, and all others must file either a petition or a complaint, the NRDC filing was treated as a petition.

On May 13, 2015, the Clean Air Council filed its Amended Petition to Intervene, and on May 14, 2015, TASC filed its Amended Petition to Intervene. No response was filed. Counsel for PPL Electric indicated by email that no opposition would be filed to any of the three outstanding petitions to intervene. Therefore, the three petitions were granted by Order issued May 28, 2015 (Fourth Prehearing Order).

On June 1, 2015, the Keystone Energy Efficiency Alliance (KEEA) Energy Education Fund filed a Petition to Intervene, and no party filed opposition to the Petition. The Petition was granted by Order dated June 22, 2015 (Fifth Prehearing Order).

On June 19, 2015, the Motion for Admission Pro Hac Vice, Notice of Appearance, Petition to Intervene of Environmental Defense fund and the Prehearing Memorandum on Behalf of Environmental Defense Fund (EDF or Petitioner) were filed and served. As there was no indication that the Petitioner had obtained the agreement of other parties to its Petition to Intervene, the full time for response needed to run prior to my addressing the Petition. 52 Pa.Code § 5.61(a). On June 23, 2015, EDF served the Direct Testimony of Dick Munson.

Two public input hearings were held in Harrisburg on June 2, 2015. A separate public input hearing was held in Allentown on June 4, 2015. A total of 23 witnesses testified at the public input hearings.

On July 10, 2015, PPL Electric filed its Answer in Objections to the Petition to Intervene of Environmental Defense Fund and Motion in Limine to Exclude Environmental Defense Fund's Testimony and to Limit the Scope of the Evidentiary Hearing. On July 10, 2015, EDF filed its Response.

On July 14, 2015, the Sixth Prehearing Order was issued which granted the petition to intervene of the Environmental Defense Fund, granted the Motion for Admission Pro Hac Vice of Michael Panfil and John Finnegan, and granted the Motion In Limine of PPL Electric Utilities Corporation to Strike the Direct Testimony of Dick Munson and to Exclude the Issues Raised Therein.

On July 28, 2015, the Company informed me by email that a partial settlement in principle had been reached on a majority of the issues. By August 3, 2015, all issues save one had been settled, and the parties requested that the hearing dates be reduced to one. The hearing dates were reduced from four to one, and the parties were alerted by email of this fact. A notice was issued thereafter indicating that three of the scheduled hearing days had been canceled. Also on August 3, 2015, PPL Electric filed a Motion in Limine to Exclude Certain Portions of Testimony and to Limit the Scope of the Evidentiary Hearing. TASC was given an opportunity to respond. Before a response was presented, on August 5, 2015, the Company informed me by email that the case had been fully settled. Also on August 5, 2015, the Company filed a letter withdrawing its Motion in Limine to Exclude Certain Portions of Testimony and to Limit the Scope of the Evidentiary Hearing.

On August 11, 2015, the hearing was held as scheduled to hear testimony of pro se complainants and to receive prepared testimony into the record. The following testimony and exhibits were admitted without opposition:

**PPL Electric**

Statements 1, 1-R Direct and rebuttal of Dennis A. Urban

Exhibits DAU-1 through DAU-6

Statement 2 Direct of Marci L. Haydt

Statements 3, 3-R Direct and Rebuttal of Kimberly A. Golden

Exhibits KAG-1 and KAG-2

Statements 4, 4-R Direct of Bethany L. Johnson

Exhibits BLJ-1 through BLJ-11

Statements 5, 5-R Direct and Rebuttal of Scott R. Koch

Exhibits SRK-1 through SRK-5

Statements 6, 6-R Direct and Rebuttal of Alexander J. Torok

Exhibit AJT-1

Statement 7 Direct of Alan V. Feibelman

Statement 8 Direct of Tadd J. Henninger

Statements 9, 9-R Direct and Rebuttal of Paul R. Moul

Exhibits PRM-1 and PRM-2

Statements 10, 10-R Direct and Rebuttal of John D. Taylor

Exhibits JDT-1 through JDT-4

Statement 11 Direct of John J. Spanos

Exhibits JJS-1 through JJS-3

Statement 12-R Rebuttal of Timothy R. Dahl

Exhibits TRD-1 through TRD-3

Statement 13-R Rebuttal of Peter Cleff

Statement 14-R Rebuttal of Jeffery Byrnes

Exhibits JB-1 and JB-2

Statement 15-R Rebuttal of Philip J. Walnock

Statement 16-R Rebuttal of James M. Roulan

Exhibit JMR-1

Statement 17-R Rebuttal of Curtis J. Underwood

Exhibits CJU-1 through CJU-3

Statement 18-R Rebuttal of Stephen J. Gelatko

Exhibits SJG-1 through SJG-3

Filing Requirements

**CAUSE-PA**

Statement Nos. 1 Direct of Mitchell Miller

1-R Rebuttal of Mitchell Miller

**Commission on Economic Opportunity**

Statements 1 (Direct of Eugene Brady)

**Eric Joseph Epstein**

Statement 1 Direct

**I&E**

Statements 1, Exhibit 1 Direct of David Huff

2, Exhibit 2 Direct of Lisa A. Boyd (plus errata)

2-R, Exhbit 2-R, Rebuttal of Lisa A. Boyd

3, Exhibit 3, Direct of Ethan H. Cline

**Keystone Energy Efficiency Alliance Energy Education Fund, Natural Resources Defense Council and the Clean Air Counsel**

KEEA Statement 1 Direct of Brendon Baatz

**OCA**

Rate case Statements

1 Direct of Richard J. Koda

1-R Rebuttal

2 Direct of David C. Parcell

3 Direct of Glenn A. Watkins, plus errata

3-R Rebuttal

4 Direct of Roger D. Colton

DSIC

1 Direct of Thomas S. Catlin/adopted by Ashley E. Everette

**OSBA**

Statement 1 Direct of Robert D. Knecht

Statement 2 Rebuttal and exhibits

**PP&L Industrial Customer Alliance**

Statements 1 Direct and Exhibit of William Auve

2 Direct and Exhibit of Eric F. Hornung

3 Direct and Exhibits of Stan Faryniarz, plus errata

3-S Surrebuttal of Stan Faryniarz

**Sustainable Energy Fund**

SEF St. 1 (Direct of John M. Costlow)

**The Alliance for Solar Choice (TASC)**

Statement 1 Updated version Direct and Exhibits of Steven Gabel

Statement 2 Surrebuttal of Steven Gabel

The Joint Petition for Settlement (Settlement or Joint Petition) was filed on September 3, 2015, along with statements in support of the following parties: PPL Electric, OCA, OSBA, I&E, CAUSE-PA, SEF, CEO, TASC, PPLICA[[1]](#footnote-1), Clean Air Council, Mr. Epstein, KEEA, NRDC and EDF.

On September 8, 2015, formal complainants Woomert, Wintermeyer, Young and McAndrew were each sent a copy of the Joint Petition and given until September 21, 2015, to file comments on the Settlement. Only Complainant Wintermeyer responded. The Muller complaint, apparently filed on September 4, 2015, was discovered and Complainant Muller was served with the Joint Petition on September 23, 2015 and given until September 28, 2015 to respond. No response was filed.

The Joint Petition for Settlement is ripe for disposition.

III. FINDINGS OF FACT

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

2. The OCA is authorized to represent the interests of consumers before the Commission. Act 161 of 1976, 71 P.S. § 309-2.

3. The Commission's Bureau of I&E serves as the prosecutory bureau for purposes of representing the public interest in ratemaking and service matters before the Office of Administrative Law Judge and for enforcing compliance with the state and federal motor carrier safety and gas safety laws and regulations. *Implementation of Act 129 of 2008 Organization of Bureau and Offices,* Docket No. M-2008-2071852 (Order entered August 11, 2011).

4. The OSBA is authorized and directed to represent the interest of small business consumers of utility service in Pennsylvania under the provisions of the Small Business Advocate Act, Act 181 of 1988, 73 P.S. §§ 399.41-399.50.

5. The KEEA is an organization of roughly 50 members[[2]](#footnote-2) that implement energy efficiency improvements in buildings across the Commonwealth, including in the service territory of PPL Electric.

6. The EDF avers that it "engages in policy development, public education, litigation and other actions to achieve its goals, including the promotion of clean energy resources and technologies," Petition ¶2. It identifies four individuals with addresses in PPL Electric's service territory and avers that the four individuals are customers of PPL Electric. Petition ¶1.

7. CAUSE-PA, is an unincorporated organization of low-income individuals that advocates on behalf of its members to enable consumers of limited economic means to connect to and maintain affordable water, electric, heating and telecommunications services.

6. SEF is a Pennsylvania corporation established at the conclusion of PPL Electric's restructuring proceeding (Docket No. R-00973954), which has as its mission the promotion and investment in energy efficiency, energy conservation, renewable energy and energy education for the provision of opportunities and benefits to PPL Electric's ratepayers.

7. CEO is a not-for-profit corporation organized and existing under the laws of the Commonwealth of Pennsylvania which serves as an advocate for the low income population of Luzerne County.

8. TASC is an organization of solar rooftop companies whose members provide a variety of services to residential and commercial electric customers in Pennsylvania, including in PPL Electric's service territory.

9. PPLICA, is a an organization of industrial and commercial users which included the following at the time of filing: Air Products and Chemicals, Inc., Amtrak, Arcelor Mittal Steelton LLC, The Hershey Company, Linde LLC, and SAPA Extrusions, Inc.

10. Clean Air Council is a member-supported environmental organization service in Pennsylvania and the Mid-Atlantic region, including members in PPL Electric's service territory.

11. Eric Joseph Epstein, 4100 Hillsdale Road, Harrisburg PA 17112, is a self-represented complainant opposing the proposed rate increase.

12. D. Wintermeyer, 1406 Carlisle Road, Camp Hill PA 17011, is a self-represented complainant opposing the proposed rate increase.

13. Cathleen A. Woomert, 81 Maple Ridge Road, Millville PA 17846, is a self-represented complainant opposing the proposed rate increase.[[3]](#footnote-3)

14. Thomas B. Young, 185 Constitution Avenue, Wilkes-Barre PA 18706-4153, is a self-represented complainant opposing the proposed rate increase.

15. Joseph McAndrew, 85 W. Chestnut Street, Macungie PA 18062, is a self-represented complainant opposing the proposed rate increase.[[4]](#footnote-4)

16. Michael C. Muller, 906 North Irving Avenue, Scranton PA 18510, filed a formal complaint after the record had closed.

The following section contains the substantive terms of the Joint Petition for Approval of Settlement of All Issues. The numbering is retained from the Joint Petition for ease of reference:

# III. settlement

## A. GENERAL

19. The following terms of this Settlement reflect a carefully balanced compromise of the interests of all of the active parties in this proceeding. The Joint Petitioners unanimously agree that the Settlement is in the public interest.

20. The Joint Petitioners unanimously agree that PPL Electric’s March 31, 2015 distribution base rate increase filing will be approved, including those tariff changes included in and specifically identified in Appendix A attached hereto, subject to the terms and conditions of this Settlement specified below:

## B. REVENUE REQUIREMENT

21. PPL Electric will be permitted to submit a revised Supplement to PPL Electric’s Tariff – Electric Pa. P.U.C. No. 201 designed to produce an annual distribution rate revenue increase of $124 million, to become effective for service rendered on and after January 1, 2016. The increase in annual operating revenue is in lieu of the as filed net increase of approximately $167.5 million. The settlement as to revenue requirement shall be a “black box” settlement, except for the following items: (1) the $14,700,000 for reportable storm damage expenses; (2) the roll-in of the DSIC capital investment and associated depreciation and tax effects in base rates per the Company’s proposal; (3) as provided in I&E Statement 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, as specified below; 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.

