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September 3, 2020

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

VIA ELECTRONIC FILING

RE: Petition of PPL Electric Utilities Corporation for Approval of a Default Service Program and Procurement Plan for the Period June 1, 2021 through May 31, 2025
Docket No. P-2020-3019356

Dear Secretary Chiavetta:

Attached for filing with the Pennsylvania Public Utility Commission is the Reply Brief of the PP&L Industrial Customer Alliance ("PPLICA"), in the above-referenced proceeding.

As shown by the attached Certificate of Service and per the Commission's March 20, 2020, Emergency Order, all parties to this proceeding are being duly served via email only due to the current COVID-19 pandemic. Upon lifting of the aforementioned Emergency Order, we can provide parties with a hard copy of this pleading upon request.

Sincerely,

McNEES WALLACE & NURICK LLC

By
Adeolu A. Bakare

Counsel to the PP&L Industrial Customer Alliance

c: Administrative Law Judge Elizabeth H. Barnes (via E-mail and First-Class Mail)
Certificate of Service

CERTIFICATE OF SERVICE

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

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Dated this 3rd day of September, 2020, at Harrisburg, Pennsylvania

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of PPL Electric Utilities	:	
Corporation for Approval of a Default	:	
Service Program and Procurement	:	Docket No. P-2020-3019356
Plan for the Period June 1, 2021	:	
Through May 31, 2025	:	

MAIN BRIEF OF
THE PP&L INDUSTRIAL CUSTOMER ALLIANCE

Air Products and Chemicals, Inc.
General Dynamics-OTS Scranton
Hercules Cement Company
Messer LLC
Hydro Extrusions, Inc.
TIMET North America
Wegmans Food Markets, Inc.

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Dated: September 3, 2020

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I. INTRODUCTION

On March 25, 2020, PPL Electric Utilities Corporation, Inc. ("PPL" or "Company"), filed with the Pennsylvania Public Utility Commission ("PUC" or "Commission") a Petition requesting approval of its fifth Default Service Program and Procurement Plan ("DSP V") for the period June 1, 2021, through May 31, 2025. *Petition of PPL Electric Utilities Corporation for Approval of a Default Service Program and Procurement Plan for the Period from June 1, 2021 through May 31, 2025,* Docket No. P-2020-3019356 (Mar. 25, 2020) (hereinafter, "Petition"). On May 7, 2020, the PP&L Industrial Customer Alliance ("PPLICA")[1] filed a Petition to Intervene and Answer to the Company's Petition. A Prehearing Conference was held on May 15, 2020, before Administrative Law Judge ("ALJ") Elizabeth H. Barnes.

PPLICA received the Company's Direct Testimony on March 25, 2020. Pursuant to the procedural schedule, on June 25, 2020, PPLICA filed Direct Testimony and received Direct Testimony from the following parties: the Office of Consumer Advocate ("OCA"); the Office of Small Business Advocate ("OSBA"); the Bureau of Investigation and Enforcement ("I&E"); the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania ("CAUSE-PA"); the Industrial Energy Consumers of Pennsylvania ("IECPA"); Interstate Gas Supply, Inc., Shipley Choice LLC, NRG Energy, Inc., Vistra Energy Corp., Engie Resources LLC, WGL Energy Services, Inc., and Direct Energy Services, LLC ("EGS Parties"); Inspire Energy Holdings, LLC ("Inspire"); the Sustainable Energy Fund ("SEF"); and Starion Energy PA, Inc. ("Starion").

On July 23, 2020, PPLICA submitted Rebuttal Testimony and received Rebuttal Testimony from the following parties: PPL; the OCA; the OSBA; CAUSE-PA; EGS Parties; and Calpine Retail Holdings, LLC ("Calpine"). On August 6, 2020, PPLICA submitted Surrebuttal

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[1] PPLICA's compilation is listed on the cover page of this Main Brief.

Testimony and received Surrebuttal Testimony from the Company; the OCA; the OSBA; I&E; CAUSE-PA; IECPA; EGS Parties; Inspire; SEF; and Starion.

