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September 17, 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

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## 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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Counsel to the PP&L Industrial Customer Alliance

Dated this 17<sup>th</sup> 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	:	

**REPLY BRIEF OF  
THE PP&L INDUSTRIAL CUSTOMER ALLIANCE**

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General Dynamics-OTS Scranton  
Hercules Cement Company  
Messer LLC  
Hydro Extrusions, Inc.  
TIMET North America  
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Dated: September 17, 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")<sup>1</sup> 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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<sup>1</sup> 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.

On September 3, 2020, PPLICA filed a Main Brief and received Main Briefs from OCA, OSBA, PPL, Starion, Inspire, EGS Parties, CAUSE-PA, StateWise, and IECPA.

Pursuant to the procedural schedule established in this proceeding, PPLICA hereby submits this Reply Brief to address PPL's Main Brief arguments in support of continuing use of the 5 Coincident Peak ("CP") method for calculating individual customers' Network Service Peak Load ("NSPL" or "NITS tag"). For the reasons initially set forth in both the PPLICA and IECPA Main Briefs and further discussed below, the Commission should adopt PPLICA's recommendation and direct PPL to use the 1 CP to determine individual customers' NSPLs.

## II. ARGUMENT

### A. **PPL's Characterization of PPLICA's Position as Limited to Wholesale Allocations Misstates the Scope of PPLICA's Testimony.**

PPL's Main Brief fundamentally misrepresents the context of the arguments advanced by PPLICA throughout this proceeding. PPL first presents PPL's argument as applicable solely to the allocation of network service costs from PJM to LSEs in the PPL Zone. PPL then claims that no party to this proceeding has challenged PPL's use of the 5 CP methodology for purposes of calculating its Transmission Service Charge ("TSC"). Both statements ignore the reality that



PPLICA proposed the modification of PPL's NSPL calculation as a necessary component to address wholesale cost causation concerns *and* retail impacts.

PPL's Main Brief incorrectly suggests: (1) that the calculation of customers' NSPLs is strictly a wholesale supply matter; and (2) that no parties to this proceeding challenged the methodology through which PPL allocates the wholesale network service costs to individual default service customers through its TSC. Specifically, PPL alleges the following:

Importantly, all of the charges and calculations described above related solely to interstate transmission service and not to retail transmission service. With respect to retail transmission service, PPL Electric provides retail transmission service to default service customers, allocates those costs to customer classes based on the 5 CP method and collects these costs through its PUC-approved Transmission Service Charge ("TSC"). For shopping customers, EGSs provide retail generation and transmission service to their customers and charge for that service through private contracts, over which the Commission has no jurisdiction. No party has challenged the use of the 5 CP for allocating retail transmission costs in the TSC for default service customers. And of course, no party has challenged the retail transmission rates EGSs charged to shopping customers since those rates are set by private contract over which the Commission has no jurisdiction.

PPL Main Brief at 45-46. In drawing a bright line between the calculation of the NSPLs and the calculation of the retail rates charged to both default service and shopping customers by the LSEs, PPL overlooks the entire purpose of the Commission's directing EDCs to furnish detailed calculations of their NSPLs.

In issuing the Order leading to the directive for EDCs to present and explain their methods for calculating individual customers' NSPLs, the Commission intended to examine both the methodologies for allocating costs at the wholesale level and how to align default service rate design to ensure cost causation. *Re: Investigation into Default Service and PJM Interconnection, LLC. Settlement Reforms*, Order, at Docket No. M-2019-3007101 (Jan. 17, 2019), at 5-6 ("Initial Investigation Order"). Accordingly, PPLICA highlighted the fact that PPL's current practice frustrates cost causation because PJM uses the 1 CP to establish the per/MW NITS charge, but

PPL then uses the 5 CP to set the customer NSPLs applied to allocate NITS charges to LSEs. PPLICA Statement No. 1 at 5.