22. As provided in I&E Statement No. 3, on or before April 1, 2016, PPL Electric will provide the Commission’s Bureau of Technical Utility Services (“TUS”), I&E, OCA, and OSBA an update to PPL Electric Exhibits JJS-2 and JJS-3, which will include actual capital expenditures, plant additions, and retirements by month for the twelve months ending December 31, 2015. On or before April 1, 2017, PPL Electric will update Exhibits JJS-2 and JJS-3 filed in this proceeding for the twelve months ending December 31, 2016. In PPL Electric’s next base rate proceeding, the Company will prepare a comparison of its actual expenses and rate base additions for the twelve months ended December 31, 2016 to its projections in this case. However, it is recognized that this is a black box settlement that is a compromise of the parties’ positions on various issues.

## C. REVENUE ALLOCATION

23. The Joint Petitioners agree or do not oppose the following revenue allocation:

|  |  |
| --- | --- |
| 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 |

24. The proposal in OSBA Statement No. 1 that the rate increase for Rate Schedule BL match Rate Schedule GS-1 is accepted.

25. The proposal in OSBA Statement No. 1 that Rate Schedule GH-2 continue to be phased out is accepted.

## D. RATE DESIGN

26. PPL Electric’s proposal to move to a daily customer charge for all Rate Schedules and Riders is withdrawn without prejudice.

27. The proposed customer charge for Rate Schedule RS will be maintained at $14.09 per month.

28. PPL Electric’s 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 is withdrawn. PPL Electric’s proposal to annually adjust the uncollectible percentage for both the MFC and POR is withdrawn. 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

E. AMTRAK

29. PPL Electric and National Railroad Passenger Corporation (“Amtrak”) agree that for purposes of settlement of this proceeding 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, subject to further resolution of the issues as described in Paragraphs 30 and 31 below.

30. PPL Electric and Amtrak agree to continue to work together to resolve all open issues regarding the upgrade of the Conestoga Substation, including possible alternative resolution regarding the final scope, timing, and costs of the upgrades needed for the Conestoga Substation. PPL Electric and Amtrak agree to make good faith efforts to conclude the negotiations and execute a final agreement by no later than September 1, 2016.

31. PPL Electric and Amtrak agree that PPL Electric 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 were unable to reach an agreement by September 1, 2016.

## F. DSIC

32. 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.

33. 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 foregoing 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.

34. PPL Electric’s proposal to increase the DSIC cap from 5% to 7.5% of billed revenues is withdrawn without prejudice.

35. PPL Electric will modify the DSIC tariff to exclude Rate Schedule LPEP prospectively beginning January 1, 2016.

## G. SDER

36. The reportable storm damage expenses to be recovered annually through base rates will be set at $14,700,000. 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.

37. Beginning January 1, 2018, the amortized 2011 storm expense of $5,324,000 will be included in the base rate component of the SDER as provided in I&E Statement No. 2.

38. 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).

39. PPL Electric will continue to recover the Hurricane Sandy amortization during the 2016 SDER recovery period (January 1, 2016 through December 31, 2016), consistent with Commission-approved consecutive three year recovery period for major storm events.

40. The SDER rate structure for the Large Commercial and Industrial Class (“LC&I”) will be changed from a $/kW charge to a monthly customer charge.

41. Notwithstanding any agreements made herein as to the SDER, the Joint Petitioners agree 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). All Joint Petitioners reserve their rights, however, to address design and public policy issues as to the SDER in any future proceeding. By agreeing to these terms at this time, no Joint Petitioner is waiving or relinquishing any of its rights or claims that are currently before the courts.

H. CUSTOMER ASSISTANCE PROGRAMS

42. PPL Electric will increase its maximum CAP credits by a percentage equal to 50% of the overall percentage increase in Rate Schedule RS rates. The Joint Petitioners reserve the right to evaluate further revisions to CAP credits and to recommend additional changes in the Company’s next universal service proceeding. The Joint Petitioners retain the right to review and file testimony concerning any such proposals as permitted by the normal Commission process for review of Universal Service Plans.

43. PPL Electric will increase its annual Low Income Usage Reduction Program (“LIURP”) funding by $500,000, effective January 1, 2016. The Joint Petitioners reserve the right to evaluate further revisions in LIURP funding and to recommend additional changes in the Company’s next universal service proceeding. The Joint Petitioners retain the right to review and file testimony concerning any such proposals as permitted by the normal Commission process for review of Universal Service Plans.

44. PPL Electric intends to continue to use community based organizations to assist in the implementation of its universal service programs, subject to changes in the Company’s future universal service proceedings. The Joint Petitioners retain the right to review and file testimony concerning any such proposals as permitted by the normal Commission process for review of Universal Service Plans.

45. PPL Electric commits 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.

46. PPL Electric 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.

47. To address the bad debt, arrearage forgiveness, and Cash Working Capital issues raised in OCA Statement No. 4, PPL Electric will provide a fixed Universal Service Rider (“USR”) credit of $100 per month for all CAP customers above 44,000. The Joint Petitioners further 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. The Joint Petitioners retain the right to review and file testimony concerning any such proposals as permitted by the normal Commission process for review of the Universal Service Plan.

48. PPL Electric shall apply all residential payments in compliance with Rule 9.D(8) of its Tariff, which provides in relevant part: “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.” Residential payments will be posted against late payment charges only when there is no unpaid balance due for prior consumption, and late fees will not be compounded.

49. PPL Electric commits to hold a collaborative by May 31, 2016, with all interested stakeholders to discuss and evaluate CAP customer participation in the competitive shopping market as set forth in OCA Statement No. 4 and CAUSE-PA Statement No. 1-R. In advance of the collaborative, PPL Electric shall obtain and provide data to interested stakeholders regarding the number of CAP customers that are shopping, whether the rates paid by shopping CAP customers is above or below the Price to Compare, and the impact that shopping CAP customers have on CAP credits and CAP customers’ bills. The Joint Petitioners reserve the right to evaluate further revisions to CAP customer participation in the competitive shopping market and to recommend changes to CAP customer shopping in the Company’s next default service procurement plan proceeding. The Joint Petitioners retain the right to review and file testimony concerning any such proposals as permitted by the normal Commission process for review of the default service plan proceeding.

I. NET METERING

50.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 is adopted.

51. PPL Electric’s proposed revisions to its Net Metering tariff provisions on (Tariff Pages 19L.2 and 19L.4) are withdrawn with the exception of the proposal to eliminate the Time-of-Use language.

J. INTERCONNECTION RULES

52.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.

53. PPL Electric agrees to undertake a study of the legality, feasibility, and technical requirements of interconnecting distributed generation storage and battery facilities, including solar storage facilities. PPL Electric agrees to consult with TASC in preparing the study.

54. The Joint Petitioners agree 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, PPL Electric agrees not to oppose the opening of a statewide process and will participate in any such proceeding. PPL Electric reserves the right to raise any and all arguments and positions in any such stakeholder process (other than an opposition to holding such a process), and this agreement is made without any admission against, or prejudice to, any position that any party may raise in any such stakeholder process.

K. REVENUE DECOUPLING

55. On or before March 1, 2016, PPL Electric will hold a collaborative open to all interested parties to seek input regarding revenue decoupling. All Joint Petitioners 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.[[5]](#footnote-5)

End direct quote from the Settlement.

IV. PUBLIC INPUT HEARINGS

The following is a summary of the testimony heard and accepted into the record at the three public input hearings held. The first two were telephonic and live-streamed from Hearing Room 1 in Harrisburg, with the witnesses signing up in advance with the OCA, and several additional witnesses appearing in person.

June 2, 2015 at 1:00 pm

Eleven witnesses presented testimony.

Justina Wasicek, retired from the Pennsylvania Department of Environmental Protection, testified that granting the rate increase request as filed would hurt low income customers and would cripple money-saving energy efficiency programs which are presently the cheapest way to reduce our dependence on fossil fuels, as well as punish homeowners who have invested in rooftop solar installations. She is the Energy Chair of the Pennsylvania Chapter of the Sierra Club, which has 24,000 Pennsylvania members. In her role as such, she urges citizens to find ways to conserve electricity as the cheapest kilowatt of electricity is the one not used.

She stated that the PUC is mandated by Act 129 to reduce electric consumption in Pennsylvania, and the Commission is currently setting a 10-year proposal to reduce electric usage. One of the most difficult tasks is to reduce electric consumption for low income ratepayers who already use minimal amounts of electricity. PPL's rate proposal would simply add a surcharge to the bills.

She believes that the proposed rate structure would penalize customers by reducing their reward for conserving energy and for investing money to make their homes more energy efficient. While basic economics would dictate that people will consume less when something costs more, but that is only true when they have control over it. This increase would be paid by every customer regardless of usage. In addition, it would unfairly subsidize electricity production and distribution while undermining the savings from the residential incentives energy efficiency programs that were mandated under Act 129.

Therefore, the Commission should investigate whether all the costs of the distribution built into these rate increase requests are appropriate, just, and reasonable.

Ms. Wasicek expressed her concern that the transmission lines that PPL is building will be used primarily to carry electricity out of state, and asks that the cost of building the lines and their maintenance be excluded from this rate case. Tr. 46-50.

Wendi Taylor, retired from the Pennsylvania Department of Revenue, testified that she has been a PPL customer for 30 years. Her current bill shows set charges of $14.13 customer charge, $13.39 distribution charge, and $1.16 system improvement charge which make up approximately 44% of her bill. These fixed charges would increase to approximately 58% of the bill under the proposal. No matter how much usage she reduces, her bill will not show a savings. She already uses smart power strips for her television sets, CFL bulbs where possible, fans instead of air conditioning, and she turns off lights when leaving a room.

PPL already has the highest customer charge of any utility in Pennsylvania, and if it reaches $20, it will be twice as high as the next highest. She wonders what the other utilities are doing right and what PPL is doing wrong.

Ms. Taylor opposes this proposed increase because it hits low income customers harder than others and seems to fly in the face of the attempt to reduce consumption and pollution from a power sector which relies heavily on fossil fuels. As low income customers tend to use less electricity than others, the move away from rates being based on consumption to a fixed fee will disproportionately affect people who are least able to pay for the increase.

While $10 per month seems like a small amount, other costs such as groceries, medicine, sewer bills, water, trash collection and rent are also rising.

Increasing revenue based on fixed costs will be detrimental to conservation efforts because it removes some of the financial incentives to consume less energy. It will affect people who have personal investments in energy-saving devices.

She states that there seems to be an organized effort to use the PUC to impede the growth of the renewable energy sector using this sort of scheme along with adding fees and rules that would make it more expensive for people to make investments in clean energy such as the final rulemaking that is in docket L-2014-2404361.[[6]](#footnote-6) She states that in the long run, electricity produced by wind and solar with be the best value because the fuel, wind and sun, is free and just about infinite. The sooner we all get on board with this concept, the better off we'll all be. Tr. 52-55.

Gaylord Coston, retired from the United States government and the Philadelphia Police Department, and member of the Citizens Advocate Team of Pennsylvania, AARP, and PPL customer, expressed strong objections to the rate increase request. Increasing the fixed monthly charge will hurt lower usage and lower income customers, many of whom are living on fixed incomes and struggling to pay for food, rent, medicine and utility bills. This means that, even if you turn off all of the electrical appliances in your home, you would still owe PPL $20.