On August 10, 2020, PPLICA received Rejoinder Testimony from the Company.

The evidentiary hearing scheduled for August 12 was cancelled by the ALJ upon request of the parties. ALJ Barnes presided over a hearing on August 13, 2020 where parties submitted testimony and exhibits into the record by way of stipulation and verification, including PPLICA Statement No. 1, PPLICA Statement No. 1-R, and PPLICA Statement No. 1-SR.

Pursuant to the procedural schedule established in this proceeding, PPLICA hereby submits this Main Brief to address PPL's calculation of customers' Network Service Peak Load ("NSPL") for allocation of transmission costs and request that the Commission direct PPL to modify its NSPL calculation to reflect the same peak hour used by PJM Interconnection, LLC ("PJM") to assign transmission costs to Load Serving Entities ("LSEs") in the PPL Zone.[2]

II. SUMMARY OF ARGUMENT

PPL's use of a 5 Coincident Peak ("CP") methodology for calculating customers' NSPLs is not reasonably aligned with cost causation because PJM uses a 1 CP allocator to assign transmission costs to the LSEs in the PPL Zone. PPL does not dispute that it uses the 5 CP to allocate transmission costs to individual customers while PJM uses a 1 CP to allocate the total zonal transmission costs PPL must collect for the transmission owners. Rather, PPL argues that other factors support its use of the 5 CP despite the incongruity with PJM's allocation of the zonal transmission costs. Specifically, PPL seeks to justify its use of the 5 CP by claiming: (1) the 1 CP

[2] PPLICA also opposed a proposal advanced by Interstate Gas Supply, Inc., Shipley Choice LLC, NRG Energy, Inc., Vistra Energy Corp., Engie Resources LLC, WGL Energy Services, Inc., and Direct Energy Services, LLC ('EGS Parties') to establish a Non-Bypassable charge for collection of Network Integration Transmission Service ('NITS') charges for all customers. As the EGS Parties have represented that this issue has been withdrawn, PPLICA will not address the matter in this Main Brief.

allocator would shift costs from customers able to manage load during the single peak to customers without load management capabilities; and (2) the 5 CP allocator more accurately captures customers' impact on PPL's transmission costs because transmission costs are purportedly driven by annual load rather than peak demand.

Because PPL has failed to meet its burden of proof as to the reasonable alignment of the 5 CP methodology with cost allocation, the Commission should direct PPL to modify its calculation of customers' NSPLs to use a 1 CP allocator.

III. ARGUMENT

A. PPL Bears the Burden of Proof as to the Reasonableness of its Calculation of Customers' NSPLs

Section 332(a) of the Public Utility Code requires the following with regard to the burden of proof: "[e]xcept as may be otherwise provided in section 315 (relating to burden of proof) or other provisions of this part or other relevant statute, the proponent of a rule or order has the burden of proof." 66 Pa. C.S. § 332(a). In addition, under section 315 of the Public Utility Code, "[i]n any proceeding . . . involving any proposed or existing rate of any public utility . . . the burden of proof to show that the rate involved is just and reasonable shall be upon the public utility." *Id.* at § 315(a). Pursuant to Section 332(a) of the Public Utility Code, the "party seeking a rule or order from the Commission has the burden of proof" in a proceeding. In bearing that burden, that proponent must establish a case before an administrative tribunal using a preponderance of evidence as the requisite degree of proof. *Samuel J. Lansberry, Inc. v. Pa. Pub. Util. Comm'n,* 578 A.2d 600, 602 (Pa. Cmwlth. 1990). The standard of preponderance of the evidence is defined as the greater weight of the evidence, in view of all of the facts and circumstances of the case. *See Se-Lin Hosiery, Inc. v. Margulies*, 70 A.2d 854, 856 n.1 (Pa. 1950).

Thus, as the proponent of the DSP V, PPL bears the burden of proving that its calculation of customers' NSPL is just and reasonable. As explained further below, the Company failed to meet this burden.