Although PPLICA has not proposed language modifying the TSC, PPLICA's recommendation would establish cost causation at the wholesale level as a necessary step towards the Commission's objective of optimally aligning wholesale and retail pricing structures. *Re: Investigation into Default Service and PJM Interconnection, LLC. Settlement Reforms*, Secretarial Letter, at Docket No. M-2019-3007101 (Jan. 23, 2020), at 1 ("Closing Investigation Letter").<sup>2</sup> This linkage is evident from the Direct Testimony of PPLICA witness Michael Peters, where Mr. Peters testified that "[i]f PJM assesses PPL's transmission costs based on a 1 CP, then cost of service means that PPL should allocate the costs among customer classes using the same methodology *and charge rates* that use the same methodology." PPLICA Statement No. 1 at 5 (Emphasis added). PPL's Direct Testimony also confirmed that the calculation of customers' NSPLs or NITS tags impact both wholesale and retail rates, confirming that "[l]ike PLC tags, NITS tags utilize 5 CPs that follow the customer regardless of their shopping status."<sup>3</sup> PPL Statement No. 1 at 89. Accordingly, PPLICA's proposal to change PPL's NSPL calculation from a 5 CP to a 1 CP methodology impacts both the allocation of costs to LSEs and the appropriate retail allocation of such costs to shopping and default service customers.

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<sup>2</sup> PPLICA's Main Brief inadvertently referenced a January 23, 2019, issuance date for the Closing Investigation Letter. This Reply Brief refers to the correct January 23, 2020 issuance date.

<sup>3</sup> The fact that the Commission does not directly regulate the contractual rates between EGSs and individual customers does not detract from the Commission's responsibility to support efficient retail markets with policies and rate structures that send appropriate price signals to market participants, particularly as Pennsylvania competes with out-of-state electric markets to attract new businesses and retain current businesses. *See* 66 Pa. C.S. § 2802(6) (acknowledging that "[t]he cost of electricity is an important factor in decisions made by businesses concerning locating, expanding and retaining facilities in this Commonwealth.").

**B. PPL Incorrectly Asserts that the PUC Lacks Jurisdiction Over Its NSPL Calculation.**

PPL's recitation of caselaw regarding FERC's jurisdictional authority conflates the agency's exclusive jurisdiction over sales of wholesale energy with its concurrent jurisdiction over transmission charges. As anticipated by the Closing Investigation Letter, the Commission should proceed to rule on the merits of PPL's NSPL calculation.

PPL cites to numerous cases for the proposition that FERC has exclusive jurisdiction over wholesale power sales under the Federal Power Act. PPL Main Brief at 47-48. While PPLICA does not challenge this assertion regarding wholesale power sales, PPL's Main Brief incorrectly suggests that FERC also possesses exclusive jurisdiction over interstate transmission of electricity, including the rate design for transmission obligations that apply in states with restructured electricity markets. This latter conclusion is not supported by FERC's Orders.

PPL concludes that the Commission is preempted from exercising jurisdiction over PPL's NSPL calculation because FERC recently held it has jurisdiction over the methodology used to determine NSPL contributions for PPL's customers. PPL Main Brief at 48 *citing National Passenger Corporation v. PPL Electric Utilities Corporation and PJM Interconnection LLC*, FERC Order Docket No. EL18-78-000, 171 FERC ¶ 61,237 (2020) ("Amtrak Order"). Importantly, FERC did not substantively address, review, or approve PPL's NSPL calculation in the Amtrak Order. Rather it recognized its jurisdiction over PPL's NSPL jurisdiction to confirm that PPL's declining to file its NSPL calculation as an Attachment M-2 to the PJM tariff is not a violation of the Federal Power Act. *Id.* at ¶ 62,763 *citing PJM Interconnection L.L.C.*, 155 FERC ¶ 61,163, at P 15 n. 19 (2016) ("Duke Ohio Order"). Further, FERC's reliance on the prior Duke Ohio Order indicates that state utility commissions share concurrent jurisdiction over EDCs' calculation of customers' NSPLs. The complainant in the Amtrak Order has specifically requested

that FERC reconsider and clarify that the Duke Ohio Order demonstrates the concurrent jurisdiction shared between FERC and states regarding certain transmission-related issues.