This increase follows the last, when the customer service charge was increased from $8.43 to $14.09 in 2013. The current customer service charge comprises about 5% of his bill, and if this is approved, the cost simply to have access to electricity would have more than doubled over three years. PPL's justification is that the bulk of the additional payments would go towards infrastructure improvements while also providing a fair return on investments. Past rates should have accounted for that.

PPL shareholders should not enjoy an investment windfall that is built on the backs of lower and fixed income customers. Asking customers to pay $138 more per year than they paid in 2012 for the privilege of having electricity provided to their homes is simply unfair.

A customer service charge of this magnitude is simply unfair and is at odds with how electrical service has changed over the past decade. Customers need to have some control over their electric bills but to the extent they have to pay a larger and larger share of their bill through a high fixed cost gives them less control. Customers are dedicated to conserving home energy usage to curtail bills. The proposed approach does not give them full economic benefit for their careful conservation efforts.

This Commission has touted electric choice in Pennsylvania, and many customers have taken that opportunity to shop in order to save on electric bills. Approving this rate increase would effectively wipe out any savings that those customers have achieved. Tr. 56-60.

Mike Young, a contractor for CTDI and residing in Luzerne County, filed a formal complaint against this rate increase but his form was inadvertently placed in the informal comment file. His complaint was subsequently filed and docketed at C-2015-2485860. He is a 15-year customer of PPL. He made five points in opposition to the proposed rate increase.

1. In 2012, PPL gave smart meter green energy credits as an incentive for building green power generation. Customers would install solar panels and the energy credits would be passed onto them as promised to recover the money spent on the solar panels.

2. The DSIC costs were established for the infrastructure improvements that PPL claims that the increase will address.

3. PPL has not shown where the rate increase will be beneficial to the customers.

4. PPL customers are expected to pay far more for energy efficient light bulbs that do not work for the working life span advertised on the packaging. These are promoted as energy efficient and longer lasting, but these claims are false.

5. PPL's rate increase will burden the existing ratepayers with paying for what should be the cost of doing business and paid for by the Company. Why doesn't PPL give consumers who installed the smart meters under the green energy plan the customer credit that the federal government said would be available to them? PPL stopped giving customers those credits in 2012. And, why don't they give customers a 30-day timeframe to pay a bill without having a late fee applied?

Another point is that the customers will not see the improvement in the infrastructure. In 2011, in Dallas Township, Luzerne County, customers were without electricity for eight days. No upgrades were made. In his own neighborhood, there are power outages five to eight times per year for downed utility poles or a blown transformer. His house is served by one common connection to a substation, and a back-up was never installed. He and his neighbors should not have to pay an increase which will not pay for improvements to his service.

Finally, Mr. Young testified that the EGS variable rates were quite excessive, and this is a form of taxing between electric choice providers and PPL because, after paying soft variable rate charges for months or years, now the consumer will have to pay more to PPL as well. Tr. 63-71.

Michael Stair, self-employed as a freelance musician and screenwriter, first asked the number of times that PPL has requested a rate increase, and opined that he could then assume that this one would also be approved. He asked whether there is a safety net in place for those customers who will not be able to absorb the rate increase. He expressed his belief that there have been too many rate increases and that it seems like the public input hearing is a mere formality because the rate increase will be approved. Tr. 72-75.

Ann Trucksess, not employed, lives in Bethlehem, PA and has lived in the same all-electric condominium for 22 years. She lives on social security and has multiple sclerosis, so her medical bills are quite high. She wondered if there would be a rate for people over 65. She was promised that a Company representative would contact her after she finished testifying and talk to her about customer assistance programs. Tr.76-79.

William Glessner, currently unemployed and living in Lancaster, PA, testified that in 2013-2014, during an ice storm, a neighbor's tree fell onto the power lines and his service was interrupted for three days during which he and his son were forced to find a hotel room. This past winter, after preparing for the worst by purchasing a dangerous kerosene heater, the longest outage lasted only a few hours. The past winter, he had the most reliable electric service that he had ever experienced with the shortest outage times despite the severe storms.

Intelligent system distribution infrastructure by PPL, preventive measures, and reliability improvement through labor intensive clearing of tree limbs in rights-of-way have led to a decrease in power outages and shorter time to reinstate services. We cannot expect to have increased services without paying more.

He thanked the PUC for deregulation which he believes is a benefit to consumers. The price total in 2004 was approximately 12 cents per kilowatt hour, and 11 years later, it is about 13 cents. However, the PA Power Switch website is misleading because it does not factor in monthly fees into the total kilowatt hour price shown there.

In the future, he hopes to see plans for modernizing by placing electric lines underground to keep roadways unencumbered by telephone poles. He thanked PPL for the CFL and LED lighting projects at Costco stores, and for the appliance recycle rebate program. He said that, based on his personal experience, that the PUC should grant the rate increase. Tr. 79-83.

Janna Rowlands, stay-at-home mom, testified that her objective in testifying was to shed light on the fleecing of the public that she uncovered through publically-available documents such as the 2011, 2013, and the 2015 rate case testimony. Specifically, she wanted to discuss the Company's Competitive Enhancement Rider, which is to provide for the recovery of the annual costs associated with the competitive retail electricity market enhancement initiative and the related consumer education programs. She stated that, through the required cost of service study, PPL manipulates the costs to be recovered through the CCER by projecting the operational expenses involved with it due to such mechanisms as future test year. A utility can base its costs on employee salaries by performing the majority of the work it charges the public for low wage adjustable contractors.

The operating expenses show that PPL's labor expenses must be recouped, and this is the time to examine those costs closely. The utility management inspection doctrine holds that utility management is in the hands of the utility, so that the PUC will not interfere. However, an anonymous source told her that the contractor accounts far surpass the union employee accounts and suggests that the wages of a senior customer service representative is far superior to a typical salary in the industry and can be as high as $60,000, twice as high as stated by the U.S. Department of Labor statistics. This should be investigated and shut down. She charges the regulators to take a deeper look at the operating expenses. Tr. 85-90.

Agnes Ruyak, retired, does not object to a rate increase but does object to the amount and to highly paid utility executives. She believes that the utility officers should forego the large bonuses and pay raises to support the repairs so that everybody can feel the pain. She lives on a fixed income and can barely make ends meet, and she feels that she is bearing the hardship. She was referred to a Company customer service representative for a discussion regarding customer assistance programs. Tr. 93-94.

Patricia Dando, of Allentown, retired from Cedar Crest College, testified to four points:

1. She believes that the Company should focus on infrastructure so that the outages are fewer and of shorter duration.

2. The Company should convince the ratepayers that they have worked exhaustively to cut costs within.

3. It is difficult to understand that they are seeking a rate increase when they are spending money on naming rights for stadiums.

4. Each time the Company increases rates, the customers must look within their own finances and so should the Company.

She asks that this increase not be permitted unless PPL can show the changes that they made before seeking a rate increase. A PPL customer service representative was to call her following the hearing. Tr. 98-101.

Alison Hirsch, two weeks shy of retiring from Keystone Progress and 32 year customer of PPL in Williamsport, PA, testified as an individual even though she worked for a nonprofit advocate for consumers. She is one of many Pennsylvanians whose income is just a little too high to qualify for program assistance but whose budget is quite tight. She plans on conserving energy as much as possible by reducing usage but this rate hike does not reward her for conserving and sends the wrong message to young people in particular. She asks that the Commission deny the rate hike as it disproportionately punishes low income consumers who are working hard to conserve energy. Tr. 102-104.

June 2, 2015 at 6:00 pm

Robert Baker, Bloomsburg, PA, employed by Berwick Offray, LLC, does not agree with the proposed rate hike. He is laid off every year, and he states that PPL will not work with him to catch up on his bills. He mentioned a complaint,[[7]](#footnote-7) and agreed to talk to a customer service representative. He expressed his concern that this rate hike might be associated with the sale of generation facilities to Talen Energy. Tr. 121-123.

Georgia Mohrey, is a widow on social security residing in Slatington, PA. She believes that the utility does not need a raise because they just got a raise a few years earlier. She brings in just enough to not qualify for customer assistance programs. Tr. 125-126.

Marak Eckhart, employed at the Pennsylvania Brewery, wondered how the utility can ask for an increase when in 2009 they eliminated 200 jobs and gave James Miller a $7.7 million bonus. Then in February of 2010, they got the Union soccer stadium naming rights. Then in September of 2013, chief financial officer Paul Farr got a raise bringing his pay to $3.8 million. They received the distribution system improvement charge. He read an article which says that this increase will make their rates the highest in the state. This is greed. He would like to see the utility reduce its profits before raising rates. Tr. 127-130.

Barbara Jarmonka, retired from Fresh Life, Inc., residing in Montoursville PA, is opposed to the structure of the proposed rate increase. She believes that we live in a critical time for our planet in terms of how we use energy and the energy that is available to us, and it behooves us to do everything we can to promote energy conservation. This rate increase does not do that. It does not reward people who use less energy, and it places an undue burden on low-income families who do everything they can to conserve energy. Tr. 131-133.

Otto Schatz, works construction and resides in Northampton, PA. He had two questions:

1. What is the purpose of spending $20 million on naming rights for the soccer stadium in Chester, PA, which is not even in PPL's territory?

2. What was the amount spent on the naming rights for the Allentown hockey arena?

PPL counsel informed Mr. Schatz that the naming rights were not purchased by the utility and that no portion of that cost is reflected in the current rates or the proposed rates in this proceeding. Tr. 135-136.

Miriam Noordam, retired, testified regarding the possibility that solar flares will cause surface waters to be sucked up and it will affect the nuclear plants. If this theory turns out to be true, she asks that the utility use the rate increase money to shut down the nuclear plants. Tr. 137-

Weldon Jarvis, retired and residing in Camp Hill, PA, opined that it would be more sensible to have all customers give the Company $120 now rather than over a period of time. Tr. 145-146.

June 4, 2015, 6:00 pm, Muhlenberg College Allentown

Carolyn Knauss, retired nurse residing in Tatamy, PA, testified that, as a senior on a fixed income, she can get around quite well but many others cannot and could not access the facility.[[8]](#footnote-8) As this is a state with a high population of seniors, another rate increase will negatively affect their ability to meet their bills. She has been a PPL customer for over 50 years and presently lives in a small Cape Cod home built in 1953. Ms. Knauss reported that she had filed a complaint[[9]](#footnote-9) because no one she knows has electric bills as high as hers. Her bill is $208 monthly on budget billing, and now there is talk of increasing it further. She has replaced the dishwasher, stove, refrigerator, washer dryer, and eliminated a large freezer and replaced the water heater with a smaller one. BCS recommended that she follow up with PPL, as the bills were too high for a house the size of hers. She said that she had done so and was told by a PPL representative that a home visit would not make a difference. She is quite frustrated. The Company was to arrange a high bill investigation. Tr. 161-168.

Joseph McAndrew, retired educator residing in Macungie, PA, indicated that he believed that he had filed a formal complaint but there was no indication on the formal record that he had done so, nor was there anything from him in the informal comment folder as of that morning. He was assisted by the Commission's press secretary.[[10]](#footnote-10) He was informed that, as a formal complainant, he had the right to provide testimony in the evidentiary portion of the case, and he indicated his intent to do so in addition to the public input hearing testimony.

Mr. McAndrew testified that customers have been hit up enough, and their wallets have been cleaned. They need a decrease in residential rates. He noted that the residential customer class was set to experience a two-third higher increase than the other classes, which he characterized as unfair. He characterized the utility as a dictatorship with the unlimited power to reach into customers' pockets and stated that it has got to stop. He noted the absence of the elected officials who are supposed to be protecting the electorate and indicated that, if they want to stay in office, they had better do their job.