B. The Commission has Jurisdiction to Regulate the Methods Through Which Pennsylvania Electric Distribution Companies Allocate Transmission Costs to Individual Customers

On January 17, 2019, the Commission adopted a Motion from Commissioner Andrew G. Place commencing an investigation into how Electric Distribution Companies ("EDCs") in Pennsylvania allocate wholesale electric costs to individual customers. *Re: Investigation into Default Service and PJM Interconnection, LLC. Settlement Reforms,* Motion of Commissioner Andrew G. Place, Docket No. M-2019-3007101 (Jan. 17, 2019) ("Place Motion"). Consistent with the Place Motion, the Commission subsequently issued a Secretarial Letter closing the investigation and directing the largest jurisdictional EDCs to confirm their methods for allocating wholesale capacity and transmission costs to individual customers for review by the Commission. *Re: Investigation into Default Service and PJM Interconnection, LLC. Settlement Reforms,* Secretarial Letter, at Docket No. M-2019-3007101 (Jan. 23, 2019) ("Closing Investigation Letter"). This exercise of jurisdiction is entirely consistent with the Commission's authority to regulate default service rates and competitive retail markets under Act 129.

The Place Motion extensively documents the Commission's interest in evolving EDC rate design to encourage positive market behaviors. In the Motion, Commissioner Place emphasized the importance of incentivizing customer load management as follows:

> Prior to installation of smart meters and associated data management systems, energy, capacity and transmission costs were allocated based on standardized profiles for similar customer behaviors to positive customers benefits related to future avoided costs which would normally be rewarded in wholesale markets according to the wholesale allocation schemes for interval metered customers. 'Positive customer behaviors' include avoiding usage during peak RTO and utility peak usage periods and shifting usage to lower usage periods.

Place Motion at 2. With the goal of aligning wholesale cost allocation with "true cost causation principles" Commissioner Place encouraged the Commission to open an investigation into "how this Commission should mesh smart meter investments with smarter default service and *smarter cost allocation methods*." Place Motion at 3 [Emphasis added]. Accordingly, the Commission proceeded with an investigation into both default service rates and PJM settlement reform.

Importantly, the Order initiating the Commission's investigation emphasized the importance of ensuring that benefits from positive behaviors flow back to customers rather than solely to the wholesale default service providers or Electric Generation Supplier ("EGS"). *Re: Investigation into Default Service and PJM Interconnection, LLC. Settlement Reforms,* Order, at Docket No. M-2019-3007101 (Jan. 17, 2019) ("Initial Investigation Order"). Following the Commission's invitation for stakeholder comments, PPLICA and other industrial groups filed Comments recommending that the Commission adopt NSPL calculations reflecting the 1 CP allocation used by PJM to assign transmission costs to the LSE. *Re: Investigation into Default Service and PJM Interconnection, LLC. Settlement Reforms,* Comments of the Industrials, at Docket No. M-2019-3007101 (Jan. 17, 2019).[3] The Commission declined to do so as part of the Investigation docket, but directed the seven largest EDCs to explain their methodologies for allocating capacity and transmission costs to individual customers as part of their next DSP filings. Closing Investigation Letter at 10-11. The Commission intended to rely on the information provided by each EDC to determine "whether making the use of capacity and transmission tags more uniform across the state (at least among the large EDCs) would be beneficial and in the public interest." *Id.* at 5.

[3] In addition to PPLICA, the Industrials consist of the Met-Ed Industrial Users Group, Penelec Industrial Customer Alliance, Philadelphia Area Industrial Energy Users Group, and West Penn Power Industrial Intervenors.

The Commission's exercise of jurisdiction over EDC calculations of customers' NSPLs is entirely consistent with the Commission's statutory obligation to set just and reasonable default service rates. Under Act 129, "[a]ll default service rates shall be reviewed by the commission to ensure that the costs of providing service to each customer class are not subsidized by any other class." 66 Pa. C.S. § 2807(e)(7). As the NSPLs established by PPL follow the customer whether the customer takes default service supply from PPL or competitive supply from an EGS, the Commission's exercise of jurisdiction over PPL's NSPL calculation under its default service obligations applies to all customers regardless of shopping status.