In the Duke Ohio Order, FERC commented on the oversight of NSPL calculations in the following excerpt:

PJM does not require Electric Distribution Companies (EDC) or Transmission Owners to file Attachment M-2s. They may choose to do so or, instead, *choose to provide information on their procedures in the appropriate state commission tariffs* or on their company websites. See PJM, TOA-AC - THEO, PLC and NSPL Methodology Inventory (Sept. 2014), <http://www.pjm.com/media/committees-groups/committees/toa-ac/postings/20140903-theo-plc-nspl-methodology-inventory-process.ashx>; PJM, THEO, PLC and NSPL Methodology Inventory (2016), <http://www.pjm.com/markets-and-operations/billing-settlements-and-credit/theo-plc-and-nspl.aspx>.

*Id.* (Emphasis added). As FERC itself has recognized the appropriateness of an EDC establishing its NSPL calculation through a state commission tariff, the Commission should not hesitate to exercise concurrent jurisdiction over PPL's calculation methodology, particularly where PPL has additionally declined to file its 5 CP methodology with FERC.

In issuing the Closing Investigation Letter directing EDCs to present their Peak Load Contribution ("PLC") and NSPL calculations in their subsequent Default Service Plan filings, the PUC recognized the nexus between a jurisdictional utility's methodology for setting capacity and transmission obligations and the proper operation of our Commonwealth's competitive retail markets. Closing Investigation Letter at 5, 10-11. The Commission requested that "large EDCs, in their next DSP filings, provide information and analysis on their NSPL/PLC cost allocation calculations and why they use such cost allocation for consideration by the Commission." *Id. at 5.* Having done so, the Commission should exercise that jurisdiction to review and modify PPL's transmission obligations methodology, as well as requiring PPL to state the methodology in its tariff.

**C. PPL Misstates the Burden of Persuasion and Inappropriately Seeks to Shift the Burden to PPLICA.**

PPL argues that PPLICA and IECPA bears the burden of persuasion because it challenges PPL's existing methodology for calculating customers' NSPL. PPL Main Brief at 51 *citing Pa. P.U.C. v. Philadelphia Gas Works*, Docket Nos. R-00061931, *et. al.*, 2007 Pa. PUC LEXIS 45 at \*16-168 (September 28, 2007) ("PGW Order"). PPL is incorrect. As stated in PPLICA's Main Brief, PPL bears the burden of proving the reasonableness of its 5 CP methodology before any burden of persuasion arises for any intervenor. As PPL has failed to do so, it retains both the burden of proof and the burden of persuasion.

PPL's reliance on the PGW Order is misplaced as the 5 CP methodology detailed in PPL's Direct Testimony was never approved by any regulatory body. In the PGW Order, the Commission approved findings from the presiding ALJ determining that the burden of persuasion shifts to the customer (Hess) challenging a utility where "the tariff provisions challenged by Hess have been previously approved by the Commission and on that basis, they are deemed just and reasonable." PGW Order at \*167. As stated in the Amtrak Order, PPL has not filed its NSPL calculation with FERC. Amtrak Order at ¶ 61,163. Additionally, while the Commission has approved PPL's prior Default Service Plan filings, none of these filings presented the 5 CP procedures detailed in PPL's DSP V. Indeed, the Commission issued an Order directing PPL to provide the detailed explanation of its 5 CP methodology to resolve the lack of clarity surrounding PPL's NSPL calculations. As the methodology was not entirely understood much less approved, PPL's 5 CP methodology cannot carry the presumption of reasonableness afforded to existing tariff provisions. *See* 66 Pa. C.S. § 1303. Therefore, PPL bears the burden of proving its 5 CP methodology is just and reasonable.