He stated that citizens want transparency in the business dealings between the PUC and PPL, and they want to observe it in the media. He asked that the fast-track rate case be stopped.[[11]](#footnote-11) Tr. 168-173.

Andrea Smith, legal assistant residing in Allentown, PA, indicated that she had filed an informal comment in this case.[[12]](#footnote-12) She agreed with the prior witnesses that the rates are already too high and should be reduced. She will be able to absorb the increase, but there are many who cannot, and she believes that the Company can cut into its own profit margin before increasing rates. Prices for everything are rising. She understands that the Company needs to make a profit, but with the CEO making fourteen or fifteen million dollars per year, they should be looking to cut elsewhere and not make that profit on the backs of the people who are held hostage. Tr. 174-176.

William Sellers, retired from Air Products and living in Allentown, stated that another increase will be difficult for him. He wondered how he can be assured that the Company will use the increase on the infrastructure. He can't help but notice that PPL has asked for increases over the years and then found money for soccer stadiums, hockey arenas, and executive raises.

He is faced with tax increases, school tax increases, insurance cost increases, etc., and he asks the Commission to take a good, hard look at this request. Tr. 178-180.

Sharon Holden, recently retired from her job as a preschool teacher and residing in Allentown, testified that she is now on a fixed budget. Her electric bill is a quarter of the social security check, and she is quite concerned about it growing. She does not understand how PPL can experience such high profits and why they do not use that profit for infrastructure improvement. Because we are in a monopoly and cannot choose another distribution company, she does all she can do to conserve. She does not know how to reduce her usage any further. Baby boomers are retiring and facing this same scenario. People like her children are trying to establish themselves while paying down college loans on much lower salaries than were out there in past years. This is an untenable situation. Tr. 181-183.

As part of the handling of this case, I read the informal comment file and pulled any filing which: (1) appeared to be a formal complaint; (2) seemed to allege a service complaint in addition to the complaint against the rate increase (there was only one and her complaint received a docket and treatment as a service complaint); and (3) included information which indicated that the filer might qualify for a customer assistance program. The last group of eleven comments was given to the Company to determine whether the filer could receive some assistance.

PPL's response to this request was included in the Rebuttal Testimony of Timothy Dahl, Manager – Regulatory Programs and Business Services. He reported that three of the comment filers were low income, of those, one received services through Operation Help, WRAP and OnTrack. A second customer received grants from LIHEAP and Operation HELP, and the third received WRAP assistance.

Of the seven residential customers who raised concerns at the public input hearings, four were not low income and had excellent payment records. One raised a concern regarding service reliability, and a PPL customer service representative contacted her to discuss these concerns. Of the three low-income customers, two were referred to Operation HELP and one to OnTrack. One has a payment arrangement and a $200 grant from Operation HELP. PPL Stmt. 12-R at 23-24.

V. DISCUSSION

Commission policy is to encourage settlements, which are usually preferable to the results of a fully litigated proceeding. 52 Pa.Code §§ 5.231, 69.401.

The Commission must determine that a settlement is in the public interest in order to approve it. *Pa. Pub. Util. Comm’n v. The York Water Company*, PUC Docket No.

R-00049165, Order entered October 4, 2004; *Pa. Pub. Util. Comm’n v. C S Water and Sewer Associates*, 74 Pa. PUC 767 (1991); I&E Stmt. in Support at 4, quoting *Pa. Pub. Util. Comm'n v. Philadelphia Electric Company,* 6 Pa. PUC 1, 22 (1985).

In addition to the obvious benefits of avoiding the expense of full litigation, the public interest is served by a determination that the statutory requirements of the Public Utility Code have been met. For the reasons set forth in more detail in the following discussion, approval of the Settlement is recommended because this Settlement resolves the issues in this case, fairly balances the interests of PPL Electric, its ratepayers, and the other parties to this case, is in the public interest, and is consistent with the requirements of the Public Utility Code, 66 Pa.C.S. §§ 1308.

## A. LEGAL STANDARDS

In deciding this or any other general rate increase case brought under Section 1308(d) of the Public Utility Code (Code), 66 Pa. C.S. § 1308(d), certain general principles always apply. A public utility is entitled to an opportunity to earn a fair rate of return on the value of the property dedicated to public service. *Pa. Pub. Util. Comm'n v.* *Pennsylvania Gas and Water Co.* 341 A.2d 239, 251 (Pa.Cmwlth. 1975). In determining a fair rate of return, the Commission is guided by the criteria provided by the United States Supreme Court in the landmark cases of *Bluefield Water Works and Improvement Co. v. Public Service Comm’n of West Virginia*, 262 U.S. 679 (1923) and *Federal Power Comm’n v. Hope Natural Gas Co.*, 320 U.S. 591 (1944). In *Bluefield*, the Court stated:

A public utility is entitled to such rates as will permit it to earn a return on the value of the property which it employs for the convenience of the public equal to that generally being made at the same time and in the same general part of the country on investments in other business undertakings which are attended by corresponding risks and uncertainties; but it has no constitutional right to profits such as are realized or anticipated in highly profitable enterprises or speculative ventures. The return should be reasonably sufficient to assure confidence in the financial soundness of the utility and should be adequate, under efficient and economical management, to maintain and support its credit and enable it to raise the money necessary for the proper discharge of its public duties. A rate of return may be too high or too low by changes affecting opportunities for investment, the money market and business conditions generally.

*Bluefield*, 262 U.S. at 692-693.

The burden of proof to establish the justness and reasonableness of every element of a public utility’s rate increase request rests solely upon the public utility in all proceedings filed under Section 1308(d) of the Code. The standard to be met by the public utility is set forth in Section 315(a) of the Code, 66 Pa.C.S. § 315(a), as follows:

**Reasonableness of rates.** – In any proceeding upon the motion of the commission, involving any proposed or existing rate of any public utility, or in any proceedings upon complaint involving any proposed increase in rates, the burden of proof to show that the rate involved is just and reasonable shall be upon the public utility.

In reviewing Section 315(a) of the Code, the Pennsylvania Commonwealth Court interpreted a public utility’s burden of proof in a rate proceeding as follows:

Section 315(a) of the Public Utility Code, 66 Pa.C.S. § 315(a), places the burden of proving the justness and reasonableness of a proposed rate hike squarely on the public utility. *It is well-established that the evidence adduced by a utility to meet this burden must be substantial*.

*Lower Frederick Twp. Water Co. v. Pa. Pub. Util. Comm'n*, 409 A.2d 505, 507 (Pa.Cmwlth. 1980) (emphasis added). *See also*, *Brockway Glass Co. v. Pa. Pub. Util. Comm'n* , 437 A.2d 1067 (Pa.Cmwlth. 1981).

In general rate increase proceedings, it is well established that the burden of proof does not shift to parties challenging a requested rate increase. Rather, the utility’s burden of establishing the justness and reasonableness of every component of its rate request is an affirmative one, and that burden remains with the public utility throughout the course of the rate proceeding.

There is no similar burden placed on parties to justify a proposed adjustment to the Company’s filing. The Pennsylvania Supreme Court has held:

[T]he appellants did not have the burden of proving that the plant additions were improper, unnecessary or too costly; on the contrary, that burden is, by statute, on the utility to demonstrate the reasonable necessity and cost of the installations, and that is the burden which the utility patently failed to carry.

*Berner v. Pa. Pub. Util. Comm'n* , 382 Pa. 622, 631, 116 A.2d 738, 744 (1955).

This does not mean, however, that in proving that its proposed rates are just and reasonable, a public utility must affirmatively defend every claim it has made in its filing, even those which no other party has questioned. As the Pennsylvania Commonwealth Court has held:

While it is axiomatic that a utility has the burden of proving the justness and reasonableness of its proposed rates, it cannot be called upon to account for every action absent prior notice that such action is to be challenged.

*Allegheny Center Assocs. v. Pa. Pub. Util. Comm'n,* 570 A.2d 149, 153 (Pa.Cmwlth. 1990) (citation omitted). *See also, Pa. Pub. Util. Comm'n. v. Equitable Gas Co.*, 73 Pa. P.U.C. 310, 359-360 (1990).

Additionally, Section 315(a) of the Code, 66 Pa.C.S. § 315(a), cannot reasonably be read to place the burden of proof on the utility with respect to an issue the utility did not include in its general rate case filing and which, frequently, the utility would oppose. Inasmuch as the Legislature is not presumed to intend an absurd result in interpretation of its enactments,[[13]](#footnote-13) the burden of proof must be on the party who proposes a rate increase beyond that sought by the utility. The mere rejection of evidence contrary to that adduced by the public utility is not an impermissible shifting of the evidentiary burden. *United States Steel Corp. v. Pa. Pub. Util. Comm'n,* 456 A.2d 686 (Pa.Cmwlth. 1983).

Section 523 of the Public Utility Code, 66 Pa.C.S. § 523, requires the Commission to “consider . . . the efficiency, effectiveness and adequacy of service of each utility when determining just and reasonable rates. . . .” In exchange for customers paying rates for service, which include the cost of utility plant in service and a rate of return, a public utility is obligated to provide safe, adequate and reasonable service. “[I]n exchange for the utility’s provision of safe, adequate and reasonable service, the ratepayers are obligated to pay rates which cover the cost of service which includes reasonable operation and maintenance expenses, depreciation, taxes and a fair rate of return for the utility’s investors . . . In return for providing safe and adequate service, the utility is entitled to recover, through rates, these enumerated costs.” *Pennsylvania Pub. Util. Comm’n v. Pennsylvania Gas & Water Co.,* 61 Pa. PUC 409, 415-16 (1986); 66 Pa.C.S. § 1501. Accordingly, the General Assembly has given the Commission discretionary authority to deny a proposed rate increase, in whole or in part, if the Commission finds “that the service rendered by the public utility is inadequate.” 66 Pa.C.S. § 526(a).

In analyzing a proposed general rate increase, the Commission determines a rate of return to be applied to a rate base measured by the aggregate value of all the utility’s property used and useful in the public service. The Commission determines a proper rate of return by calculating the utility’s capital structure and the cost of the different types of capital during the period in issue. The Commission is granted wide discretion, because of its administrative expertise, in determining the cost of capital. *Equitable Gas Co. v. Pa. PUC*, 405 A.2d 1055, 1059 (Pa. Cmwlth. 1979) (determination of cost of capital is basically a matter of judgment which should be left to the regulatory agency and not disturbed absent an abuse of discretion). *Pa. Pub. Util. Comm'n, et al. v. PPL Electric Utilities Corporation*, R-2015-2290597 (Order entered December 28, 2012).

The standard formula for determining a utility's base rate revenue requirement is:

RR = E + D + T + (RB x ROR)

RR: Revenue Requirement

E: Operating Expense

D: Depreciation Expense

T: Taxes

RB: Rate Base

ROR: Overall Rate of Return

I&E Stmt. 1 at 4-5; I&E MB at 75 fn 158.

The focus of a base rate case is to determine the correct values to insert into the formula above. After determining the correct revenue requirement, the appropriate allocation of that revenue among the rate classes will be determined. Here, however, the parties have negotiated a full settlement of all issues, and each is discussed below. The section designations are consistent with the Settlement for ease of reference.

B. REVENUE REQUIREMENT

The Settlement is a "black box" settlement, which means that the parties have agreed upon the result without agreeing upon the specific elements used to determine the result in a fully litigated scenario. Black box settlements are not uncommon in Commission rate cases, as the Company indicates:

*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.

PPL Electric Stmt. in Support at 5. *See also* I&E Stmt. in Support at 6-7.