C. PPL Has Failed to Demonstrate that Continued Use of the 1 CP Method for Calculating Customers' NSPLs Comports with Cost Causation

As directed by the Commission, PPL provided an explanation of its methodology for calculating customers' NSPLs in the Direct Testimony submitted in support of its DSP V. However, the information furnished by PPL confirmed that the Company's methodology of calculating customers NSPLs differs from the 1 CP method used by PJM to allocate zonal transmission costs to the LSEs. Accordingly, PPLICA submitted testimony opposing PPL's proposed NSPL calculation and requesting that the Commission direct the Company to use a 1 CP allocator reflective of PPL's methodology for allocating transmission costs to LSEs. PPL contends that the Company's 5 CP methodology should be approved because: (1) the 5 CP allocator prevents unreasonable cost shifts between customers; and (2) PPLICA's proposed 1 CP does not reflect cost causation because transmission costs are driven by annual load. As demonstrated below, the record does not support PPL's claims. PPL's use of the 1 CP methodology fundamentally conflicts with cost causation and should be denied.

1. PPL's Use of a 1 CP Allocator Conflicts with PJM's Allocation of Transmission Costs to LSEs in the PPL Zone

PPL does not dispute PJM's use of a 1 CP allocator to assign transmission costs to LSEs in the PPL Zone. PPL's Direct Testimony describes PJM's allocation process as follows:

> Like capacity costs, transmission costs are charged by PJM to LSEs through a transmission rate (approved by FERC). For PPL Electric, this is done by dividing the PPL Electric Transmission costs for a year by the *absolute coincidental peak* during the PPL Zone peak period.

PPL Statement No. 1 at 88. [Emphasis added]. Through discovery, PPLICA confirmed that PPL's the "absolute coincident peak" term refers to the 1 CP. *See* PPLICA Statement No. 1, Exhibit__(MP-1). Accordingly, the transmission costs charged by PJM to the LSEs are calculated using a 1 CP allocator.

However, when PPL calculates the NSPLs used to assign transmission costs to individual customers throughout its service territory, the Company employs a vastly different methodology. As explained in the below excerpt from PPL's Direct Testimony, PPL derives customers' NSPLs (which are alternatively referred to as "NITS tags") from a 5 CP allocator.

> To create a customer's NITS tag, PPL Electric identifies each customer's usage during the transmission 5 CPs (rather than PJM 5 CPs as used for ICAP tag creation), then applies both loss factors and reconciliation factors, and averages the results together to create a single NSPL tag for each customers. Like PLC tags, NITS tags utilize 5 CPs and follow the customer regardless of their shopping status.

PPL Statement No. 1 at 89. Notably, the above statement misleadingly compares PPL's process for calculating Peak Load Contribution ("PLC") tags to its NSPL calculation. While it is true that PPL uses a 5 CP to calculate both the PLC and the NSPLs, the processes are not analogous because the PLC calculation mirrors PJM's 5 CP allocator for capacity costs, but the NSPL calculation differs from PJM's 1 CP allocator for transmission costs.

PPLICA submits that the Commission should direct PPL to allocate transmission costs to individual customers consistent with PJM's allocation of transmission cost to LSEs in the PPL

Zone. The Commission has consistently demanded that public utilities charge rates based on cost of service. Specifically, the Commission and the Commonwealth Court have repeatedly held that a utility's cost of providing service must be the guiding principle – or "polestar" – in utility ratemaking. *See Lloyd v. Pa. Pub. Util. Comm'n*, 904 A.2d 1010, 1020 (Pa. Commw. Ct. 2006); *see also, e.g., Pa. Pub. Util. Comm'n v. Philadelphia Gas Works*, Docket No. R-2008-2073938, 2009 WL 884424 *5 (Order entered Mar. 26, 2009) (upholding natural gas utility rates as consistent with *Lloyd* by reason of the rates being properly derived from a cost of service analysis and subject to cost of service review in future base rate case).