**D. PPL's Reliance on Extra-Record and Inapplicable Evidence to Suggest a Cost Causation Basis for the 5 CP Must Be Rejected.**

PPL Electric relies primarily on arguments applicable to capacity cost allocation to justify its use of a 5 CP for transmission allocations. As the various sources referenced to support PPL's use of a 5 CP address only use of the PJM 5 CP to calculate customers' PLCs for allocation of capacity costs (which PPLICA has not challenged), PPL has failed to support use of the separate 5 CP for calculation of customers' NSPLs.

PPL attempts to justify use of the 5 CP methodology for NSPL calculations by citing various authorities explaining the basis for the applying 5 CP to allocate capacity costs. First, PPL makes reference to the 1973 NARUC Electric Utility Cost Allocation Manual, which discusses the methods for allocation of "the capacity requirement of the system". PPL Main Brief at 52. Notably, this source was not presented as evidence in any of PPL's testimony and should be disregarded on such basis alone. Further, the fact that use of the PJM's June – September 5 CP may be appropriate for allocation of capacity costs does not support use of an entirely different 12-month 5 CP for allocation of unbundled transmission costs. *See* IECPA Main Brief at 6. As repeatedly addressed throughout PPLICA's testimony, PPL's use of the June - September 5 CP to calculate customers' PLCs is consistent with PJM's use of the same 5 CP to determine the capacity rate attributable to the PPL Zone. PPLICA Statement No. 1 at 4. For transmission costs, the opposite is true because PJM uses the 1 CP or "zonal system peak" determine the transmission (NITS) rate for the PPL Zone, in contrast to PPL's arbitrary selection of the 12-month 5 CP to allocate those costs to individual customers. *Id.*; *see also* PPL Main Brief at 45.

Second, PPL cites cases that predate electric service unbundling or are unrelated to allocation of unbundled transmission costs. PPL highlights the Commission's approval of a 12 CP allocation in *Pa. PUC v. Pennsylvania Power and Light Company*, Docket No. R-822169, *et*

*al.* 1983 Pa PUC LEXIS 22 (order entered August 19, 1983), at \*189 ("1983 PPL Order"). PPL Main Brief at 53. However, PPL ignores that relevant context, as the Commission approved the 12 CP allocator for recovery of bundled generation and transmission costs prior to electric restructuring in Pennsylvania. *Id. at* \*179, \*189. Similarly to PPL's misguided reliance on the 1983 PPL Order, the Company further relies on the Commission's approval of a 4 CP allocator in *Pa. PUC v. PECO Energy Company*, Docket No. R-00973877 *et al.*, 1997 Pa. PUC LEXIS 26 (Order entered May 22, 1997) ("1997 PECO Order"). PPL Main Brief at 53. This Order approved a 4 CP allocator solely to develop post-restructuring base rates reflecting unbundled supply costs. *Id.* The Commission clarified that it approved the 4 CP "to allocate the proposed base rate revenue reduction *since nearly all of its claimed stranded costs are capacity related generation costs* and the 4CP method was used in its last rate case to allocate such costs." (Emphasis added). As established in *Lloyd*, now that the rates are unbundled, the Commission must review each element separately and using cost of service as the polestar. *See* PPLICA Main Brief at 8 *citing Lloyd v. Pa. Pub. Util. Comm'n*, 904 A.2d 1010, 1020 (Pa. Commw. Ct. 2006) . Therefore, prior methods of allocating bundled electric supply costs have no bearing on the appropriate allocation of unbundled transmission costs. These prior cases are particularly unpersuasive considering in light of the 1 CP allocator applied to calculate the per/MW NITS rate to be allocated based on customers' NSPLs.

Third, PPL quotes a PJM Manual in support of its assertion that use of a transmission 5 CP for the PPL Zone reflects cost causation. PPL Main Brief at 53-54. The section cited clearly applies to the calculation of the capacity obligation, which uses the PJM RTO 5 CP calculated during the summer months (from June 1 through September 30). Section 4.3 of Manual 19 itself recognizes "The resulting Peal Load Contributions are then used in the determination of capacity

obligations.” See PPL Main Brief at 54. Section 4.3 is inapplicable and unpersuasive regarding the calculation of transmission obligations.