The Company points out that the Settlement's exceptions to the black box include the $14,700,000 for reportable storm damage expenses; the roll-in of the Distribution System Improvement Charge (DSIC) capital investment and associated depreciation and tax effects in base rates per the Company's proposal; the 2011 amortized storm expense of $5,324,000 which will be included in the base rate component of the Storm Damage Expense Rider (SDER) beginning January 1, 2013, and the return on equity (ROE) for purposes of the SDIC and Smart Meter Rider (SMR) will be the ROE for the SDIC set forth in the Commission's Report on the Quarterly Earnings of Jurisdictional Utilities, Settlement ¶ 4-5, as discussed further below. PPL Electric Stmt. in Support at 4-5.

The Settlement represents a distribution revenue increase of $124 million annually, Settlement ¶ 21, which is about 84% of the increase requested in the Company's filing.

OCA opines that, based on its analysis of the Company filing and discovery responses, the Settlement result is within the range of likely outcomes if the case were fully litigated. OCA states that the increase is appropriate when accompanied by other important conditions that the Settlement contains, and the result is just and reasonable. OCA Stmt. in Support at 5.

I&E emphasizes the provision in the Settlement under which PPL Electric will update information between rate cases:

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 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.

I&E Stmt. in Support at 7-8.

This provision will aid I&E in its continuing role of protecting the public interest. Accordingly, the Revenue Request as stated in the Joint Petition for Approval of Settlement of All Issues is reasonable, is consistent with *Bluefield, supra,* and is in the public interest for the reasons stated above.

C. REVENUE ALLOCATION

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). The proposed allocation would have resulted 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); PPL Electric Stmt. in Support at 8-9. The proposed and settled rate designs are:

**Rate Schedule Company Proposal Settlement Revenue Allocation**

(thousands) (thousands)

RS $155,278 $110,875

RTS $3,103 $1,800

GS-1 $13,047 $9,745

GS-3 $(9,985) $(3,200)

LP-4 $5,181 $3,900

LP-5 $(1,528) $(750)

LPEP $2,552 $1,071

GH-2 $265 $355

SL/AL $(433) $204

Total $167,500 $124,000

(PPL Electric Exhibit JDT, p. 10); PPL Electric Stmt. in Support at 8-10.

OCA notes that the Company's original proposal was to allocate 94.7% of its proposed increase to residential customers. OCA countered the Company's cost of service study with its own, which was based on class peak demands rather than customer counts. OCA recommended allocating $109.1 million to the residential classes instead of the Company's proposed $157.3 million.

The Settlement confers $112.675 million to the residential classes, Settlement

¶ 23, which is a meaningful reduction of the proposed total distribution increase to the residential classes. OCA states:

Under the Settlement, a typical bill for a residential customer using 1,000 kWh per month will increase by $7.53 per month, or 5.11%, from $147.31 to $154.84 on a total bill basis. This is as opposed to the Company's original proposal, which would have increased the typical residential customer's total bill by $10.19 per month, or approximately 6.9%. While this provision still allocates a significant proportion of the increase to the residential classes, it is less than originally proposed and, when considered as a whole with the other provisions of the Settlement, is in the public interest.

OCA Stmt. in Support at 7.

OSBA explains that the interests of small business customers are met by the Settlement. First, it agrees with the cost of service study (COSS) used by PPL Electric in determining how to allocate the costs among each of the rate classes, and does not agree with the method that was advocated by OCA. OSBA Stmt. 2 at 3-5, OSBA Stmt. in Support at 5-6. The Settlement does not adopt the OCA method, and OSBA agrees with this approach.

OSBA agreed with the original allocation proposal, which was consistent with the Company's stated approach to move rates into line with allocated costs over three rate proceedings (2010, 2012 and the present case). The Settlement does not change this approach. OSBA states:

The *Joint Petition* preserves all of these accomplishments advocated by the OSBA. The GS-1 customer class receives less than a system average rate increase (*i.e.*, a 13.1% increase as opposed to the 14.7% system average increase associated with a $124.0 million overall increase). The GS-3 customer class continues to see a rate decrease, although the OSBA recognizes that continued progress toward cost-based rates for this class will need to continue in the Company’s next base rates proceeding. A significant contributing factor to the OSBA’s acceptance of a reduced rate decrease for Rate GS-3 in the settlement of this case was the testimony of the Commission’s own Bureau of Investigation and Enforcement (“I&E”) to that effect, although OSBA respectfully disagrees with I&E’s logic in this respect. *See* I&E Statement No. 3, at 35-37 (“the proposed decreases . . . are too large.”). The OSBA notes further that the OCA advocated a massive rate *increase* for the GS-3 class, with a proposed increase of 22.0 percent (well above system average) at the full Company proposed revenue requirement. Consequently, the OSBA concludes that the proposed rate decrease in the *Joint Petition* for the GS-3 class is well within the range of options offered by the parties. Furthermore, the proposed rate decrease will continue to move GS-3 rates more into line with allocated costs. *See* *Joint Petition*, at Paragraph 23.

The ALJ and the Commission are both well aware that the OSBA has been advocating for PPL’s customer classes to be moved to their respective cost of service for many years. Consequently, the OSBA supports the aggressive approach embodied by the *Joint Petition* to continue to advance toward that goal.

OSBA Stmt. in Support at 8.

Further, in the Settlement, the Rate Schedule BL rate increase was changed to match the Rate GS-1, as had been advocated by OSBA. OSBA Stmt. in Support at 9.

As for Rate Schedule GH-2, OSBA explains:

Rate GH-2 is an anachronism. The tariff class was designed to encourage the adoption of electric space heating and all-electric apartment buildings. At present, the rate serves only to discourage conversion to natural gas or alternative energy sources. It was closed to new entrants on August 21, 1972, some 43 years ago, although existing customers remain grandfathered in their eligibility. In the Company’s past few base rates proceedings, the Company was in the process of phasing out this tariff option, and transitioning the customers to Rates GS-1 or GS-3 service as appropriate. As part of this process, the Company did succeed in phasing out the similarly outdated GH-1 tariff in the 2012 base rates proceeding. However, in the current proceeding the Company indicates that it no longer intends to phase out this tariff, and it proposes a percentage average rate increase for this class that is only slightly higher than that proposed for the GS-1 class.

OSBA Statement No. 1 (Revised), at 12.

Consequently, Mr. Knecht made two specific recommendations. First, that PPL continue to phase out Rate GH-2. Second, that Rate GH-2 be set at the tariffed rates for Rate GS-1. *See* *Id.*, at 13.

The *Joint Petition* proposes to move in the direction of both of Mr. Knecht’s recommendations. Rate GH-2 will continue to be phased out. *Joint Petition*, at Paragraph 25. Furthermore, the *Joint Petition* assigns a substantial rate increase to rate GH-2, commensurate with that assigned to the Rate RTS class (which is also in the process of being phased out). The proposed increase for the GH-2 class is approximately 27.8%, nearly double the system average rate increase. The OSBA deems that any increase in excess of that level (in order to phase out the tariff faster) would be inequitable, excessive, and in violation of the rate gradualism principle. The phase-out of Rate GH-2 will therefore need to continue in the next base rates proceeding.

Since the *Joint Petition* generally follows the testimony of Mr. Knecht, the OSBA supports the resolution of these two rate issues as proposed by the *Joint Petition*.

OSBA Stmt. in Support at 9-10.

I&E notes that the applicable law includes the restriction against establishing or maintaining unreasonable differences in rates among rate classes. 66 Pa.C.S. § 1304. While there may exist sound justification for some discrepancies in rates under the principle of gradualism, this principle alone does not justify allowing one class of customers to subsidize the cost of service for another class of customers over an extended period of time. *Lloyd v. Pennsylvania Public Utility Commission*, 904 A.2d 1010, 1019-20 (Pa.Cmwlth. 2006). Accordingly,

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.

I&E Stmt. in Support at 9.

PPL Electric states that the resolution of this issue required significant effort and compromise by the parties which submitted testimony on the issue.

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.

PPL Electric Stmt. in Support at 10.

The Revenue Allocation as stated in the Joint Petition for Approval of Settlement of All Issues is reasonable and is in the public interest for the reasons stated within.

D. RATE DESIGN

PPL Electric explains that the proposed rate design was meant to (1) develop requested revenues; (2) continue to move toward distribution rates that are more demand and customer-based and less usage-based; and (3) to move to a daily customer charge for all rate schedules. See PPL Electric St. 5 at 12-17. PPL Electric Stmt. in Support at 12.

The concept of a daily customer charge was opposed by I&E, CAUSE-PA and the OCA. As part of the Settlement, this proposal was withdrawn. PPL Electric Stmt. in Support at 13.

The proposal to raise the residential monthly customer charge from $14.09 to $20.00 per month was opposed by I&E, OCA, CAUSE-PA, TASC, and KEEA, as a hardship for low-income customers and for its possible adverse effect on energy conservation. Each party had its own recommendation:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Current | PPL Electric | I&E | OCA | TASC | KEEA |
| $14.09 | $20 | $12 | $14.09 | $14.09 | $8.21 |

PPL Electric Stmt. in Support at 15. The Company states:

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 KEEA.[[14]](#footnote-14) 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 KEEA. 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.

PPL Electric Stmt. in Support at 15.

I&E sees the Settlement as a compromise between viewpoints:

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.[[15]](#footnote-15) 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.[[16]](#footnote-16) 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.[[17]](#footnote-17) Designing rates to allow customers to have greater control of their electric bills is in the public interest. 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.

I&E Stmt. in Support at 10.

CAUSE-PA states that the fact that the fixed residential charge will remain at the current $14.09 per month is "critical to ensure that the burden of a rate increase does not disproportionately fall on low income residents." CAUSE-PA Stmt. in Support at 3, quoting the testimony of Mitchell Miller, CAUSE-OA Stmt. 1 at 9-11. In addition, the provision "ensures that the rate structure does not undermine ratepayer investments in energy efficiency and weatherization through the Low Income Usage Reduction Program (LIURP), which is designed to reduce low income household usage and, in turn, reduce the energy burden for low income customers." CAUSE-PA Stmt. in Support at 3.

TASC had recommended keeping the customer charge at $14.09, which is what the Settlement provides:

TASC supports this result since any increase in the customer charge would have had a wide range of undesirable effects. The increase would tend to reduce customer investment in energy efficiency and on-site renewable energy equipment, because the higher fixed charge would lengthen the payback periods for these investments. In the long run, this reduced customer investment would lead to higher costs to maintain and operate the distribution system. The increase would have had an adverse financial impact on electricity customers who use small amounts of power, particularly low-income customers. The increase in the customer charge would have been contrary to a number of state policies including those designed to increase energy efficiency, renewable energy and to maintain affordable electric service for all customers.

TASC Stmt. in Support at 2-3.

CEO states that the fact that the fixed monthly residential customer charge will remain at $14.09 "provides residential customers with the continued motive and ability to reduce energy consumption and is a particular benefit to low-income customers because it retains their present ability to reduce their electric bills through reduced consumption." CEO Statement in Support at 2, ¶ C.

The Clean Air Council opposed PPL Electric's proposal to increase its fixed rate because CAC believes that an increase in fixed rates punishes those customers who are seeking to reduce usage. "When a customer is faced with higher fixed costs, that customer will be more likely to decide that saving energy (making investments in energy efficiency) and installing renewable energy (paying a high upfront cost) are not worthwhile investments." CAC Stmt. in Support at 6. CAC supports this Settlement as it does not increase the fixed rate.