PPLICA witness Michael Peters testified on behalf the group members to detail the nexus between cost of service principles and the divergent allocators used by PJM (to assign transmission costs for collection by PJM from LSEs) and by PPL (to assign transmission costs for collection by the LSEs from individual customers). In pertinent part, Mr. Peters explained that:

> PPLICA has long advocated in support of the Commission's efforts to ensure rates appropriately reflect cost of service. When cost allocation to the classes and the design of the rate reflects cost of service, each customer can receive an appropriate signal of how its usage impacts the PPL system's overall costs or obligations. PPL's decision to diverge from the transmission 1 CP allocation methodology established by FERC and develop an alternative allocator using a transmission 5 CP does not appear to be consistent with my understanding of cost of service principles. It measures our usage of the transmission system based on the demand during five hours during the year when the LSE's own costs are determined based on a single peak hour.

PPLICA Statement No. 1 at 4-5. Mr. Peters additionally provides an example of how the customer usage impacting PJM's allocation of transmission costs to the LSE varies from the customer usage impacting PPL's allocation of transmission costs to individual customers.

> For example, in 2019, the transmission 1 CP used by PJM to assign transmission costs to PPL occurred on January 31, 2019. *See* PPLICA Exhibit __(MP-2). However, PPL calculated customers' NITS tags based on the transmission load measured on January 22, 2019, January 30, 2019, January 31, 2019, February 1,

> 2019, and July 19, 2019. PPLICA Exhibit __(MP-3). This pattern is repeated every year as the transmission 1 CP used by PJM will always be included within PPL's transmission 5 CP, but customer usage from the remaining transmission 4 CPs will distort the appropriate allocation of transmission costs.

PPLICA Statement No. 1 at 5. To ensure PPL's customers pay transmission costs commensurate with the usage impacting the transmission costs allocated by PJM to the LSEs, the Commission should direct PPL to modify its current calculation of customers' NSPLs to adopt a 1 CP allocator instead of the current 5 CP allocator.

2. *PPL Has Not Met its Burden of Proving the 5 CP Allocator is Reasonable or Consistent with Cost Causation*

As indicated above, PPL has not provided a credible basis for approval of the proposed 5 CP method. PPL first argues that the 5 CP methodology is necessary to avoid unreasonable cost shifts from customers with load management capabilities to customers without such capabilities. *See* PPL Statement No. 1 at 89-90. Ironically, the activity PPL seeks to frustrate was specifically encouraged in the Commission's Initial Investigation Order under the principle that benefits of metering and technology advancements allowing for individualized cost allocation should flow to customers rather than solely to LSEs.

> Prior to installation of smart meters and associated data management systems, energy, capacity and transmission costs were allocated based on standardized profiles for similar customer categories. Such standardized profiles limited or muted translation of positive customer behaviors to positive customer benefits related to future avoided costs which would normally be rewarded in wholesale markets according to the wholesale allocation schemes for interval metered customers. 'Positive customer behaviors' include avoiding usage during peak RTO and utility peak usage periods and shifting usage to lower usage periods.
>
> With the installation of smart meters, the long-term benefits associated with positive customer usage behaviors can be flowed back to customers if changes in the rate design for previously non-interval customers are more aligned with wholesale cost allocation methods. Absent a change in retail rate design for default service, such benefits will only flow to the wholesale LSEs, such as wholesale DSPs or EGSs. Without direct methods for rewarding customers in a timely manner for

> positive behaviors, customer responses to market prices will be stunted, or suboptimal.

Initial Investigation Order at 3-4. What PPL refers to as cost shifts are desirable responses to peak load conditions that should be rewarded. PPL Statement No. 5-R at 5; *but see* Initial Investigation Order at 3-4; PPLICA Statement No. 1 at 6. PPL's intentional efforts to frustrate beneficial load management conflicts with the Commission's support of technology advancements and complementary rate design to shift usage away from peak periods.