The only precedent cited by PPL that relates to allocation of transmission costs also fails to support PPL's 5 CP methodology. PPL avers that FERC affirmed that transmission providers may adopt alternate allocation proposals. See PPL Main Brief at 54 citing *PJM Interconnection L.L.C. and Virginia Electric and Power Company*, 169 FERC ¶ 61,041 (Oct. 17, 2019). However, FERC did not proclaim alternate allocation proposals to be universally preferable. Rather, FERC only determined that alternative allocation proposals "may have merit" and "will be evaluated on a case-by-case basis and decided on their merits." See *id.* As discussed in the subsequent sections, PPL has not established a cost causation basis for continued use of the 5 CP for the NSPL calculation.

#### **E. PPL's 5 CP Methodology Conflicts with Cost Causation Principles.**

PPL's Main Brief fails to overcome the inherent mismatch between PPL's use of the 5 CP to allocate transmission costs to individual customers and PJM's use of the 1 CP to determine the per/MW NITS rate. As presented in PPLICA's Main Brief, cost causation supports directing PPL to calculate customers' NSPL using the 1 CP in order to ensure the same annual system peak driving the transmission costs charged to LSEs also determines the transmission costs ultimately allocated to the individual customers.

In attempting to support its position that a 5 CP comports with costs causation principles, PPL principally argues that a "season-neutral" methodology must be approved to ensure all customers pay a fair share of transmission costs. PPL Main Brief at 58. In other words, PPL claims that the allocation of transmission costs must encompass both a summer and a winter peak in order to capture customers' cost responsibility. However, PPL provided no empirical analysis to support its claim that transmission costs are caused by "peak demands occurring throughout the



year" as opposed to the actual system peak. PPL Main Brief at 56-57. PPL's conclusory and circular restatements of its beliefs are insufficient to overcome the reality that the system demand used by PJM to calculate the underlying transmission rate is measured at the 1 CP. *See id., but cf.* PPLICA Main Brief at 7.

Apparently recognizing the paucity of record evidence supporting its cost causation argument, PPL pivots its focus to various technical and implementational matters purportedly precluding adoption of the 1 CP approach used by PJM, including suggesting that the 1 CP cannot be adopted because the sum of the customers meters will never precisely match the system peak demand. PPL Main Brief at 57. These arguments must be dismissed as red herrings. PPLICA does not suggest adopting the 1 CP will entirely eliminate the need for scaling to ensure the sum of customer meters matches the single system peak to the last decimal. However, application of the 1 CP to set customers' NSPLs will more closely align the transmission charges to PPL's customers with their contributions to the demand inputs applied by PJM to set the per/MW NITS rate.

**F. PPL's Rate Stability Argument is Unsupported by the Record and Insufficient to Overcome Application of Cost Causation Principles.**

The entire premise of PPL's claim that adoption of the 1 CP would create significant cost swings arises from unfounded factual assertions and should be rejected on such basis. As indicated above, PPL has failed to support its allegation that transmission costs are driven by multiple peaks rather than the single system peak.

The Commission should give no weight to the extra-record factual assertions deployed in PPL's Main Brief. PPL argues that the 1 CP methodology would omit seasonal use from some of PPL's large customers, such as ski resorts. None of PPL's witnesses in this proceeding testified to the composition of PPL's seasonal customer base or discussed the example of ski resorts set forth

in PPL's Brief. PPLICA had no opportunity to test PPL's allegations that certain large customers would have "little to no use of the transmission system during the summer." PPL Main Brief at 59.