KEEA recommended that the utility's proposal to increase the customer fixed charge for all rate classes be rejected, and opined that the continued use of customer fixed charges does not align with other state policies to promote energy efficiency and conservation in the Commonwealth. KEEA made its recommendation based on its claims that: (1) the increase is not cost-justified; (2) increasing customer fixed charges will disproportionately harm low income customers, be punitive to apartment dwellers and reduce the customer's incentive to engage in energy efficiency; and (3) increasing customer fixed charges, as a rate design policy, fails to align with other state policies enacted to promote energy efficiency and conservation in the Commonwealth. KEEA recommended that a collaborative be convened to explore decoupling. KEEA Stmt. in Support at 3. KEEA states that the Settlement terms balance the interests of the Joint Petitioners and provide a reasonable outcome in the short term. KEEA Stmt. in Support at 4.

The rate design agreed upon in the Joint Petition for Approval of Settlement of All Issues is in the public interest as the terms balance the interests of the Joint Petitioners and provide a reasonable outcome.

## E. AMTRAK

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.

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.

PPL Electric explains that 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, which includes Amtrak. However, 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, PPL Electric avers that 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 but not on the scope and timing of the project. (PPLICA St. No. 1, pp. 5-8; PPLICA St. No. 2, p. 5). In its direct testimony, Amtrak also raised several alternative proposals to the project’s scope, costs, timeframe, and cost recovery.

In rebuttal, PPL Electric 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) 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) 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, PPL Electric 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).

Following 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)

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 Company's Statement in Support is persuasive that:

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.

PPL Electric Stmt. in Support at 16-18.

F. MERCHANT FUNCTION CHARGE (MFC) & PURCHASE OF RECEIVABLES (POR)

PPL Electric explains that it has used the claimed bad debt write-off percentage of 2.30% for residential customers, 0.23% for small commercial and industrial customers, and 0.03% for large commercial and industrial customers. However, in the 2012 base rate case, the Commission directed the utility to determine whether there was a difference in the amount of uncollectible expense associated with shopping customers (POR) and non-shopping customers (MFC). The result was that there was a small difference, and therefore, in this case, the Company proposed to separate uncollectible percentages for the POR and MFC. In addition, the utility proposed to adjust these rates annually going forward to better reflect the changing uncollectible percentages associated with shopping and non-shopping customers. PPL Electric Stmt. 5 at 9.

PPL Electric proposed a 2.08% POR rate and 2.42% MFC rate for the residential class. For the small C&I class, the Company proposed to roll the small mounts into base rates and to set the uncollectible percentage at zero for both the MFC and POR. PPL Electric Stmt.5 at 9-10. Both I&E and OSBA disagreed with this proposal.

OCA expressed its concern that the PPL proposal to annually adjust the uncollectible rate for the residential class appeared to violate 66 Pa.C.S. § 1408, as setting different uncollectible rates could lead to discrimination against low income customers in shopping for alternative generation suppliers. The Settlement addresses these concerns by removing the annual adjustment proposal and setting MFC and POR charges at the same percentage. Settlement ¶28. OCA Stmt. in Support at 7.

OSBA explains that currently, PPL Electric recovers the cost for default service electric supply uncollectibles in its merchant function charge, which is set at a percentage of the combined GSC-1 and transmission service charge (TSC) rates, reflecting class-specific rates of uncollectibles costs. In addition, PPL Electric purchases the electric supply receivables and assumes responsibility for collection, including incurring costs for uncollectibles. The recovery is by application of a percentage discount to the receivables that the utility purchases. The discount is set equal to the percentage rate that applies to default service customers in the MFC.

EGSs who do not participate in the POR program and bill customers directly assume the responsibility for uncollectibles as well. In its proposal, PPL Electric sought to set both the MFC and the POR to zero and to recover the electric supply uncollectibles costs in base distribution rates. OSBA disagreed with this proposal because it would re-bundle electric supply costs with distribution costs and appeared to conflict with the 2012 base rate decision that rejected the use of a non-bypassable charge for uncollectibles cost recovery and was unfair to EGSs which billed customers directly. OSBA Stmt. in Support at 11. The Settlement retains the present system, and the uncollectible rates are set to 2.31% residential, and 0.23% Small C&I, for both POR and MFC. PPL Electric Stmt. in Support at 20.

Retention of the present system serves the public interest.

G. DISTRIBUTION SYSTEM IMPROVEMENT CHARGE (DSIC)

With the intent to facilitate the replacement of aging infrastructure consistent with regulatory requirements and need, the Commission approved a DSIC for PPL Electric for a 5% cap on the total amount of revenue that can be collected through PPL Electric's DSIC on an annualized basis; annual reconciliations, Commission audits, 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 reset to zero if the utility earns a rate of return that exceeds the allowable rate of return used to calculate its fixed costs under the DSIC.

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.

PPL Electric Stmt. in Support at 22-23.

Consolidated with the base rate case (for litigation, not decision) is PPL Electric's 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.

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”). The Company reasoned that, 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)

OCA opposed the Company's proposal for a waiver on the grounds that it was unnecessary and would remove an important customer protection provided by Act 11. OCA St. 1 at 3-6. The Settlement provides that the Company withdraws its request for a waiver and increase for the DSIC cap from 5% to 7.5% of billed revenues. Settlement ¶ 34. This means that the 5% cap remains in place, providing necessary protection for customers. OCA Stmt. in Support at 8.

OSBA opposed the PPL Electric request to increase the DSIC amount and maintained that there was insufficient evidence to support the request. OSBA fully supports the withdrawal of the request to increase the DSIC. OSBA Stmt. in Support at 12-13.

The result of the Settlement is that PPL Electric is withdrawing the Petition without prejudice to its ability to re-file it at a later date. In addition, beginning in January 2016, the LPEP rate schedule (Amtrak) will be excluded from the DSIC. PPL Electric Stmt. in Support at 25. Withdrawal of the Petition is consistent with the public interest.

H. STORM DAMAGE EXPENSE RIDER (SDER)

A detailed history of the Company's Storm Damage Expense Rider appears in the PPL Electric Stmt. in Support at 25-31. OCA sums up the Settlement provision as follows:

The Company's Storm Damage Expense Rider (SDER) was originally proposed in PPL's 2012 base rate case. The OCA opposed the creation of this rider, and the legality of the SDER is currently under consideration by the Commonwealth Court. As such, the Settlement provisions regarding storm damage expense serve to maintain the current operation of PPL's SDER and its method for recovering storm damage expenses. The Settlement acknowledges that the parties are awaiting a decision from the Commonwealth Court on this issue, and that the appellate court's determination will control the legality of the SDER going forward. Settlement ¶ 41.

OCA Stmt. in Support at 8.[[18]](#footnote-18) 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 Large C&I customer class and, therefore, is just, reasonable, and should be approved.

Presently, the limit to the storm damage expenses to be recovered annually through base rates is $14,700,000, subject to an adjustable rider (SDER). I&E states that the provisions allow PPL Electric to recover qualifying storm expenses that were unavoidable and costly, they will protect ratepayers by providing a mechanism to ensure that their payments are being applied correctly, and by ensuring that overpayments will be refunded. Also, the 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 PPL Electric has not filed a base rate case. I&E Stmt. in Support at 13.

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)

PPL Electric avers that 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). The Company reasons that, 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)

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.

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.

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.

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, this settlement provision is just, reasonable, and in the public interest.

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 provision 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.

The Company points out that 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.

PPL Electric Stmt. in Support at 25-31.

I&E opines that the result is in the public interest as it protects both ratepayers and the utility. I&E Stmt. in Support at 13. For the SDER issue, the negotiated terms are in the public interest for the reasons stated above.

I. CAP

PPL Electric's original filing contained no request for recovery of its universal service programs, as it has a recovery mechanism in its reconcilable Universal Service Rider (USR). The details of the administration of these programs are covered in its Universal Service & Energy Conservation Plan (current Plan was approved at Docket No. M-2013-2367021, Order entered September 11, 2014). The next Plan is due to be filed on July 1, 2016, and will contain any proposed changes to the universal service programs. The recommendations and Settlement provisions arose from other parties. PPL Electric Stmt. in Support at 31-32.

OCA and CAUSE-PA sought an increase in funding for CAP and LIURP programs. OCA raised concerns regarding the need to adjust CAP credits to reflect the over-collection of bad debt expenses, adjust arrearage forgiveness credits for the over-collection of bad debt expenses, and apply a working capital offset to arrearage forgiveness credit. OCA St. 4 at 20-29, 30-36, and 36-38. OCA Stmt. in Support at 9. The Settlement provides for a fixed Universal Service Rider (USR) credit of $100 per month for all CAP customers above 44,000.

The Settlement also provides for an increase in PPL Electric's maximum CAP credits in an amount equal to 50% of the overall percentage increase in the rates for Rate Schedule RS, an increase to Low Income Usage Reduction Program (LIURP) funding of $500,000, effective January 1, 2016.

OCA raised issues concerning CAP customer shopping, stating that shopping CAP customers do not receive any benefit for effective shopping decisions or bear the cost of any ineffective shopping decision, which means that there is no real incentive to shop. OCA Stmt. 4 at 19. The Settlement commits to a stakeholder collaborative by May 31, 2016 to evaluate CAP customer participation in the competitive shopping market. Settlement ¶ 49.

I&E opposed the increases but respects the negotiated result:

I&E opposed any increase in CAP credits in this proceeding as being inapposite to Commission- determined allowable energy burden percentages.[[19]](#footnote-19) 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.[[20]](#footnote-20)

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 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.

I&E Stmt. in Support at 14-15.

CAUSE-PA notes that the PPL Electric commitment to increase its maximum CAP credits by a percentage equal to 50% of the overall percentage increase in Rate Schedule RS rates is a significant improvement for the utility's CAP customers. As CAUSE-PA points out, under the current CAP system, PPL Electric credits a flat dollar amount. It stands to reason that those customers will reach the CAP limit sooner – without increased usage -- if the rates increase. CAUSE-PA quotes its witness:

According to the information provided by PPL in discovery, 12,481 customers removed from OnTrack in 2014 for exceeding maximum CAP credits. This means that approximately 27% of PPL's OnTrack customers reached their maximum CAP credits in 2014, and this was *without any distribution rate increase, and with a lower monthly fixed customer charge than that is being proposed by PPL in this proceeding.*

(CAUSE-PA Statement No. 1-Revised, Miller, at 11:18-12:1))(emphasis in original)(footnotes omitted). Thus, an increase in maximum CAP credits as a result of this distribution base rate increase, while not solving the problems associated with this problematic CAP design feature, at least mitigates some of the unintended effects of the increase.

CAUSE-PA Stmt. in Support at 4.

CAUSE-PA notes further that the PPL Electric commitment to increase its LIURP funding by $500,000 per year, effective January 1, 2016, and that the Joint Petitioners have retained the right to recommend additional changes in the Company's next universal service proceeding. This will prove helpful to the households in PPL Electric's service territory which have income that cannot meet the customers' basic needs, and thus cannot make significant energy improvements without this assistance. CAUSE-PA Stmt. in Support at 4, quoting CAUSE-PA Stmt. 1-Revised at 7-8. Witness Miller states:

In its most recent needs assessment, PPL identified over 220,000 households with household income at or below 150% of the federal poverty income guidelines and an additional approximately 110,000 households with incomes between 151% and 200% of the federal poverty income guidelines. More specifically, in its USECP plan, PPL indicates that within the last 7 years it has provided weatherization services through LIURP or Act 129 for approximately 36,000 customers and that an additional 8,000 customers received energy savings kits through Act 129. Accordingly, even accounting for the fact that the some of the remaining low-income households may not be LIURP eligible, PPL’s currently projected penetration rate of 1,900 full cost, 800 low cost, and 400 baseload jobs per is not sufficient to meet the demonstrated need of these low- income payment troubled customers.