PPL's attempt to minimize the benefits of load management derives from its unsubstantiated effort to establish a cost causation basis for the 5 CP allocator. PPL alleges that "transmission upgrades are generally driven by age and overall annual load, and not the single day peak demand of a single customer." PPL Statement No. 5-R at 9. As PPL bears the burden of proof as to its proposed DSP V, PPL's unsupported assertions are insufficient to support a claim that transmission charges, which PPL has historically allocated to customers based on peak demand, are instead driven by annual load.

PPLICA witness Peters explained the relationship of peak load reductions and transmission investment, stating, "[i]t is clear that sustained load reductions during the system transmission peaks can reasonably be expected to reduce the need for future transmission investment, just as demand response is intended to reduce the need for additional generation resources; this reduces costs for all customers." PPLICA Statement No. 5-R at 4-5. Accordingly, PPL should develop rate design measures to encourage load reductions during the system coincident peak. *See* PPLICA Statement No. 1-SR at 4. PPL's current 5 CP has the opposite effect as customers with load management capabilities will not receive the full benefit of load reductions during the 1 CP unless they also reduce load during the next 4 highest CPs. This is fundamentally at odds with cost causation principles because PPL has not shown any nexus between customers' usage on the next 4 highest peaks and the transmission cost allocated to the LSEs by PJM.

For the reasons set forth above, the Commission should direct PPL to modify its DSP V to use a 1 CP allocator for assigning transmission costs to individual customers.

D. The Commission Should Direct PPL to Publish its PLC and NSPL Allocation Methodologies in its Retail and Supplier Tariffs

While PPLICA commends the Commission for opening the investigation into default service rates resulting in the Final Investigation Order directing PPL to detail its calculations of customers' PLCs and NSPLs in its DSP V, a formal investigation should not be the sole recourse for confirming these calculations in the future. To ensure customers, the Commission, and all other stakeholders have access to this important information, PPLICA proposed that PPL publish its PLC and NSPL calculations in its retail and supplier tariffs.

The necessity of publishing PPL's PLC and NSPL calculations in its tariff is evidenced by PPL's claim that its tariff already advises customers of the 5 CP allocation for customers' NSPLs on its Transmission Service Charge ("TSC") rate schedule. That tariff schedule describes PPL's allocation transmission of costs in the following terms:

> These charges are allocated to each customer class based upon the contribution of that class to the 5 coincident peaks used by PJM to establish such demand – related charges.

PPL Electric Utilities Corporation Tariff Electric Pa. P.U.C. No. 201 at 19Z. As discussed throughout this Main Brief, the language in PPL's retail tariff fails to comprehensively or accurately describe PPL's NSPL calculation. Most critically, the current tariff language suggests that PPL's 5 CP allocator mirrors the allocator used by PJM to assign transmission costs to PPL, which the instant record proves to be incorrect. Additionally, the tariff addresses the 5 CP in the context of a rider mechanism applicable only to default service customers, with no explanation of the use of the same or other allocator for shopping customers' NSPLs.

Despite the erroneous tariff language, PPL opposes PPLICA's proposal to publish the detailed calculation of its PLC and NSPL allocators in its PUC-jurisdictional retail and supplier tariffs on the basis that such information is already available on the Company's website. PPL Statement No. 5-R at 10. PPL's proffered solution must be rejected as wholly inadequate. In the words of PPLICA witness Peters, "[w]hile information posted to the website can be helpful, only the tariff provides assurance of information that has been reviewed by the PUC." PPLICA Statement No. 1-SR at 5. Accordingly, the Commission should approve PPLICA's recommendation and require PPL publish the detailed allocation methods for assigning PLCs and NSPLs to customers.

IV. CONCLUSION

WHEREFORE, the PP&L Industrial Customer Alliance respectfully requests that the Pennsylvania Public Utility Commission:

(1) Adopt the recommendations in the Main Brief;

(2) Direct PPL Electric Utilities Corporation to modify its Fifth Default Service Plan to use a 1 Coincident Peak allocator to calculate the Network Service Peak Load for individual customers in its service territory; and

(3) Grant any additional relief necessary and appropriate to carry out the recommendations herein.

Respectfully submitted,

McNEES WALLACE & NURICK LLC

By ______________________

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Dated: September 3, 2020