PPL also asks the Commission to consider that "FERC has specifically recognized that reducing rate volatility is a legitimate basis for selecting an appropriate cost allocation methodology." PPL Main Brief at 59 *citing PJM Interconnection, L.L.C. and Virginia Electric and Power Company*, 172 FERC ¶ 61,054 at Paragraph 46 (2020) (*Dominion*). However, as discussed in PPLICA's Main Brief, PPL has declined to voluntarily submit its 5 CP methodology to FERC as an Attachment M-2 to the Open Access Transmission Tariff. Amtrak Order at ¶ 61,163. The Commission should not entertain PPL's request to adopt conclusions reached by FERC based on an evidentiary record entirely absent from this docket. Rather, the Commission should exercise its concurrent jurisdiction to further the policy objectives set forth in the Initial Investigation Order and encourage positive customer behaviors such as reducing load during RTO peaks. Initial Investigation Order at 3.

**G. PPL's Opposition to the 1 CP is Rooted Not in Cost Causation, But in a Misconstrued and Narrow Assessment of the Impact of Peak Load Reductions on Transmission Costs.**

PPL goes to great lengths to portray the positions of PPLICA and the aligned arguments from IECPA as inherently malicious and intended solely to avoid costs for which they should be responsible. Despite the repeated attacks on PPLICA and IECPA, PPL fails to support its premise that reducing load during the annual system peak has no impact on transmission costs and instead continues to rely on conclusions from a FERC case developed on a different evidentiary record. The Commission should recognize that incentivizing load management during PPL's system transmission peak may not immediately impact the transmission costs for that period, but would impact PPL's future transmission planning and long term transmission investments.

PPL's principal cost causation argument, that load reductions achieved during the single peak hour fail to account for customers' impact on transmission costs, lacks record support. The Company claims "[i]t is undisputed that a 1 CP methodology makes it easier for a customer to reduce usage during the single period used to allocate costs, resulting in the customer paying lower transmission rates, while not actually reducing that customer's cost impact on PPL Electric's system." PPL Main Brief at 61. However, both witnesses for PPLICA and IECPA strongly disputed this very assertion. PPLICA witness Peters avers that load management "reduces peak load on the transmission system which avoids *longer term* costs for all customers by pushing out or eliminating the need for costly transmission upgrades." PPLICA Statement No. 1 at 6 (Emphasis added). IECPA witness David Ciarlone similarly observes that "[b]ecause PJM *plans and structures* its transmission system to meet the single CP for each customer, and thus allocates costs to LSEs on this basis, PPL's methodology arguably violates the principle of cost causation... ." IECPA Statement No. 1 at 7 (Emphasis added). PPL continually alleges that load reductions during the system peak have no impact on its current transmission costs, but fails to address the impact on PPL's future transmission costs.

In weighing the record evidence, the Commission should also consider that PPL bears the burden of proof as to the reasonableness of its 5 CP methodology and cannot meet that burden simply by objecting to the possibility that modifying the rate design to reflect cost causation may result in some subset of customers paying a smaller share of the system's transmission costs than others. While continually demanding cost of service studies and rate impact projections from PPLICA and IECPA, PPL has not identified any cost of service study in this or any prior proceeding supporting its claim that the 5 CP methodology accurately aligns cost allocation with cost causation. Instead, PPL engages in a results-oriented resistance to any rate design change that

would facilitate load management by entities with capacity to engage in such activity. The fact that PPL has employed the 1 CP approach for many years is no basis for continued reliance on a cost allocation method that distorts the transmission rate allocated to the LSEs in order to achieve PPL's preferred outcome. Because PPL has failed to meet its burden of proving the 5 CP methodology aligns transmission cost allocation with cost causation, the Commission should direct PPL to modify its NSPL calculation to incorporate the 1 CP used by PJM to calculate the NITS rate.

### III. CONCLUSION

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

- (1) Adopt the recommendations in PPLICCA's Main and Reply Briefs;
- (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;
- (3) Direct PPL to publish its PLC and NSPL calculations in its PUC tariffs; and
- (4) Grant any additional relief necessary and appropriate to carry out the recommendations herein.

Respectfully submitted,

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