(CAUSE-PA Statement No. 1 – Revised, Miller, at 14:8-17) (footnotes omitted), CAUSE-PA Stmt. in Support at 5.

CAUSE-PA notes with approval the commitment of PPL Electric to hold a collaborative by May 31, 2016:

. . . with all interested stakeholders to discuss and evaluate CAP customer participation in the competitive shopping market as set forth in OCA Statement No. 4 and CAUSE-PA Statement No. 1-R. In advance of the collaborative, PPL Electric will obtain and provide data to interested stakeholders regarding the number of CAP customers that are shopping, whether the rates paid by shopping CAP customers is above or below the Price to Compare, and the impact that shopping CAP customers have on CAP credits and CAP customers’ bills. The Joint Petitioners reserve the right to evaluate further revisions to CAP customer participation in the competitive shopping market and to recommend changes to CAP customer shopping in the Company’s next default service procurement plan proceeding. The settlement provisions contained in this paragraph are essential to preserving the integrity and affordability of PPL’s CAP program.

CAUSE-PA Stmt. in Support at 5. This commitment is important to note, as both OCA and CAUSE-PA have pointed out:

I agree with Mr. Colton’s assessment that PPL’s current policy of allowing CAP customers to shop for electricity without any restrictions or limitations is not the best policy. Like Mr. Colton, I disagree with this policy. (See OCA Statement No. 4 at 16:17). As evidenced by the information provided by PPL in discovery, PPL’s policy of allowing CAP customers to shop without limitation has led to the current situation in which more than 40% of its CAP customers are paying more than PPL’s price to compare. Neither CAP customer nor those customers who pay for the program benefit when CAP customers pay more for energy than they should otherwise pay because it increases costs of the CAP program unnecessarily and causes CAP customers to exhaust their maximum CAP credits faster than they otherwise would have had they been paying lower rates.

(CAUSE-PA Statement No. 1 – Rebuttal, Miller, at 1:15-2:3); CAUSE-PA Stmt. in Support at 6.

CAUSE-PA notes with approval the utility's commitment to continue to use community based organizations to assist in the implementation of its universal service programs, to evaluate senior education programs, and to operate a pilot program in Lancaster County using local churches and food banks to further promote and educate customers about LIURP and Act 129 programs. These commitments, CAUSE-PA states, off-set some of the negative consequences of a rate increase to low income households. CAUSE-PA Stmt. in Support at 6.

CEO supports the Settlement terms providing that the Company will continue to use community-based organizations to administer its universal service programs and to increase funding for its LIURP programs. CEO Stmt. in Support at 2. In addition, CEO opines:

The settlement is consistent with the Commission's obligation under the electricity Generation Customer Choice and Competition Act to insure that universal service programs are appropriately funded and available, that energy conservation measures are promoted and available to consumers, particularly low income consumers, and that community-based organizations are used to assist in the implementation of an electric company's universal service programs.

CEO Stmt. in Support at 2, ¶D.

For the reasons stated above by the parties, the Joint Petition for Approval of Settlement of All Issues is in the public interest.

J. NET METERING

The Company explains:

A basic example [of net metering] 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)

PPL Electric Stmt. in Support at 37.

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.[[21]](#footnote-21) (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.[[22]](#footnote-22) (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.

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.

SEF states that the terms of the Settlement provide for PPL Electric to withdraw its proposal to revise Net Metering tariff pages 19L.2 and 19L.4, which SEF characterizes as ensuring that Net Metering customers will continue to have access to all of the net metering options required under the Commission's regulations. SEF Stmt. in Support at 3.

The parties' agreed upon terms are in the public interest for the reasons set forth above.

K. INTERCONNECTION

TASC proposed a number of changes in the Company's processes for interconnection of customer-sited renewable generation. Following negotiations, TASC agreed to narrow its requests to three items, which the Settlement covers as follows:

1. PPL Electric will exercise best efforts to approve customer-sited generation for operation within 10 days from the date of a witness test or inspection. TASC avers that this provision provides assurance to customers regarding when they can begin operation of their generation equipment and removes the present ambiguity.

2. PPL Electric will undertake a study of the legality, feasibility, and technical requirements of interconnecting distributed generation in combination with storage and battery facilities. TASC expects that this commitment will provide PPL Electric and other parties time to research and assess how such equipment should be addressed in future interconnection applications and that it will be done more thoroughly than would have been allowed within the time limits of the rate case. TASC believes that this is in the public interest since energy storage technology could contribute significantly to lower costs and increased reliability of the distribution and transmission systems, and clarity on interconnection processes.

3. PPL Electric agrees not to oppose the institution of a statewide process to revise distributed generation interconnection standards, which TASC believes will eventually result in the reduction of costs for interconnection.

TASC Stmt. in Support at 4.

The terms agreed upon are in the public interest as they will result in a higher quality of service to PPL Electric customers.

L. REVENUE DECOUPLING

CAC promotes the adoption of decoupling:

Revenue decoupling "is a regulatory mechanism that allows a utility [] to recover its full authorized revenues, regardless of sales volumes or the reason for changes in sales volumes."[[23]](#footnote-23) By changing the revenue generation mechanism for utilities, it would remove the perverse incentive for utilities to sell more and more electricity. When utilities lose the incentive to sell more, it removes the disincentive for utilities "to promote policies that result in reduced sales."[[24]](#footnote-24)

CAC Stmt. in Support at 7. The Company states:

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 provision 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 provision is just, reasonable, and should be adopted.

PPL Electric Stmt. in Support at 42.

CAC calls the agreement to hold a collaborative on revenue decoupling on or before March 1, 2016,

. . . an important first step to finding a better long-term solution to address the tension between the need for revenue recovery and the goals of energy efficiency and conservation that is not reliant on continual increases to fixed customer charges. . . . KEEA submits that a revenue decoupling mechanism would permit PPL to recover authorized revenues and align energy efficiency goals contained in Act 129 and is a much better approach to continual reliance on customer fixed charges to recover this revenue.[[25]](#footnote-25) The stakeholder process detailed in the Settlement will engage stakeholders in exploring revenue decoupling as a solution to revenue concerns faced by PPL and is a reasonable compromise.

CAC Stmt. in Support at 4.

Accordingly, the negotiated settlement term is in the public interest for the reasons stated above.

M. CONCLUSION

The Joint Petition for Approval of Settlement of All Issues represents intense negotiations among parties with a wide variety of clientele which represent the different types of customers of PPL Electric. CAUSE-PA states:

While not all of CAUSE-PA’s litigation positions have not [sic] been fully adopted, the Settlement was arrived at through good faith negotiation by all parties and represents a fair and balanced resolution of the issues in the proceeding. When taken together, the provisions of this settlement are in the public interest, and should be approved by the Commission in its entirety.

CAUSE-PA Stmt. in Support at 6.

The same can be said of all parties. Accordingly, the parties request that the Commission approve the Joint Petition for Settlement in its entirety, as in the public interest, for the reasons set forth in their Statements in Support. OSBA Stmt. in Support at 15; TASC Stmt. in Support at 4; TASC Stmt. in Support at 4; Epstein Stmt. in Support at 5; CEO Stmt. in Support at 3; CAC Stmt. in Support at 8; KEEA Stmt. in Support at 4; SEF Stmt. in Support at 4.

PPL Electric cites the following as reasons for increasing its revenue:

(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 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)

PPL Electric Stmt. in Support at 5-7.

The proposed Settlement is an indication that the litigating parties agree that the agreed-upon rates will permit the utility to earn a return on the value of the property which it employs for the convenience of the public, equal to that generally being made at the same time and in the same general part of the country on investments in other business undertakings which are attended by corresponding risks and uncertainties. The parties are confident that the return is sufficient to assure confidence in the financial soundness of the utility and is adequate to maintain and support its credit and enable it to raise the money necessary for the proper discharge of the utility's public duties, consistent with *Bluefield,* supra.

I note that self-represented Complainant Wintermeyer filed a response in opposition to this Joint Petition. He stated the same reasons that appeared in his formal Complaint and in his testimony but failed to provide any substantive evidence during the course of the proceeding to support his claims. Accordingly, he has failed to sustain his burden of supporting his own claims that the operations of the Company are in any way unconstitutional or criminal or that its nature as a regulated monopoly is illegal or in violation of the Federal antitrust laws, or that the Company has enjoyed unfair partiality at the hands of this Commission. His Complaint is dismissed. No other formal self-represented Complainant responded to the Joint Petition.

For the reasons stated in each party's Statement in Support and those appearing in this Recommended Decision, the Joint Petition for Approval of Settlement of All Issues is in the public interest, and is consistent with the legal standards required under *Bluefield, supra.* Accordingly, approval without modification is recommended.

VII. CONCLUSIONS OF LAW

1. Every rate made, demanded, or received by any public utility, or by any two or more public utilities jointly, shall be just and reasonable, and in conformity with regulations or orders of the commission. 66 Pa.C.S. § 1301.

2. The burden of proving the justness and reasonableness of every element of the utility's rate increase rests solely upon the public utility. 66 Pa. C.S. § 315(a); *Lower Frederick Twp. v. Pa. Pub. Util. Comm'n*, 409 A.2d 505 (Pa.Cmwlth. 1980).

3. While the burden of proof remains with the public utility throughout the rate proceeding, the Commission has stated that where a party proposes an adjustment to a ratemaking claim of a utility, the proposing party bears the burden of presenting some evidence or analysis tending to demonstrate the reasonableness of the adjustment. *Pa. Pub. Util. Comm’n v. Aqua Pennsylvania, Inc*., Docket No. R-00072711 (Commission Opinion and Order entered July 17, 2008).

4. The Commission must consider the efficiency, effectiveness and adequacy of service of each utility when determining just and reasonable rates in exchange for customers paying rates for service, which include the cost of utility plant in service and a rate of return. 66 Pa.C.S. § 523.

5. In exchange for the utility’s provision of safe, adequate and reasonable service, the ratepayers are obligated to pay rates which cover the cost of service which includes reasonable operation and maintenance expenses, depreciation, taxes and a fair rate of return for the utility’s investors. *Pa. Pub. Util. Comm’n v. Pennsylvania Gas & Water Co.,* 61 Pa. PUC 409, 415-16 (1986); 66 Pa.C.S. § 1501.

6. The Commission has the discretionary authority to deny a proposed rate increase, in whole or in part, if the Commission finds that the service rendered by the public utility is inadequate. 66 Pa.C.S. § 526(a).

7. In proving that its proposed rates are just and reasonable, a public utility need not affirmatively defend every claim it has made in its filing, even those which no other party has questioned. *Allegheny Center Assocs. v. Pa. Pub. Util. Comm’n.,* 131 Pa.Cmwlth. 352, 359, 570 A.2d 149, 153 (1990) (citation omitted). *See also, Pa. Pub. Util. Comm’n. v. Equitable Gas Co.*, 73 Pa. P.U.C. 310, 359 – 360 (1990).

8. The mere rejection of evidence contrary to that adduced by the public utility is not an impermissible shifting of the evidentiary burden. *United States Steel Corp. v. Pa. Pub. Util. Comm’n.*, 72 Pa.Cmwlth. 171, 456 A.2d 686 (1983).

9. When parties have been ordered to file briefs and fail to include all the issues they wish to have reviewed, the issues not briefed have been waived. *Jackson v. Kassab*, 2002 Pa.Super. 370, 812 A.2d 1233 (2002), *appeal denied*, *Jackson v. Kassab*, 573 Pa. 698, 825 A.2d 1261 (2003), *Brown v. PA Dep’t of Transportation*, 843 A.2d 429 (Pa.Cmwlth. 2004), *appeal denied*, 581 Pa. 681, 863 A.2d 1149 (2004).

10. The Commission is not required to consider expressly and at length each contention and authority brought forth by each party to the proceeding. *University of Pennsylvania v. Pa. Pub. Util. Comm’n.*, 86 Pa.Cmwlth. 410, 485 A.2d 1217 (1984). “A voluminous record does not create, by its bulk alone, a multitude of real issues demanding individual attention . . . .” *Application of Midwestern Fidelity Corp.*, 26 Pa. Cmwlth. 211, 230 fn.6, 363 A.2d 892, 902, fn.6 (1976).

11. In analyzing a proposed general rate increase, the Commission determines a rate of return to be applied to a rate base measured by the aggregate value of all the utility’s property used and useful in the public service. The Commission determines a proper rate of return by calculating the utility’s capital structure and the cost of the different types of capital during the period in issue. The Commission is granted wide discretion, because of its administrative expertise, in determining the cost of capital. *Equitable Gas Co. v. Pa. Pub. Util. Comm’n*, 45 Pa.Cmwlth. 610, 405 A.2d 1055 (1979).

12. The rate base is the value of the property of the utility that is used and useful in providing utility service.*Pennsylvania Power Company v. Pa. Publ. Util. Comm'n,* 561 A.2d 43, 47 (Pa.Cmwlth. 1989). In the area of adjustment to rate base, the Commission has wide discretion. *Pennsylvania Power & Light Company v. Pa. Pub. Util. Comm'n,* 516 A.2d 426 (Pa. Cmwlth. 1985); *UGI Corp. v. Pa. Pub. Util. Comm'n,* 410 A.2d 923, 929 (Pa.Cmwlth. 1980)(UGI case); *Duquesne Light Co. v. Pa. Pub. Util. Comm'n,* 174 Pa. Superior Ct. 62, 69-70, 99 A.2d 61, 69 (1953). However, the adjustments must be supported by sound reasons. *Philadelphia Suburban Water Co. v. Pa. Pub. Util. Comm'n,* 394 A.2d 1063 (Pa.Cmwlth. 1978).

13. The law is clear that a utility is entitled to recover its reasonably incurred expenses. *UGI Corp. v. Pa. Pub. Util. Comm'n,* 410 A.2d 923 (Pa.Cmwlth. 1980). Expenses include such items as the cost of operations and maintenance (labor, fuel and administrative costs, e.g.), depreciation and taxes. *Pennsylvania Power Company v. Pa. Pub. Util. Comm'n,* 561 A.2d 43, 47 (Pa.Cmwlth. 1989).

14. The Commission is charged with the duty of protecting the rights of the public. As a general rule, a public utility, whose facilities and assets have been dedicated to public service, is entitled to *no more than* a reasonable opportunity to earn a fair rate of return on shareholder investment. It is the function of the Commission in fixing a fair rate of return to consider not only the interest of the utility but that of the general public as well. The Commission stands between the public and the utility.” *City of Pittsburgh v. Pa. PUC*, 126 A.2d 777, 785 (Pa.Super. 1956).

15. Rate of return is the amount of money a utility earns, over and above operating expenses, depreciation expense, and taxes, expressed as a percentage of the legally established net valuation of utility property, the rate base. Included in the ‘return’ are interest on long-term debt, dividends on preferred stock, and earnings on common equity. In other words, the return is the money earned from operations which is available for distribution among the various classes of contributors of money capital. *Pa. Pub. Util. Comm'n .v. Philadelphia Suburban Water Co.,* 71 Pa. PUC 593, 623 (1989).

16. The return should be reasonably sufficient to assure confidence in the financial soundness of the utility, and should be adequate, under efficient and economical management…to raise the money necessary for the proper discharge of public duties. *Bluefield Waterworks & Improvement Co. v. Public Service Comm’n of West Virginia,* 262 U.S. 679 (1923).

17. Establishment of a rate structure is an administrative function peculiarly within the expertise of the Commission. *Emporium Water Company v. Pa. Pub. Util. Comm'n,* 955 A.2d 456, 461 (Pa. Cmwlth. Ct. 2008); *City of Lancaster v. Pa. Pub. Util. Comm'n*, 769 A.2d 567, 571-72 (Pa. Cmwlth. Ct. 2001). The question of reasonableness of rates and the difference between rates in their respective classes is an administrative question for the Commission to decide. *Pennsylvania Power & Light Co. v. Pa. Pub. Util. Comm'n,* 516 A.2d 426 (Pa.Cmwlth. 1986); *Park Towne v. Pa. Pub. Util. Comm'n,* 43 A.2d 610 (1981).

18. The basic factor in allocating revenue is to have the rates reflect the cost of service. *Lloyd v. Pa. Publ. Util. Comm'n,* 904 A.2d 1010, 1020 (Pa. Cmwlth. 2006).

19. The Joint Petition for Approval of Settlement of All Issues is in the public interest.

VIII. ORDER

THEREFORE,

IT IS RECOMMENDED:

1. That PPL Electric Utilities Corporation shall not place into effect the rules, rates and regulations contained in Supplement No. 179 to Tariff Electric- Pa. P.U.C. No. 201.

2. That the proposals set forth in PPL Electric Utilities Corporation's

March 31, 2015 distribution base rate increase filing are approved subject to the terms and conditions of the Joint Petition for Settlement of All Issues.

3. That the pro forma tariff attached to the Joint Petition for Approval of Settlement of All Issues as Appendix A, is approved.

4. That the proof of revenues statement attached to the Joint Petition for Approval of Settlement of All issues as Appendix B, is approved.

5. That PPL Electric Utilities Corporation is authorized to file tariffs, tariff supplements and/or tariff revisions on one day's notice, and pursuant to the provisions of 52 Pa. Code §53.1, *et seq.*, and 53.101, may be filed to be effective for service rendered on and after

January 1, 2016.

6. That PPL Electric Utilities Corporation shall file detailed calculations with its tariff filing, which shall demonstrate to the parties' satisfaction that the filed tariffs with the adjustments comply with the provisions of the final Commission Order.

7. That PPL Electric Utilities Corporation shall allocate the authorized increase in operating revenue to each customer class and rate schedule within each in the manner prescribed in the Final Commission Order.

8. That the investigation at docket no. R-2015-2469275 is terminated upon the filing of the approved tariffs.

9. That the complaints docketed at C-2015-2475448, C-2015-2478277, and C-2015-2480265 are considered satisfied in part and dismissed in part consistent with this Order.

10. That the complaints docketed at C-2015-2485827, C-2015-2484588, C-2015-2485860, C-2015-2489524, and C-2015-2501983 are hereby dismissed and the dockets shall be marked closed.

Dated: September 28, 2015 \_\_\_\_\_/s/\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Susan D. Colwell

Administrative Law Judge

1. PPLICA is a signatory on behalf of Amtrak only. The other members do not join but do not oppose the Settlement. [↑](#footnote-ref-1)
2. KEEA's membership list includes: AFC First Financial Corporation, AM Conservation Group, Calliope Communications, LLC, Clean Markets, CLEAResult, Conservation Consultants, Inc., Conservation Services Group, Delaware Valley Green Building Council, DNV-GL, EMC2 Development Corporation, EnergySavvy, EnerNOC, Encentiv Energy, Energy Coordination Agency, Franklin Energy Services, Honeywell Utility Solutions, ICF International, Lockheed Martin, MaGrann Associates, Nest, OPower, Pure Energy Coach, LLC, SmartWatt Energy, Inc., Strategic Energy Group, Sustainable Futures Communications, Warren Engineering, Willdan Energy Solutions. Petition at FN 2. [↑](#footnote-ref-2)
3. Ms. Woomert's complaint form contained both a complaint against this rate filing and a service complaint, which was assigned a second docket number and processed separately. [↑](#footnote-ref-3)
4. Mr. McAndrew testified at the Allentown public input that he thought that he had filed a formal complaint but the Commission records did not contain it. His formal complaint was docketed on June 24, 2015. [↑](#footnote-ref-4)
5. FN 4 in Settlement: I&E, PPLICA, and CEO do not endorse or support the revenue decoupling collaborative in Paragraph 55 but, for the sole purpose of reaching a settlement of this rate case, do not actively oppose Paragraph 55. [↑](#footnote-ref-5)
6. *Implementation of the Alternative Energy :Portfolio Standards Act of 2004: Advance Notice of Final Rulemaking Order* , Docket No. L-2014-2404361 (Order entered April 23, 3015)(proposing revisions to the portfolio standard, interconnection and net metering rules). [↑](#footnote-ref-6)
7. *Robert Baker v. PPL Electric Utilities Corporation,* Docket No. F-2015-2490210 (certificate of satisfaction filed July 10, 2015). [↑](#footnote-ref-7)
8. Public input hearings are only held in venues which are handicapped accessible with reasonable parking available. This one was held on the ground floor of the student union building, no stairs, with both street and off street parking within a block. Any ratepayer who did not want to travel was able to testify by telephone at the two earlier public input hearings. [↑](#footnote-ref-8)
9. A search of the formal and informal databases produced an informal complaint regarding high bills filed by Elwood Knauss, Jr., at the address given by Ms. Knauss, BCS No. 3242432, closed January 13, 2015 with no decision. [↑](#footnote-ref-9)
10. Mr. McAndrew is now a formal complainant in this matter. C-2015-2489524. [↑](#footnote-ref-10)
11. I note that, under the Public Utility Code, the Commission must fully adjudicate a base rate case within six months of the proposed effective date of the rates or the proposed rates may go into effect. 66 Pa.C.S. § 1308. The Commission cannot change a statute. [↑](#footnote-ref-11)
12. I was unable to locate her comment in the file. [↑](#footnote-ref-12)
13. 1 Pa.C.S. § 1922(1), *PA Financial Responsibility Assigned Claims Plan v. English*, 541 Pa. 424, 430-431, 64 A.2d 84, 87 (1995). [↑](#footnote-ref-13)
14. Mean Value = ($20.00 + $8.21)/2 = $14.11 [↑](#footnote-ref-14)
15. I&E FN 23: Jim Lazar. “Electric Utility Residential Customer Charges and Minimum Bills: Alternative Approaches for Recovering Basic Distribution Costs.” Regulatory Assistance Project (Nov. 2014). [↑](#footnote-ref-15)
16. I&E FN 24: *Id.* [↑](#footnote-ref-16)
17. I&E FN 25: I&E Statement No. 3, p. 21, ln. 4-13. [↑](#footnote-ref-17)
18. *Office of Consumer Advocate v. Pa. Pub. Util. Comm'n*, Docket No. 1023 CD 2014. [↑](#footnote-ref-18)
19. I&E Statement No. 2-R, p. 9. [↑](#footnote-ref-19)
20. I&E Statement No. 2-R, p. 6. [↑](#footnote-ref-20)
21. 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) [↑](#footnote-ref-21)
22. I note that the TOU program that was approved by the Commission is the subject of further litigation. *Dauphin County Industrial Development Authority v. Pa. Pub. Util. Comm'n,* 1814 CD 2014 (Opinion Reversing and Remanding Issued September 9, 2015). Ultimately, the Company's TOU program may be altered according to the result of that case and by whatever Commission orders are issued following the final determination there. DCIDA was not a party to the present litigation. [↑](#footnote-ref-22)
23. CAC FN 7: CAC Stmt. 1 at 37:21-24. [↑](#footnote-ref-23)
24. CAC FN 8: CAC Stmt. 1 at 37:20-21. [↑](#footnote-ref-24)
25. KEEA FN 6: KEEA St. No. 1 at 4, 38. [↑](#footnote-ref-25)